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**UNIVERSITY OF SOUTHAMPTON**

FACULTY OF BUSINESS & LAW

School of Management

**Sustainable Corporate Entrepreneurship: Insights from Pakistan**

by

**Muhammad Atiq**

Thesis for the degree of Doctor of Philosophy

June 2014



UNIVERSITY OF SOUTHAMPTON

## **ABSTRACT**

FACULTY OF BUSINESS & LAW

School of Management

Thesis for the degree of Doctor of Philosophy

### **SUSTAINABLE CORPORATE ENTREPRENEURSHIP: INSIGHTS FROM PAKISTAN**

Muhammad Atiq

Sustainable corporate entrepreneurship (SCE) is the process of taking an opportunity-centred approach to latent and manifest social and/or environmental problems in order to create shared value, i.e. value for the business and society simultaneously. In practice, this means launching green products, conserving the use of natural resources, educating stakeholders, engaging in trust-building activities, greening of the supply chain, showing concern for employees, and producing products in response to unmet societal needs. SCE is an emerging field, which has been mostly studied in the context of individual entrepreneurs and small businesses in developed countries. This research aims to demonstrate the importance of SCE in creating shared value in the context of a developing country. I adopt a social constructionist approach in order to reveal how corporate managers construct their reality regarding what SCE means to them, and how and why they enact this socially constructed reality in their social world. Thus, this study makes a methodological contribution by revealing the social construction of SCE, as social constructionism has not been adopted in previous studies to explore the process of SCE.

I explore the process of SCE by drawing on case studies of nine corporations across three sectors of oil marketing, pharmaceuticals, and food and beverages in Pakistan. Empirically, this study draws on 34 semi-structured interviews conducted with the managers of four local companies and subsidiaries of five leading multinational companies operating in Pakistan. This

thesis demonstrates important sectoral differences in the SCE approach of each of the sectors analysed, by developing a conceptual map of SCE for each sector, in addition to revealing significant differences in the SCE approach of local and multinational companies. Thus, the study contributes to the existing knowledge on SCE by highlighting the context sensitivity of the process of SCE, which extant research on SCE fails to recognize. Moreover, extant research on SCE only focuses on the outcome of SCE initiatives and neglects the contextual challenges of engaging in the process of SCE. Through this research, I also highlight important contextual challenges faced by the case companies in creating shared value. Thus, this thesis moves the field of SCE forward by empirically operationalizing the concepts of SCE and shared value, identifying sectoral differentials of SCE approach within a developing country and describing the contextual challenges of engaging in SCE practices, which remain un-explored in extant research on sustainable entrepreneurship.

Despite the above mentioned contributions to knowledge, the study has its limitations. This thesis relies heavily on interviews of corporate managers who may engage in impression management, i.e. making big claims regarding their company's involvement in SCE. Secondly, the study is confined to how corporate managers construct their reality regarding the process of SCE. The general public's views about the SCE initiatives of the case companies were not taken in to consideration. Hence this thesis does not present the entire picture of how SCE is practised by companies and perceived by consumers in Pakistan. Future research could address these limitations by exploring the perceptions of the general public towards the SCE initiatives of the case companies in the current study.

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# Declaration of Authorship

I, Muhammad Atiq

declare that this thesis titled

Sustainable Corporate Entrepreneurship: Insights from Pakistan

and the work presented in it are my own and has been generated by me as the result of my own original research.

I confirm that:

1. This work was done wholly or mainly while in candidature for a research degree at this University;
2. Where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;
3. Where I have consulted the published work of others, this is always clearly attributed;
4. Where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work;
5. I have acknowledged all main sources of help;
6. Where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;
7. Parts of this work have been published as:

## Peer-reviewed Paper Publication

- ATIQ, M. & KARATAS-OZKAN, M. 2013. Sustainable Corporate Entrepreneurship from a Strategic CSR (Corporate Social Responsibility) Perspective: Current Research and Future Opportunities. *International Journal of Entrepreneurship and Innovation*, 14, 5-14.

## Forthcoming Book Chapter Publication

- Atiq, M. 2014. The Practice of Strategic Corporate Social Responsibility (SCSR) by European MNCs in a Developing Country: A Case Study of Four European MNCs. In: KARATAS-OZKAN, M., NICOLOPOULOU, K. & OZBILGIN, M.F. (eds.) *Corporate Social Responsibility and Human Resource Management: A Diversity Perceptive*. Edward Elgar Publishing. (Forthcoming)



## Peer-reviewed Conference Paper Presentations

- Atiq, M. and Karatas-Ozkan, M. (2011) Sustainable Corporate Entrepreneurship in Pakistan. In: 1<sup>st</sup> International Conference in Entrepreneurship, Innovation and SMEs, Caen, FR, 04-05 Nov 2011.
- Atiq, M. and Karatas-Ozkan, M. (2011) Sustainable Corporate Entrepreneurship (SCE) in the Pharmaceutical Sector of Pakistan. In: 2<sup>nd</sup> International Conference in Socially Responsible and Sustainable Entrepreneurship and Innovation, Southampton, GB, 24-25 October 2012.

Signed: .....Muhammad Atiq.....

Date: .....June 2014.....

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# Glossary

<b>CSR</b>	Corporate Social Responsibility
<b>GoP</b>	Government of Pakistan
<b>IPPs</b>	Independent Power Producers
<b>MNC</b>	Multinational Corporations
<b>SCE</b>	Sustainable Corporate Entrepreneurship
<b>SCSR</b>	Strategic Corporate Social Responsibility



# **Chapter 1: Introduction – An Overview of the Thesis**

## **1.1 Introduction**

The purpose of this chapter is to present an overview of the thesis, which is concerned with generating insights into the process of sustainable corporate entrepreneurship in the context of a developing country, namely Pakistan. The chapter begins with an explanation of the main idea of this thesis, followed by the articulation of the research aim and questions of the study. Thereafter, the research methodology is briefly explained, followed by a discussion of gaps in existing knowledge and how my thesis moves the field of SCE forward. Finally, the structure of the thesis is presented. Thus, this chapter familiarizes the reader with the research topic and its importance, including how it was conducted, and division of the thesis into different chapters.

## **1.2 Main Idea of this Research**

Sustainable corporate entrepreneurship (SCE) is a timely and dynamic subject domain, which is at the interface of entrepreneurship and corporate social responsibility (CSR). SCE is the process of value creation - value not only for the business in the shape of increasing profitability but value creation for society as well in the form of improved living standard of the members of society. Hence, it is not wrong to assume that SCE is the process of shared value creation, which benefits not only business organizations but also society, simultaneously. Miles *et al.* (2009) define SCE as ‘the process of leveraging innovation of an organization’s products, processes, strategies, domain, or business models to discover, assess and ultimately exploit attractive economic opportunities created by latent and manifest environmental problems and /or social responsibility issues’ (p. 69). Atiq and Karatas-Ozkan (2013) argue that SCE not only entails innovation but also carries downside risk and requires pro-activeness on the part of the practising organization. They offer the following definition of SCE: ‘Sustainable entrepreneurship is the process of embedding sustainability in the business operations of a company. It is driven by an

entrepreneurial approach (an opportunity-centred approach –innovativeness, pro-activeness and risk taking) in order to generate shared value’ (p. 46). Sustainability implies being economically, socially and environmentally responsible in business operations. Increased stakeholder activism (Klassen and Whybark, 1999) has forced corporations to accept that reducing their negative impact on the natural environment and making a contribution to society must become part of their responsibilities, alongside profit generation for their shareholders. SCE is the pursuit of such business opportunities that reduce the negative impacts of company operations on the natural environment, improve the living standards and well-being of the people that the company deals with, and increase the corporate profitability by improving corporate reputation and brand image.

### **1.3 Research Aim and Questions**

The study seeks to contribute to the intersecting domains of entrepreneurship and CSR by demonstrating the importance of sustainability and social responsibility in creation of shared value, in the context of large organizations operating in a developing country. The overall aim is to generate insights into sustainable corporate entrepreneurial activities as exercised by multinational and local companies in Pakistan, within selected key sectors of the economy. Based on this overall aim, the study seeks to address the following research questions:

1. Why is sustainable corporate entrepreneurship becoming so important for corporations in key sectors of the economy in a developing country like Pakistan?
2. How can sustainable corporate entrepreneurship result in the creation of shared value for corporations as well as society? Are there any sectoral differentials?
3. What are the challenges faced by the case corporations in the selected sectors with regards to the practice of sustainable corporate entrepreneurship in Pakistan?

4. What are the differences in sustainable corporate entrepreneurship practices between national and multinational corporations in the context of Pakistan?

## **1.4 Research Methodology**

Research methodology concerns itself not only with the research methods used in a particular study, but also with the underpinning research paradigm, research design, and sampling strategy of a study. The research paradigm adopted for the purposes of this study is social constructionism. Social constructionism is concerned with how meaning 'is socially (and variously) constructed, sustained, modified and negotiated' (Lock and Strong, 2010, p. 10). For Schwandt (2003), social constructionism means that 'human beings do not find or discover knowledge so much as we construct or make it. We invent concepts, models, and schemes to make sense of experience, and we continually test and modify these constructions in the light of new experience' (p. 305). Social constructionism seeks to understand how humans make sense of their world as they act and interact with each other in meaningful ways. As such, social constructionism is concerned with the social processes that enable humans to construct their reality and to make sense of the world around them. Social constructionism is not about explaining and predicting human behaviour and human experiences; rather it is about understanding human experiences and behaviours in their particular socio-cultural context (Anderson and Warren, 2011). Social constructionism was adopted for the purposes of the study because I wanted to understand the process of sustainable corporate entrepreneurship from the perspective of those social actors, i.e. corporate managers, who are involved in the design and implementation of such dynamic and socially complex entrepreneurial and sustainable initiatives.

The current study was conducted in the context of a developing country, Pakistan. Like most developing countries, Pakistan is characterized by political instability, uncertainty, and less than favourable contextual conditions. Qualitative multiple case study design, mainly influenced by the work of Stake (1998; 2006) was applied in this study. Owing to the nature of the research



questions, I examined the practice of sustainable corporate entrepreneurship within different multinational and local corporations. Therefore, qualitative multiple case study design was adopted for the purposes of this study. Based on purposive sampling, nine companies across the three sectors of oil marketing, pharmaceuticals, and food and beverages were selected as case companies. Out of the nine case corporations, five are multinational corporations and four are local corporations. All the case companies are rich cases (Patton, 2002) that exemplify the topic under study. 34 semi-structured interviews across the nine case companies were conducted to obtain primary data for the purposes of the study. Additionally, secondary data was also collected in the form of publicly available documents of the case companies, and their websites were also scanned for relevant entrepreneurial and CSR information. Qualitative data analysis was conducted based on the work of Creswell (2009) grounded in the 'Description, analysis and Interpretation' (DAI) framework of Wolcott (1994). Writing up is an integral part of the DAI framework, and the thesis was constructed as the literature and data were interpreted and chapters evolved.

## **1.5 Gaps in Knowledge and Overall Value of the Research**

A review of pertinent literature on SCE (see Chapter 2 for literature review) reveals following gaps in existing knowledge of the field:

- Majority of previous studies on SCE ignore social responsibility of businesses and approach sustainable entrepreneurship from the perspective of environmental responsibility only
- Previous studies incorporating social responsibility alongside environmental responsibility, as key components of sustainable entrepreneurship, are conceptual in nature and tend to be prescriptive
- Extant research focuses on small firms and individual entrepreneurs in the context of developed countries and neglects the role of large corporations in leading to sustainability

- Lack of empirical operationalization of the concepts of SCE and shared value in the context of a developing country
- Previous studies do not discuss and view SCE as being context sensitive
- The conceptualization of strategic CSR (SCSR) limited to strategic philanthropy only
- Lack of studies applying social constructionist approach to explore the phenomenon of SCE
- Lack of discussion in extant research on the contextual challenges of implementing sustainable entrepreneurial initiatives in the context of a developing country

My thesis contributes to knowledge and moves the field of SCE forward by addressing the above identified gaps in existing knowledge of SCE. This is the first study, which:

- explores the SCE initiatives of large companies in the context of a developing country by incorporating both social responsibility and environmental responsibility as key components of sustainability
- provides clarification and empirical operationalization of the concepts of SCE and shared value in the context of a developing country
- highlights the context sensitivity of the process of SCE by identifying sectoral differentials of SCE approach within a developing country
- empirically demonstrates how SCSR is more than just strategic philanthropy, by describing what SCSR means and how it is practiced by large companies in the context of Pakistan
- applies social constructionist approach to explore the sustainable entrepreneurial practices of large corporations in the socio-cultural

context of Pakistan, which has not been applied in previous studies on SCE

- highlights contextual challenges faced by large corporations with regards to the execution and implementation of sustainable entrepreneurial initiatives in the context of Pakistan

On the basis of aforementioned reasons, this study merits special attention from management scholars, educators, corporate managers and management consultants, as it generates insights into the process of SCE, and its potential in creating and sustaining shared value.

## 1.6 Structure of the Thesis

This thesis comprises seven chapters. These are:

**Chapter 1:** Introduction – An Overview of the Thesis

**Chapter 2:** Literature Review – Key Conceptual and Theoretical Debates: this chapter presents a critical review of conceptual and theoretical debates surrounding entrepreneurial process, CSR and sustainable corporate entrepreneurship. Working definitions of entrepreneurship, corporate entrepreneurship, sustainable entrepreneurship and CSR are presented in this chapter. The chapter also highlights and discusses the conceptual framework adopted for the purposes of this study.

**Chapter 3:** Research Methodology: in this chapter, the underpinning research paradigm of this study, research context, research design, sampling, data collection methods, research ethics, and method adopted for the purposes of analysing data are discussed. Additionally, a reflexive account of my profile and the measures taken to establish the trustworthiness of the current study are also presented in this chapter.

**Chapter 4: Case Accounts:** this chapter presents the empirical data collected for the purposes of this study in the form of individual case accounts. As elaborated in section 1.4, nine corporations across the three key sectors of economy were selected as case organizations. This chapter presents the case narratives of each of the nine case corporations, which are structured by the themes that emanated from the data guided by the research questions of the study.

**Chapter 5: Comparative Case Analysis:** this chapter presents the differences in the SCE practices of multinational and local companies, and also highlights sectoral differentials regarding the approach to SCE. Sectoral maps of SCE for each sector are also developed and presented in this chapter, leading to the identification of important sectoral differentials of how corporations in each sector approach SCE.

**Chapter 6: Sustainable Corporate Entrepreneurship (SCE) in a Developing Country's Context:** this chapter presents and discusses the theoretical framework derived inductively from the empirical data collected and analysed for the purposes of the current study. Each component of the theoretical framework is discussed in light of the existing theory.

**Chapter 7: Conclusions:** in this chapter, conclusions, based on the findings of the study are presented and discussed. The chapter also describes in detail, how I move the field of SCE forward through this thesis. Limitations and future research possibilities are also discussed in this chapter.

## **1.7 Conclusion**

This chapter provided the readers with a brief overview of the main idea of this thesis. Sustainable corporate entrepreneurship's importance as a timely and dynamic field and as a social process of shared value creation was emphasized. The overall research aim and research questions of the current study were specified, and the methodology employed to address the research questions of this study was briefly touched upon. Gaps in existing knowledge of the field were highlighted followed by the contributions made by this thesis to existing knowledge on SCE. Thus, this chapter provides the foundation for the next chapter, which is the literature review, wherein a critical review of the relevant literature has been executed in a systematic way.

# Chapter 2: Literature Review – Key Conceptual and Theoretical Debates

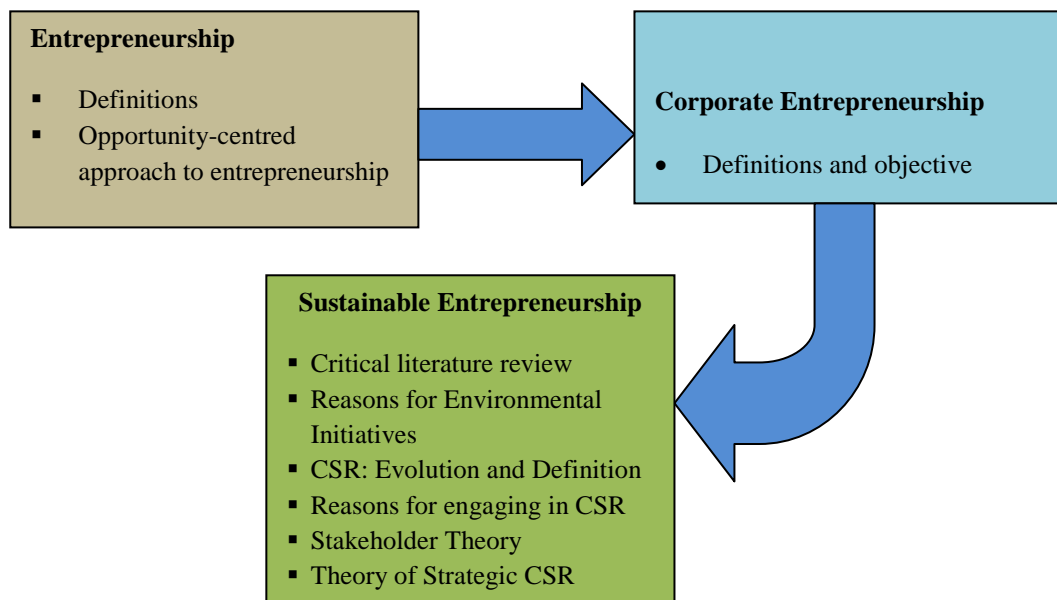
## 2.1 Introduction

A literature review is carried out to find the contributions made by other scholars and researchers in the area of research chosen by a researcher. It is a useful way to appreciate the complexities involved in the chosen area of research and methods of tackling them. A literature review should be carried out critically to find the gap in existing knowledge that a researcher can address, and can thus make a contribution to knowledge. A literature review helps in developing conceptual framework, research objectives, research questions, and methodology. For these reasons, it is appropriate to conduct a thorough review of the literature before collecting and analysing data.

This chapter presents a review of existing literature that is relevant to this study. An attempt has been made to review the literature critically in order to find gap in the existing knowledge regarding sustainable corporate entrepreneurship. The literature review in this chapter is centred on three themes, as shown in Figure 2.1. Theory of entrepreneurship, as the broad area of interest, is reviewed first, from an opportunity-centred approach to entrepreneurship. This discussion then leads to a review of corporate entrepreneurship's definitions and objectives, as the case organizations of the current study are corporations. Subsequently, sustainable corporate entrepreneurship, which is the topic of the current study, is reviewed by highlighting how it transformed over time from being approached only from a natural environment perspective to being conceptualized as the environmental, social and economic responsibilities of the corporations. The focus of the present study is on corporations as they have bigger societal impact as compared to SMEs because of their large size, vast resources and wide product use. Moreover, the role of corporations in leading to sustainable development is under-researched in the extant research on sustainable entrepreneurship. For these reasons, the current study focuses on sustainable entrepreneurship in the context of large corporations. Figure 2.1 also shows the sub-topics

under each theme of the literature review. Hence, it can be stated that the literature review has been undertaken in a 'general to particular' manner.

Certain parameters were set for the literature review in order to produce the most relevant and good quality literature review. Journal papers were searched using the ISI Web of Knowledge database and Google Scholar database, using the key words CSR, stakeholder theory, sustainable entrepreneurship, strategic CSR, entrepreneurship, and corporate entrepreneurship. The journal papers reviewed were selected from academic journals that have an impact factor greater than 1.0, in order to have confidence in their quality. In addition to journal papers, relevant books were also searched for literature review. The cut-off date for the literature review has been set at 1973, because of Kirzner's work which holds much importance for entrepreneurship and presents a school of thought within the economic perspective of entrepreneurship.



**Figure 2.1: Themes of Literature Review**

## 2.2 Defining Entrepreneurship

Entrepreneurship can be defined as a process that helps in getting profits from novel, distinctive, and valuable combinations of resources in an uncertain and vague environment (Amit *et al.* 1993). Stevenson and Jarillo (1990, p. 23) define entrepreneurship as ‘the process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources they currently control’. Whereas Stevenson and Jarillo (1990) emphasize opportunity, Amit *et al.* (1993) put the stress on resources in their definition of entrepreneurship. This concept of opportunity as a vital component of entrepreneurship is taken further by Shane and Venkataraman (2000), who see entrepreneurship as a connection of two phenomena: one is the presence of profitable opportunities, and the other is the presence of creative individuals. They define entrepreneurship research as ‘the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited’ (Shane and Venkataraman, 2000, p. 218).

Another definition, provided by Eckhardt and Shane (2003, p. 336) is that ‘Entrepreneurship is the discovery, evaluation, and exploitation of future goods and services’. Hence, the perspective taken on entrepreneurship by Shane and Venkataraman (2000) and Eckhardt and Shane (2003) reflects entrepreneurship as the study of discovery, evaluation and exploitation of opportunities. Stokes *et al.* (2010, p. 8) take a step further and define entrepreneurship as ‘a societal phenomenon or process of change, comprising the following three behavioural components:

1. The identification, evaluation, and exploitation of an opportunity.
2. The management of a new or transformed organization so as to facilitate the production and consumption of new goods and services.
3. The creation of value through the successful exploitation of a new idea (i.e. innovation)’.



Taking into account the above definitions, in this study, entrepreneurship is defined as a process of producing something of value which is novel and transformational in the face of uncertainty, through the formation of a new organization, or inside an existing organization, by identifying, evaluating, and exploiting an opportunity. Entrepreneurship is essentially a value creation process, which means the generation of profit for the entrepreneurial firm (cf. Dess *et al.*, 2003; Stokes *et al.*, 2010). However, for the purposes of this study, a broad view of value is taken and it is defined as profit generation for the corporation as well as employment and income generation opportunities for the local community, incentive and benefits for employees and improved life style of societal members as a consequence of entrepreneurial initiatives of the corporation. Since the end product of an entrepreneurial initiative is a new and, at times, transformational product, there is uncertainty regarding its success or failure. Entrepreneurship requires the identification of opportunities, followed by the evaluation and exploitation of opportunities. This latter argument, indeed, is the perspective of economists like Israel Kirzner, regarding entrepreneurship, and is explained in detail in the following section.

### **2.3 Opportunity-Centred Approach to Entrepreneurship**

Opportunity-centred approach is concerned with the production and exploitation of opportunities (Gartner *et al.*, 2003; Stokes *et al.*, 2010) to create and enhance economic value of the firm. Van De Ven *et al.* (2007) suggest that entrepreneurial opportunities have become a significant topic of entrepreneurship research. Stevenson and Jarillo (1990) define an opportunity as a 'future situation which is deemed desirable and feasible' (p. 23). Van De Ven *et al.* (2007) posit that entrepreneurial opportunities are more likely to emerge from a consideration of both self and collective interests by the entrepreneur in a new venture creation process. However, a profound knowledge of an industry (Stokes *et al.* 2010), previous entrepreneurial experience and transaction costs of enforcing property rights (Foss and Foss, 2008) can also offer an entrepreneur numerous opportunities for innovation. Changes in the business environment, and stakeholder demands can also serve as important sources of opportunities (Shepherd and Patzelt, 2011; Schaltegger and Wagner, 2011).

Different perspectives on the existence of entrepreneurial opportunities can be found in the extant literature. Table 2.1 lists the main perspectives on opportunities and the scholars who gave prominence to these perspectives.

Perspective on Entrepreneurial Opportunities	Key Authors
Opportunity discovery	Kirzner (1973)
Opportunity as cognition	Shackle (1979)
Opportunity enactment	Gartner <i>et al.</i> (2003)
Opportunity creation	Sarason <i>et al.</i> (2006)
Opportunity as social construction	Wood and McKinley (2010)

**Table 2.1: Perspectives on entrepreneurial opportunities**

The existence of opportunities is an objective phenomenon, which is not visible to every individual in society (Kirzner, 1973). Hence, an entrepreneur will be that person who demonstrates alertness to opportunities, and will exploit them as and when discovered. This perspective is known as the ‘opportunity discovery’ perspective in the literature (c.f. Miller, 2007; Mitchell *et al.*, 2008). Kirzner (1973) contends that it is necessary that, after an opportunity has been discovered, it must be exploited. But not all opportunities that are discovered are exploited, and not all individuals who have discovered an opportunity decide to exploit that opportunity. Shane and Venkataraman (2000) offer two reasons for this: (1) the nature of opportunity; and (2) the characteristics of the individuals who have discovered the opportunity. They argue that if the opportunity can generate profit in excess of the cost of pursuing it, has greater demand and high profit margins, then it is more likely to be exploited. Alternatively, individuals who have a capacity for risk-taking, have greater financial capital, can transfer information from prior experiences to the current opportunity, are optimistic, and, having a positive frame of mind, are more likely to exploit an opportunity that they discover. Shepherd and Patzelt (2011) maintain that the desirability and feasibility of an opportunity also affect its exploitation.

Opportunity discovery perspective is not the only perspective concerning opportunities. Shackle maintains a completely different view about the existence of opportunities. Shackle (1979) argues that opportunities exist in the entrepreneur's imagination. He contends that what humans can do immediately is to think. Humans imagine what is possible in the future, and make a choice about a possible course of action. In other words, Shackle (1979) maintains that entrepreneurs think about and imagine opportunities and then choose between them. Choice is necessary because humans have limited resources, and consequently they must commit their scarce resources to a specific course of action. Hence, when an entrepreneur makes a choice between opportunities, then the entrepreneur commits specific resources to the chosen course of action, and thus forms an enterprise, which is defined by Shackle (1979, p. 140) as 'Enterprise is action in pursuit of imagination'. Thus, it can be concluded that Shackle views opportunities as being imagined by the entrepreneur, and the exploitation of an opportunity means to him, firstly, choosing among the competing opportunities, and secondly, the formation of an enterprise, which requires commitment of specific resources.

Another perspective about entrepreneurial opportunities, which is closely related to Shackle (1979)'s perspective is an 'opportunity enactment' perspective. Gartner *et al.* (2003) suggest that this perspective originates from strategic identity and organization theory literatures. They maintain that: 'In the opportunity enactment perspective, opportunities are seen to emerge out of the imagination of individuals by their actions and their interactions with others' (p. 105). In other words, opportunities *occur* as a consequence of the routine activities and actions of individuals; it is about sense-making, i.e. how individuals make sense of their actions and the environment surrounding them. Klein (2008) also suggests that entrepreneurial opportunities reside in the imagination of the entrepreneur, and they are neither created nor discovered because they are essentially subjective in nature.

A fourth perspective about the existence of opportunities is the 'opportunity creation' perspective. Sarason *et al.* (2006) contend that opportunities are created by entrepreneurs as they interact with, reflect, monitor and influence

their economic and social worlds. In Sarason *et al.* (2006)'s framework, opportunities are not assumed to be static and objective phenomena, but rather are viewed to be dynamically created by entrepreneurs as they work through time and space. Furthermore, they contend that '*Opportunities do not exist as singular phenomenon but are idiosyncratic to the individual*' (p. 294, italics in original). This means that different entrepreneurs are not pursuing the same opportunity with different interpretations, but since individuals uniquely perceive their economic and social worlds, they therefore, create their own opportunity, based on their unique interpretation of the world. This is in stark contrast to the work of Shane and Venkataraman (2000), who argue that opportunities occur as singular and different individuals differently perceive that singular opportunity.

The above discussed perspectives on entrepreneurial opportunities ignore the importance of social actors in the production and exploitation of opportunities and focus solely on the entrepreneur. The support of social actors (e.g. peers of the entrepreneur, suppliers, potential investors etc.) is crucial in exploiting an opportunity (Fletcher, 2006), especially in the context of large organizations, which are sites of collective activity and individuals depend on their peers for exploiting an identified opportunity. Therefore, there is a need for applying a constructivist paradigm to the production of entrepreneurial opportunities, rather than the objective view taken by most entrepreneurship scholars, as suggested by Wood and McKinley (2010). Taking further the opportunity enactment perspective of Gartner *et al.* (2003), and by using a constructivist lens, Wood and McKinley (2010) suggest that opportunity production is a three-stage process, consisting of: opportunity idea, opportunity objectification, and opportunity enactment. They contend that opportunities occur as ideas in the cognitions of entrepreneurs, which need to be tested for their viability. Entrepreneurs imagine their opportunities, which, at this stage, can be termed as opportunity idea. Entrepreneurs take their opportunity ideas to their peers, who may be family members, friends, or former work associates. This stage can be called the objectification stage, because it is here that the entrepreneur will test the feasibility of his/her idea through communicating with peers. If there is general consensus among peers of the entrepreneur regarding the viability of the opportunity idea, then the

opportunity is more likely to be objectified for the entrepreneur, and vice versa. This reduces uncertainty for the entrepreneur, as he/she receives the support of his/her peers who believe that the opportunity can be successfully enacted. After the objectification of entrepreneurial opportunity, the entrepreneur will start developing a coalition which can provide resources for the new venture. This coalition includes potential investors, suppliers, employees, customers, and providers of technologies. The entrepreneur will influence the coalition members referred to as stakeholders by Wood and McKinley (2010), in order to get their support for the envisioned future. However, at this stage the social ties and reputation of the entrepreneur will strongly affect the consensus building among the stakeholders. If the entrepreneur is able to influence the consensus building among stakeholders through his/her social ties and reputation, the objectified opportunity is more likely to be enacted.

An opportunity can be abandoned between the conceptualization and the objectification stage, and the objectification and enactment stage. The reasons for abandonment of an opportunity can be inadequate objectification and shortage of resources, due to peer and/or stakeholders' opposition. However, Wood and McKinley (2010) assert that the more experienced an entrepreneur, and the larger the entrepreneurial team, the less likely it is that they will depend on outside peers for objectification of the opportunity idea. This raises an important point that the discovery perspective is not entirely mistaken. As suggested by Wood and McKinley (2010, p. 78) 'for the experienced entrepreneur, Kirzner (1973)'s concept of alertness may more closely describe opportunity objectification than our model of objectification through peer consensus'. The current study also holds on to this constructivist theory of opportunity production, as this perspective acknowledges the importance of social actors and the entrepreneur in co-creating the entrepreneurial opportunity, which other perspectives on opportunity production fail to recognize.

Entrepreneurship is such a phenomenon that is not just limited to small and medium sized start-ups. It is a phenomenon to be found in many different

contexts and settings, which certainly include large corporations. This leads to a discussion of corporate entrepreneurship, followed by a review of sustainable corporate entrepreneurship in the next section.

## **2.4 Sustainable Corporate Entrepreneurship as an emerging concept in Corporate Entrepreneurship**

Before discussing sustainable corporate entrepreneurship, it is important to define corporate entrepreneurship and its objectives. Essentially, corporate entrepreneurship concerns itself with the study of entrepreneurial behaviours and actions within an existing corporate set-up. Corporate entrepreneurship can be described as a phenomenon that improves organizational competencies and develops opportunities through internally generated innovation (Kearney *et al.*, 2008). Sharma and Chrisman (1999, p. 18) define corporate entrepreneurship as ‘the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization’. Zahra (1991, p. 259) defines corporate entrepreneurship as ‘those activities that enhance a company’s ability to innovate, take risk, and seize opportunities in its markets’. Thus, the synthesis of these definitions is that corporate entrepreneurship is an opportunity-driven process involving innovation and organizational transformation in an existing corporate set-up.

The objective of corporate entrepreneurial activities is to improve the competitive positioning of a corporation and to attain sustainable competitive advantage, as suggested by Covin and Miles (1999). The attainment of this objective requires corporations to introduce value maximizing innovations in their products, markets, processes, technologies and/or business model (Kuratko and Audretsch, 2013). Thus, innovation is vital for engaging in the process of corporate entrepreneurship, and is a key characteristic of entrepreneurial corporations. Nevertheless, there are other key components of corporate entrepreneurship than innovation alone. Extant literature on corporate entrepreneurship suggests that entrepreneurial corporations are not

only innovative, but they also exhibit pro-activeness and risk-taking behaviour (cf. Slevin and Covin, 1990; Barringer and Bluedorn, 1999). This is because seizing an opportunity before the competitors, by taking risk, will lead to improved financial performance in the long run, thus enhancing corporate value and creating competitive advantage. Zahra (1991, 1995) suggests that this opportunity-centred approach to entrepreneurship (i.e. innovativeness, pro-activeness, and risk-taking) leads to superior financial performance of the corporation. Nevertheless, as a consequence of increased stakeholder activism (Klassen and Whybark, 1999; Fombrun *et al.*, 2000), corporations must now pay close attention to their social and ecological impacts, alongside focusing on financial profitability. This leads to a discussion of sustainable corporate entrepreneurship, which is an emerging field and is at the interface of entrepreneurship and corporate social responsibility (CSR).

Recognizing the need that businesses have to be environmentally and socially responsible while maintaining an entrepreneurial focus, Miles *et al.* (2009) present a new framework of corporate entrepreneurship – the Sustainable Corporate Entrepreneurship. They define it as ‘the process of leveraging innovation of an organization’s products, processes, strategies, domain, or business models to discover, assess and ultimately exploit attractive economic opportunities created by latent and manifest environmental problems and /or social responsibility issues’ (p. 69). The authors maintain that sustainability implies environmental management, social responsibility, and economic performance. Each of these components of sustainability should be given equal importance, and one of them should not be promoted at the expense of others. Conforming to sustainability principles can lead the organization in to new profitable ventures along with creating value for all stakeholders (ibid).

However, Miles *et al.* (2009) only focus on innovation, which is just one aspect or component of entrepreneurship. Entrepreneurship comprises not only innovation but also risk-taking and pro-activeness. This is because product innovation involves downside risk, as the product may not do well in the market. Secondly, assessing the customers’ needs and presenting a solution before the competitors can do so (pro-activeness) is necessary for the

entrepreneurial organization to succeed in the market place. Therefore, Miles *et al.* (2009)'s conceptualization of sustainable corporate entrepreneurship does not fully capture the essence of sustainable entrepreneurship.

Another definition of sustainable entrepreneurship, which adopts discovery perspective of opportunity production (see section 2.3) is offered by Cohen and Winn (2007), who define sustainable entrepreneurship as 'the examination of how opportunities to bring into existence 'future' goods and services are discovered, created, and exploited, by whom, and with what economic, psychological, social, and environmental consequences' (p. 35). They suggest that sustainable entrepreneurship can 'move dynamic markets towards equilibrium' (p. 38). This raises an important question that if markets achieve a state of equilibrium, will there be any room for further entrepreneurial, or, for that matter, sustainable entrepreneurial opportunities? This question arises naturally from the work of Kirzner (1973), who strongly proposes that entrepreneurial opportunities can be discovered in markets with a state of disequilibrium.

More recently, another definition of sustainable entrepreneurship is provided by Schaltegger and Wagner (2011), as they conceptualize sustainable entrepreneurship as 'the realization of sustainability innovations aimed at the mass market and providing benefit to the larger part of society' (p. 225). They contend that in order to contribute towards the sustainable development of a society and economy, corporations need to actively engage in sustainable innovations that serve as a solution to society's environmental and social problems. Schaltegger and Wagner (2011) make a significant contribution to the field of sustainable entrepreneurship by developing a framework of sustainable entrepreneurship. Their framework demonstrates that there are three levels of sustainability management that depend on how much priority environmental and social goals receive in an organization. Those firms where sustainability goals receive low priority are, in effect, performing the trustee function by only adhering to governmental regulations. Such firms where sustainability goals receive medium priority, i.e., serve as a supplement to routine business activities, are characterized by formal systems and



departments for environmental and social responsibilities, and incremental innovations in the area of sustainability. Finally, sustainable management becomes sustainable entrepreneurship and is practised by such firms that give high priority to sustainability goals. Such firms pull the market and society towards sustainability by introducing sustainable solutions and actively pursuing these with politicians and society. They exert immense influence on society and politicians because of their breakthrough in environmentally or socially beneficial innovations.

Although Schaltegger and Wagner (2011) make a significant contribution to the field of sustainable entrepreneurship, their conceptualization of sustainable entrepreneurship is questionable, as they neglect that entrepreneurship, in any form and in any size of firm, also requires being pro-active and taking risks. Their framework of sustainable entrepreneurship completely ignores pro-activeness and risk-taking, and just explores the link of sustainable innovation with sustainable entrepreneurship. Any framework of sustainable entrepreneurship should include all three elements of entrepreneurship, and not just one aspect of it. This is because any innovation initiated by a firm requires taking risks and being pro-active, without which the innovation cannot be successful, and the activity cannot be termed as an entrepreneurial activity. The current study seeks to address this issue by adopting an opportunity-centred perspective (i.e. innovativeness, pro-activeness, and risk-taking) of entrepreneurship, as such a perspective can guide corporations and their managers to consider unmet social needs and environmental problems as sources of strategic opportunities.

Extant research on sustainable entrepreneurship reveals that it has been approached from the perspective of natural environment. Table 2.2 below illustrates key studies in the extant literature, which approach sustainable entrepreneurship only through the lens of natural environment while completely ignoring the social responsibility aspect of sustainability.

Authors	Perspective on sustainable entrepreneurship
Menon and Menon (1997)	Enviropreneurial marketing
Lober (1998); Dean and McMullen (2007)	Environmental entrepreneurship
Miles and Covin (2000)	Green marketing
Menguc and Ozanne (2005)	Natural environmental orientation

**Table 2.2: Sustainable entrepreneurship studies adopting a natural environment perspective**

Table 2.2 highlights different terms that have been used in the literature to describe the phenomenon of sustainable entrepreneurship. Menon and Menon (1997) define enviropreneurial marketing as ‘the process for formulating and implementing entrepreneurial and environmentally beneficial marketing activities with the goal of creating revenue by providing exchanges that satisfy a firm’s economic and social performance objectives’ (p. 54). The goals of enviropreneurial marketing are to enhance corporate reputation and to increase sales and profit. They argue that enviropreneurial marketing is driven by corporate entrepreneurship, as it involves risk, and requires pro-activeness and innovation on the part of the corporation. Following Menon and Menon (1997), Miles *et al.* (1999) also stress the importance of ‘Enviropreneurship’, which is the use of entrepreneurial abilities and behaviour to successfully identify, evaluate, and exploit promising environmental opportunities. By engaging in enviropreneurship, an organization can create strong reputational and competitive advantages.

Nevertheless, acting sustainably and taking sustainable entrepreneurial initiatives should be the responsibility of all departments, and not just the marketing function of the corporation. Limiting sustainable entrepreneurship to only the marketing function of an organization is not a sound approach to fully reap its benefits. Besides entrepreneurial vision and foresight on the part of the management, sustainable entrepreneurship also requires the existence

of an entrepreneurial culture that should be embedded in the whole organization, and not just a department or function of the organization. On these grounds, Menon and Menon (1997) 's conceptualization of enviropreneurial marketing is questionable, and raises a key question for the current study, which is whether sustainability initiatives of the case organizations are the remit of their marketing department only, or the responsibility of the whole organization?

While rationalizing the need for environmental or green marketing, Miles and Covin (2000) assert that business organizations are under pressure from different stakeholders, such as government agencies, customers, and strategic partners, to improve their environmental performance and thus reduce their impact on the natural environment. Government agencies are enforcing strict environmental regulations; customers want high quality products that also meet environmental values; strategic partners form alliances with those corporations that have improved environmental performance and strong corporate reputation. All these factors force corporations to adopt environmental marketing, because by adopting this approach they can enhance their reputational advantage, which can result in improved financial and market performance (Miles and Covin, 2000; Gago and Antolin, 2004). Corporations not only have financial responsibilities, but also they have environmental, and social responsibilities, which, combined with credibility, trustworthiness, and reliability of the corporation, can result in the creation of superior reputational advantage for the corporation (Miles and Covin, 2000; Menguc and Ozanne, 2005). Miles and Covin (2000)'s work is also subject to the same critique as that performed on the work of Menon and Menon (1997). This study raises an important question for the current study, which is whether sustainable entrepreneurial initiatives result in any reputational advantage for the case organizations?

Sustainable entrepreneurship in previous studies is also labelled as, and confused with, environmental entrepreneurship. Lober (1998) defines environmental entrepreneurship as 'the creation of new products, services, or organizations to meet environmental market opportunities' (p. 26). Lober

(1998) is of the view that environmental entrepreneurship requires a proactive stance from the corporation and aids in gaining competitive advantage. The author argues that one of the most common forms of environmental entrepreneurship is the production of new products that are able to satisfy the environmental performance criteria, and thus the stakeholders' expectations from the business organization. Lober (1998) mainly focuses on pollution and the resultant opportunities that emerge from it, and hence, provides a limited framework to study sustainable entrepreneurship. Dean and McMullen (2007) also examine environmental entrepreneurship, which is a sub-part of sustainable entrepreneurship. The authors synthesize theory of entrepreneurship with the theory of environmental economics, and suggest that entrepreneurs having environmental orientation can discover opportunities in the environmentally relevant market failures. Thus, by exploiting environmentally relevant market failures, entrepreneurs can earn profit, reduce the negative impacts on the natural environment, and move markets towards sustainability (Dean and McMullen, 2007). However, this study provides a limited framework of analysing sustainable entrepreneurship, as it attempts to study sustainable entrepreneurship only through the lens of environmental entrepreneurship. The current study seeks to address this gap by adopting the definition of sustainability provided by Miles *et al.* (2009) who contend that sustainability implies environmental management, social responsibility, and economic performance. Therefore, sustainable entrepreneurship should be examined in its totality and the focus of research inquiry should not be on just one aspect of sustainable entrepreneurship.

Drawing on the natural resource based view of the firm developed by Hart (1995), a higher order construct of natural environmental orientation (NEO) is proposed by Menguc and Ozanne (2005). The authors contend that NEO encompasses three dimensions, which are: entrepreneurship, corporate social responsibility, and commitment to the natural environment. They believe that an entrepreneurial approach assists the organization in launching unique and novel products to serve the needs of green markets as entrepreneurs take an innovative, proactive and risk-taking approach to the development of such products. Regarding corporate social responsibility, the authors maintain that one of the key issues facing society is the natural environment, and

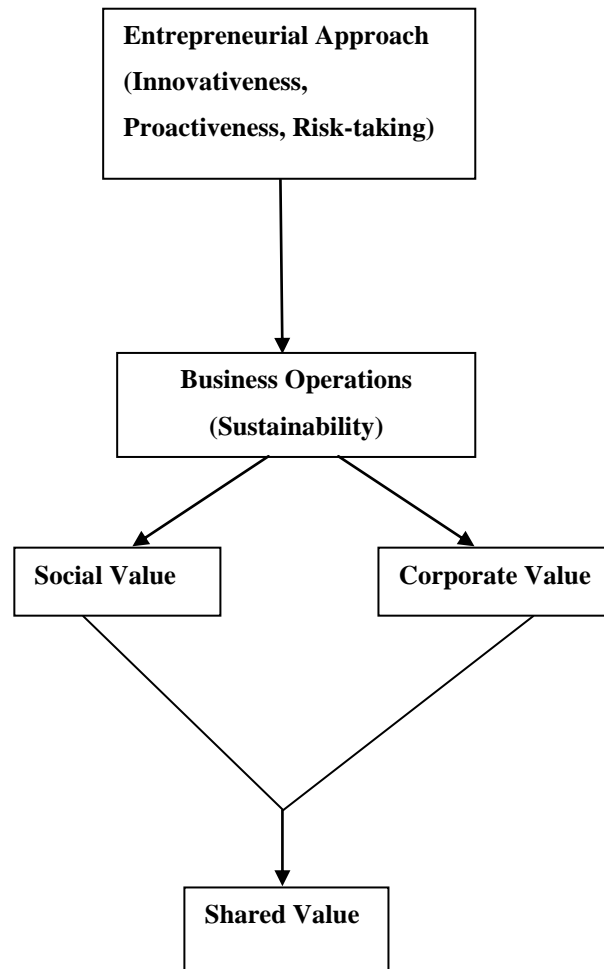
consequently, natural environment is one of the important issues in corporate social responsibility. Finally, the authors define commitment to the natural environment as ‘an organization-wide recognition of the importance of the natural environment that influences organizations to act in ways consistent with the interests of the natural environment’ (p. 433). Thus, these three dimensions of NEO, individually and collectively produce tacit knowledge and skills in the organization that are rare, valuable, and inimitable, leading to the creation of both reputational and sustainable competitive advantage for the organization. The key shortcoming of Menguc and Ozanne (2005)’s study is that they confuse the environmental responsibility of a business with its social responsibility. The current study seeks to address this issue by separating environmental responsibility from social responsibility of the case organizations.

The discourse on sustainable entrepreneurship has moved forward from being simply defined in terms of environmental responsibility to incorporating social responsibility of business in the conceptualization of sustainability (cf. Miles *et al.*, 2009; Parrish, 2010; Atiq and Karatas-Ozkan, 2013). Parrish (2010) suggests that the concept of sustainability-driven entrepreneurship should be expanded to include those entrepreneurs who are not guided by profit motives, but are motivated by sustainability-driven values, and create an enterprise based on these beliefs. However, an important question arises here, and that is whether the sustainability-driven entrepreneur will not be seeking finance and profits? This question arises naturally, as aiming for a sustainable society needs finances and resources. Most importantly, an organization itself needs to be sustainable and only then can it contribute to society in a positive way. Hence the importance of a win-win situation again arises here. One needs to generate profits and then invest a portion of them for the betterment of society so that both the enterprise and society remain sustainable. This is because an enterprise is also part of society. The current research seeks to address this issue by taking such large corporations as case organizations, which are exemplary in their respective sectors for their social and environmental initiatives, and also actively seek to create shareholder wealth by leveraging their entrepreneurial capabilities.

Given these conceptual and theoretical debates and the identified gap in knowledge, Atiq and Karatas-Ozkan (2013) have put forward a definition of sustainable corporate entrepreneurship, which forms the core working definition for the current study:

‘Sustainable entrepreneurship is the process of embedding sustainability in the business operations of a company. It is driven by an entrepreneurial approach (an opportunity centred approach – innovativeness, proactiveness and risk taking) in order to generate shared value’ (ibid, p. 12).

Shared value is the outcome of engaging in sustainable corporate entrepreneurship practices, which means the generation of societal and corporate value simultaneously (ibid). Sustainability should be conceptualized as encompassing environmental, social and economic responsibilities of a corporation. The conceptual framework of sustainable corporate entrepreneurship as proposed by Atiq and Karatas-Ozkan (2013) is shown in Figure 2.2 below. This conceptual framework has been adopted for the purposes of the current study.



**Figure 2.2: Conceptual Framework for Sustainable Corporate Entrepreneurship adopted from Atiq and Karatas-Ozkan (2013, p.12)**

As Figure 2.2 demonstrates, sustainable business operations driven by an entrepreneurial approach result in the creation of societal value and corporate value simultaneously, which means that shared value is created as a consequence of engaging in sustainable corporate entrepreneurship. For example, in order to expand its outreach to different segments of the society, a financial institution should provide business management training to members of low income groups or to micro entrepreneurs, and design products tailored to their needs. This will result in the improved income and standard of life of the micro entrepreneurs (social value), while simultaneously increasing the corporate image, sales and profitability of the financial institution (corporate value) in the long run. Thus, shared value will be created through the practice of sustainable corporate entrepreneurship.

The debate around sustainability started due to a wide-spread belief that businesses are having a negative impact on the natural environment. Therefore, the next section focuses on the reasons for engaging in corporate environmental initiatives as environmental responsibility is a key component of sustainability.

## **2.5 Reasons for fulfilling Corporate Environmental Responsibility**

In this study, by environment, the natural environment is considered. Business organizations are facing increasing pressure from their stakeholders to provide solutions to environmental problems, and also to reduce their negative impact on the natural environment (Klassen and Whybark, 1999). Miles *et al.* (1999) maintain that improved environmental performance is looked towards favourably by all stakeholders and enhances the reputation and image of the organization. Businesses having a superior corporate reputation are, in effect, holding on to an off-balance sheet intangible asset that can contribute to the creation of sustainable competitive advantage for them (McGuire *et al.*, 1988; Fombrun and Shanley, 1990; Miles and Covin, 2000). This off-balance sheet intangible asset can be termed as a reputational advantage which is a function of credibility, reliability, responsibility, and trust-worthiness of an organization (Miles and Covin, 2000). Environmental performance of an organization significantly adds to its reputational advantage, and this enhanced reputational advantage provides the organization with different benefits that include, but are not limited to, enhanced financial performance, increased market share, lower perceived risks, and increased market value (Miles and Covin, 2000; Menguc and Ozanne, 2005). Stakeholders expect organizations to become environment friendly (Klassen and Whybark, 1999), and it has become increasingly important that organizations employ the ability to create a favourable public image as a core competency (Babiak and Trendafilova, 2011).

Innovating products in reaction to environmental pressure can lead to the creation of sustainable competitive advantage, as suggested by Miles and



Covin (2000). Moreover, those who are first-movers achieve significantly high financial performance and enhance their corporate advantage (Nehrt, 1996; 1998). Menguc and Ozanne (2005) suggest that, by adopting a natural environmental orientation, an organization creates tacit knowledge and skills that are rare, valuable, and inimitable, hence leading to the creation of both reputational and sustainable competitive advantage for the organization. Indeed, Menon and Menon (1997) theorize that, if statistics point towards an increasing interest among consumers in environmental issues, then all other things being equal (price, quality, features), environmental friendliness shown by a corporation can enhance its image and reputation as compared to its competitors. Klassen and Whybark (1999) also assert that proactive environmental management can lead to the creation of sustainable competitive advantage.

Costs can also be driven down by adopting environmental management standards such as the ISO 14000. Miles *et al.* (1999) argue that besides improving the image and reputation of the organization amongst stakeholders, ISO 14000 may also aid in reducing costs, due to improved efficiency, as it is a process-based system. Miles *et al.* (1999) also maintain that large multinational corporations have been the early users of ISO 14000 and have also been asking their suppliers to adopt it. The reason they want their suppliers to adopt ISO 14000 is that they believe that suppliers who do not adopt environmental management systems may pass major environmental liability on to their customers and thus encourage a negative image. By taking ISO 14000 certification as a proxy for corporate environmental responsibility, Wahba (2008) concludes that corporate environmental responsibility exhibits a significant positive impact on firm profitability in the context of a developing country such as Egypt.

From the discussion above, it can be concluded that there is a general agreement among entrepreneurship and management scholars regarding the benefits of caring and showing concern for the environment. To summarize, the benefits of such an approach are that it creates reputational advantage as well as sustainable competitive advantage, which lead to improved financial,

social and market performance. But sustainable entrepreneurship is not just about being environmentally responsible and producing environment-friendly products. It is also equally about demonstrating socially responsible corporate behaviour and exhibiting social performance. What CSR is, how it evolved, the relevant issues in CSR, the benefits of engaging in CSR and how it is linked to sustainable entrepreneurship, are discussed in the ensuing sections.

## **2.6 CSR: Evolution and Definition**

Corporate social responsibility has been the key theme for corporations and their managers for the past twenty years. The roots of CSR can be easily traced back to the seminal work of Howard R. Bowen, who published his book 'Social Responsibilities of the Businessman' in 1953 (Tencati *et al.*, 2004; Lockett *et al.*, 2006; Pivato *et al.*, 2008; Wood, 2010). It must be asserted here that it was the very first published book on CSR (Carroll, 1979) although the current CSR movement can be traced back to 'Dean Donald K. David's comments to the incoming MBA class at the Harvard Business School in 1946' (Carroll and Shabana, 2010, p. 86). Since then, there have been many debates as to whether corporations have any responsibility towards society beyond the generation of profits. The late 1990s saw a great shift in the policies of corporate managers as they started embracing the idea that business has a responsibility to the society in which it operates, and companies initiated many socially responsible projects that not only provided solutions to some social problems, but contributed to the solution of environmental problems as well (Lee, 2008; McAlister and Ferrell, 2002). The concept and practice of recycling, less packaging, environment-friendly packaging, environment-friendly products known as green products, the use of unleaded petrol and then the bio fuel, corporate philanthropy, are all results of that movement and realization of 'business has a responsibility towards society'.

Businesses have always had economic, social and environmental impacts, but in the past two decades the concept of corporate social responsibility (CSR) has gained considerable momentum. CSR plays a major role in today's corporate world and its significant role cannot be neglected (Babiak and Trendafilova,

2011; Turker, 2009). Despite its significance, there is no single commonly agreed upon definition of CSR (Marrewijk, 2003; Turker, 2009). Carroll (1979) defines CSR in the following words: 'The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time' (p. 500). The World Business Council for Sustainable Development (WBCSD) defines CSR as: 'Corporate social responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large' (WBCSD, 2000, p. 3). McElhaney (2008) suggests that CSR should be thought of as a business strategy and defines it as: 'a business strategy that is integrated with core business objectives and core competencies of the firm and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations' (p. 5).

By analysing 37 definitions of CSR, Dahlsrud (2008) concludes that CSR has five dimensions, namely: environmental dimension, social dimension, economic dimension, stakeholder dimension, and voluntariness dimension. Dahlsrud (2008) reports that 97% of the definitions analysed include three or more dimensions, and 40% of the definitions include all five dimensions. Based on these results, Dahlsrud (2008) argues that there is no confusion surrounding how CSR is defined, but rather, there is confusion regarding 'how CSR is socially constructed in a specific context' (p. 6). This argument of Dahlsrud (2008) raises the importance of context dependency and sensitivity of CSR activities. McElhaney (2008) and Frynas (2009) also maintain the view regarding context dependency and sensitivity of CSR activities. Frynas (2009) goes as far as stating that 'CSR or 'being socially responsible' clearly means different things to different people in different countries' (p. 4).

For the purpose of this study, CSR is defined as the initiation of such corporate activities that reduce the negative impact of businesses on the natural environment, while at the same time contribute positively to society by creating value both for the corporation as well as the society in which it operates.

## 2.7 Reasons for Engaging in CSR Activities

CSR, on the one hand helps to reinforce the social bonds between a corporation and the society in which it operates, and on the other, produces reputational gains that ultimately lead to the creation of competitive advantage (Fombrun *et al.*, 2000). Reputational gains are, in essence, growth in the corporation's reputational capital, which can be 'calculated as the market value of the company in excess of its liquidation value and its intellectual capital' (ibid, p. 87). The value of reputational capital fluctuates and it is dependent upon stakeholders' endorsement. Corporations can build reputational capital by engaging with stakeholders on an ethical basis, and thus contribute positively to their financial bottom line (Cennamo *et al.*, 2009). Growth in reputational capital, which is a function of corporate citizenship activities, acts to provide an opportunity platform from which future opportunities emerge, as well as helping tone down the risks faced by the corporation from its different stakeholders (Fombrun *et al.*, 2000). The value of CSR in creating competitive advantage is endorsed by Gelbmann (2010), who maintains that CSR can be a vehicle for differentiation and thus competitive advantage in this age of uniform products.

Government, activists, and the media are closely scrutinizing the social and environmental consequences of business activities, and therefore businesses have no choice but to engage in CSR and consider it their top priority (Porter and Kramer, 2006). Babiak and Trendafilova (2011) suggest that organizations engaging in CSR activities are considered more trustworthy by the community, can effectively negotiate for resources with the Government and other stakeholders, and gain acceptance and support from stakeholders for their different projects and initiatives. CSR, if analysed under the same strategic frameworks under which core business alternatives are analysed, 'can be much more than a cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage' (Porter and Kramer, 2006, p. 81). Global brands are increasingly expected to incorporate CSR in their operations, and it is fast becoming one of the main components of a brand (Polonsky and Jevons, 2009).

Improvement in corporate reputation, increased customer satisfaction, and clear differentiation from competitors are the benefits of engaging in socially responsible practices, as suggested by Pivato *et al.* (2008). Furthermore, good corporate social practices can result in the creation and enhancement of consumer trust, which can subsequently result in brand loyalty and hence better financial performance of the company. The empirical study conducted by Pivato *et al.* (2008) confirms that the better the corporate social performance of a company, the more trust customers place in its products, and that trust translates in to brand loyalty. Having loyal customers is in itself a competitive advantage for any company, and a company having loyal customers, can be reasonably expected to produce better financial results. Pivato *et al.* (2008)'s study raises an important question for the current research, which is whether socially responsible initiatives of the case organizations result in the creation of consumer trust for them?

## **2.8 Theories Explaining Corporate Responses to Social Issues: Stakeholder Theory and Strategic CSR**

Academics and researchers within the field of management and organizational studies have explained the corporate responses to social and environmental issues with the help of different theories. Among these theories, two have been very dominant (Frynas, 2009). One is the stakeholder theory, and the second theoretical perspective is the institutional theory (*ibid*). This chapter reviews the stakeholder theory, as it is the most widely used framework for explaining corporate responses to social problems, and several scholars have used stakeholder theory for studying CSR (Freeman, 1984; Donaldson and Preston, 1995; Mitchell *et al.*, 1997; Harrison and Freeman 1999; Jamali, 2008). The theory has its limitations, which are discussed and elaborated later in this chapter. The critique of stakeholder theory will lead to a discussion of strategic CSR as an alternative theoretical lens to explain corporate responses to social issues.

Before discussing stakeholder theory, it is important to define stakeholders and their categories. Donaldson and Preston (1995, p. 67) define stakeholders as ‘persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity’. However, Clarkson (1995)’s definition of stakeholders is more comprehensive and seems more appropriate. Clarkson (1995) defined stakeholders as ‘persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future’ (p. 106). Further, Clarkson (1995) classifies stakeholders as primary or secondary stakeholders. Primary stakeholders are those on whom the corporation depends for its survival and without whose support it cannot continue its operations. Primary stakeholders include customers, employees, suppliers, shareholders, the Government, and the community. Secondary stakeholders are those on whom the corporation does not depend for its survival. In the words of Clarkson (1995, p. 107): ‘They have the capacity to mobilize public opinion in favour of, or in opposition to, a corporation’s performance’. Secondary stakeholders include entities such as media and special interest groups. However, this distinction of stakeholders is not very useful, as the so-called secondary stakeholders have the power and capacity to mobilize society in general, and customers in particular, against the corporation. Media is much more powerful and independent nowadays, even in developing countries like Pakistan, and is a key driver of forming public opinion in favour of or against any societal issue. Thus, the so-called secondary stakeholders’ support is also essential for any corporation.

To summarize the definitions proposed by Donaldson and Preston (1995) and Clarkson (1995), stakeholders are all those individuals and organizations that have a direct or indirect interest in an organization. They include owners, governmental agencies, customers, suppliers, society and the community, employees, lenders, and special interest groups.

Freeman’s book ‘Strategic Management: A Stakeholder Approach’ (1984) is considered the most influential and landmark work on stakeholder theory (Mitchell *et al.*, 1997; Berman *et al.*, 1999; Jawahar and McLaughlin, 2001; Frynas, 2009). Freeman (1984) asserts that there are many constituent groups

of a firm, namely stakeholders, who affect or are affected by the acts of the firm. Stakeholder theory suggests that an organization has to operate by taking in to account the often conflicting needs and demands of different stakeholders. Accordingly, the CSR activities in which firms engage can be thought of as a direct consequence of managing relationships with different stakeholders. Proponents of stakeholder theory also claim that 'Creating value for stakeholders creates value for shareholders' (Freeman *et al.*, 2004, p. 366). Thus, stakeholder theory is against the notion that the goal of the firm is simply to create value for shareholders. Stakeholder theory emphasizes creating value for all stakeholders, who also include shareholders.

### **2.8.1 Stakeholder Theory through Different Lenses**

Stakeholder theory is about defining the relevant stakeholders and their interests, and attempting to balance the often conflicting stakeholder interests when managers allocate and distribute resources. But there has been confusion as to the nature and purpose of stakeholder theory even amongst the stakeholder theorists (Donaldson and Preston, 1995). Based on a review of a number of studies, Donaldson and Preston (1995) maintain that there are three distinct alternative aspects of stakeholder theory, which are: descriptive, instrumental, and normative. The descriptive approach to stakeholder theory describes and explains 'past, present, and future states of affairs of corporations and their stakeholders' (*ibid*, p. 71). In other words, it describes the reality of how managers manage their corporations and think about the interests of stakeholders. The instrumental approach to stakeholder theory reflects on the connection between stakeholder management practices and corporate success criteria (usually profitability and/or growth). It provides both support to the descriptive approach and is a central core to the normative approach. The normative approach to stakeholder theory is based on moral and philosophical principles, and prescribes what the corporation and its managers ought to do whilst following moral principles. Nevertheless, Donaldson and Preston (1995) argue for building the stakeholder theory on a normative basis, because the normative approach rests on the proposition that it is a moral imperative for managers to work towards balancing the interests of all stakeholders without regards to the instrumental value. Moreover,

McAlister and Ferrell (2002) contend that ethics helps in improving the bottom line and the establishment of trust among stakeholders.

## **2.8.2 Issues in Stakeholder Theory**

Since Freeman presented his account of stakeholder theory in 1984, there have been many contentious debates on different issues (Noland and Phillips, 2010). For example, there have been debates on who is a stakeholder, why firms engage in stakeholder management, the supremacy of stockholders over other stakeholders, balancing stakeholder interests, the attributes of stakeholders, the stakeholder saliency and the obligations of firms towards their stakeholders. Some of the important issues on which conceptual and empirical work has been done, are discussed in the sections that follow.

### **2.8.2.1 Reasons for Engaging in Stakeholder Management**

One issue that deserves attention is whether companies engage in stakeholder management purely for economic reasons, or they consider themselves morally obliged to manage the conflicting needs of different stakeholders (Harrison and Freeman, 1999). Berman *et al.* (1999) subject the aforementioned issue to empirical testing by offering two models, namely strategic stakeholder management, and intrinsic stakeholder commitment. The strategic stakeholder management model states that firms engage in stakeholder management only when they are confident that doing so will boost firm profits. On the other hand, the intrinsic stakeholder commitment model suggests that firms address stakeholder needs because they feel themselves to be morally committed to their stakeholders. The firm has set for itself certain moral principles that guide its decision-making, which ultimately has impact on the financial performance of the firm.

Berman *et al.* (1999) take employee relations, diversity, local communities, natural environment, and product safety/quality as measures of stakeholder relationships. Berman *et al.* (1999) report that the intrinsic commitment model

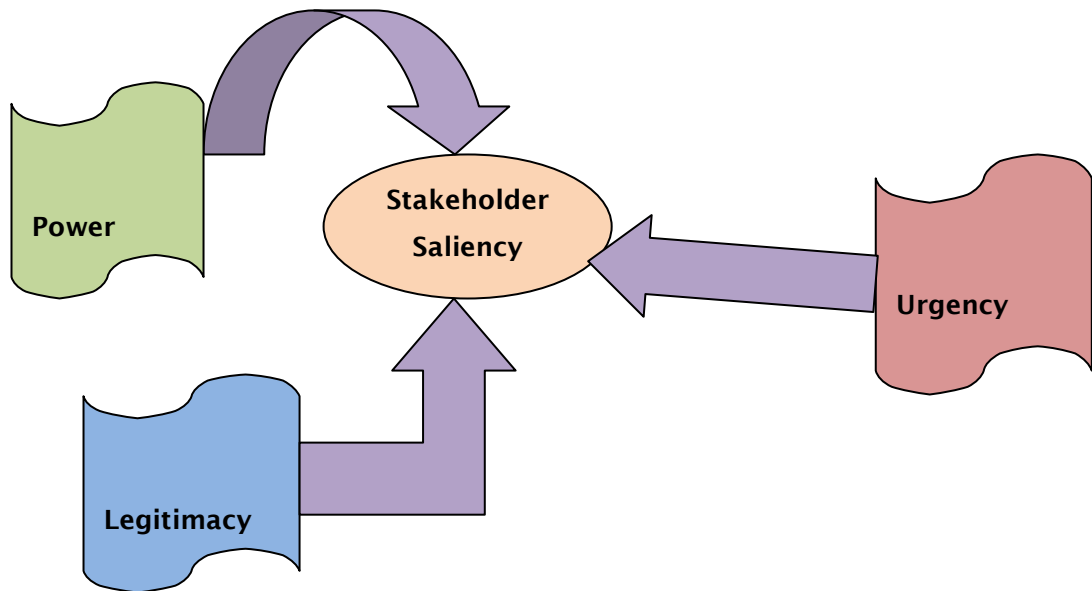


does not drive a strategy-performance relationship, as hypothesized in their conceptual framework. However, they do find strong empirical support for the strategic stakeholder management model. Employee relations and product safety/quality significantly affect the financial performance of the firm, as measured by Return on Assets (ROA). All five stakeholder relationship variables were found to moderate the strategy-performance relationship. This suggests that managers should pay close attention to managing stakeholder relationships while framing the firm's strategy to create economic wealth. The results of this study lend empirical credence to the idea that managing relationships with stakeholders is crucial to creating value for shareholders. This raises an important question for the current study regarding whether the case companies engage in CSR activities to increase their profit, or they consider themselves morally committed to serve the society in which they operate.

#### **2.8.2.2 Who Really Matters for Managers of a Corporation?**

Another important question that arises within the stakeholder theory is which stakeholders really matter for the managers of a firm? Put differently, which stakeholders are listened to more in stakeholder-manager relationships? This question was first addressed by Mitchell *et al.* (1997), who emphasize that stakeholders possessing three attributes, namely power, legitimacy, and urgency, are considered more important by managers than other stakeholders. Mitchell *et al.* (1997) label this concept as stakeholder saliency and it is shown in Figure 2.3 below. Power means the ability to bring about change that one desires. Legitimacy, on the other hand, implies 'socially accepted and expected structures or behaviours' (ibid, p. 866). Urgency is 'the degree to which stakeholder claims call for immediate attention' (ibid). Power and legitimacy combine to create authority, and urgency brings dynamism to the stakeholder-manager relationship (Mitchell *et al.*, 1997). Agle *et al.* (1999) surveyed 80 CEOs listed in the KLD database and found that the three attributes of stakeholders as proposed by Mitchell *et al.* (1997) are related to stakeholder importance (saliency). The findings of Agle *et al.* (1999) suggest that CEOs, when addressing the often conflicting demands of stakeholders, give

importance to those stakeholders who are powerful, and have legitimate and urgent claims on their firms.



**Figure 2.3: Stakeholder Saliency based on the work of Mitchell *et al.* (1997)**

Gago and Antolin (2004) empirically test Mitchell *et al.* (1997) stakeholder-saliency framework in Spain's manufacturing sector. Gago and Antolin (2004) focus on only one social issue, the natural environment, which in their opinion has assumed immense importance in CSR. The authors identify ten relevant environmental stakeholders, which are: government, owners, customers, local community, employees, global community and future generations, business associations, environmentalist groups, mass media and suppliers. Gago and Antolin (2004) report a positive and statistically significant association between the three attributes of stakeholders (power, legitimacy, and urgency) and their saliency. The findings from this study suggest that the three stakeholder attributes, individually and jointly, have a positive and significant effect on the saliency of stakeholders. In particular, urgency has an important positive effect on stakeholder saliency, followed by legitimacy and then power. In terms of stakeholder saliency, the Government was found to be the most salient environmental stakeholder, followed by owners and customers. In conclusion, the study of Gago and Antolin (2004) gives strong empirical support to the stakeholder saliency framework of Mitchell *et al.* (1997), and thus makes, a significant contribution to stakeholder theory.

### 2.8.2.3 Balancing Stakeholder Interests

Balancing stakeholder interests is also an important issue contained within the stakeholder theory, and the stakeholder theorists contend that the objective of management is to balance the often competing interests of stakeholders.

Balancing stakeholder interests means to examine and address the issue of distributing corporate resources among the stakeholders, where resources can be capital, money, time, or effort (Reynolds *et al.*, 2006).

In order to examine how corporations balance their stakeholder interests, Ogden and Watson (1999) analyse the UK water industry. They collect data on customer service standards, annual relative profitability and annual relative shareholder returns for a period of six years from 1991-1997. Their results suggest that although improving customer service standards had a negative effect on current profitability, it had a positive effect on shareholder returns, as shareholders deemed improving customer service standards as having a favourable impact on their future returns. This is so because the UK water industry regulator, the Office of Water Services (OFWAT) has clear incentives in place for any company improving on customer service standards. The incentive is in the form of a mutually set price increase for the next year, thus increasing the revenues of the better performing company. For companies that do not perform well on customer service standards, there are appropriate penalties in place in the form of no price rise greater than the inflation rate, and cancellation of licenses to operate for consistently poor performers. Ogden and Watson (1999) conclude that balancing stakeholder interests is possible, given a regulatory regime that has a high discretion on incentives and penalties coupled with a high level of trust between the parties involved (firms, the regulator, and the customers). Indeed, the importance of the role trust plays in stakeholder management is also highlighted by Pivato *et al.* (2008) who maintain that it plays an important and mediating role in corporate social performance-corporate financial performance relationships.

Generally, stakeholder theorists have focused on the organization as the centre of stakeholder management, and thus have neglected the manager as a unit of

analysis. Organizations are made up of people, and putting emphasis on managers is essential, because organizations themselves cannot make any decisions. Ultimately, it is the manager who makes the resource allocation and other major decisions. The second gap regarding balancing stakeholder interests is that researchers have often emphasized the balancing of stakeholder interests, but they have not specified the approaches for managers to achieve it. Nevertheless, Reynolds *et al.* (2006) fill this gap in the knowledge by taking the manager as a unit of analysis, and suggesting that managers use two approaches to achieve this balance, namely: within-decision approach, and across-decision approach. Managers employing a within-decision approach take each decision of resource allocation as singular, assess the relevant stakeholders and their interests, and attempt to balance their interests within the bounds of that decision. Managers utilizing the across-decisions approach take a long-term view towards maintaining and fostering stakeholder relationships. They give attention and resources to all stakeholders in the long-term, rather than on every single decision, by asking a group of stakeholders to give up on one decision in order to get what they want on another decision. The research by Reynolds *et al.* (2006) suggests that, in practice, managers, use both approaches for balancing stakeholder interests.

The empirical study conducted by Reynolds *et al.* (2006) confirms that managers actively attempt to balance the often conflicting stakeholder interests, but are unable to do so because of resource divisibility and relative saliency of stakeholder claims. Mostly, resources are not easily divisible, and managers give relatively unequal importance to stakeholders (Mitchell *et al.*, 1997; Agle *et al.*, 1999). Therefore, these two factors act as a hindrance to balancing stakeholder interests. However, Reynolds *et al.* (2006) find no evidence that stockholders are afforded any special treatment, and that this influences managerial quest for the balancing of stakeholder interests beyond that rationalized by resource divisibility and unequal stakeholder saliency.

Few theories have not been subject to critique; stakeholder theory is no exception. The following section discusses the critique of stakeholder theory as debated in literature.

### 2.8.3 Critique of Stakeholder Theory

The foremost objective of stakeholder theory, which is to balance stakeholder interests, is impractical according to Sternberg (1997). This is because the number of those who affect or are affected by the corporation, i.e. stakeholders, is infinite. A corporation may be affected by, and itself affect: environment, future generations, terrorists, burglars, community, society, culture, suppliers, creditors, owners, media, global community, and the list goes on and on (ibid). Even if the list is finite, and somehow the managers know the interests of all stakeholder groups, there might be difference of opinion among the members of the same stakeholder group as to what constitutes benefits/interests for them. Sternberg (1997) asserts that stakeholder theory violates the agency theory of the corporation under which managers are considered to be the agents of the owners, i.e. shareholders, and responsible to them first, before anybody else. Moreover, stakeholder theory undermines private property by requiring that the assets of the corporation be used for the benefit of all stakeholders (Sternberg, 1997). Therefore, owners of the corporation are denied the right to use their own property for their own benefit, or to determine how their property is to be used, by giving this authority to managers, who are indeed, agents of the owners. Sternberg (1997) concludes that, on the basis of the reasons discussed above, stakeholder theory should be strongly resisted.

In line with Sternberg (1997)'s argument that balancing interests of a wider number of stakeholders is impractical, Jamali (2008) finds that corporations in Syria and Lebanon accord attention to only a few key stakeholders (e.g. customers, employees, shareholders). The reasons managers cite, in interviews with Jamali, for this corporate attitude are: impracticability of balancing interests of a wider pool of stakeholders, corporate priorities, focus on short-term objectives, limited resources, competitive pressures and traditional accounting systems. Moreover, she finds that managers of both national and multinational corporations in Syria and Lebanon make use of instrumental stakeholder approach in prioritizing the claims of stakeholders. Hence, the findings of Jamali (2008)'s study clearly demonstrate the practical difficulties involved with enacting a stakeholder perspective.

The main problem with stakeholder theory is that it does not suggest 'how to define and identify relevant stakeholders' (Cennamo *et al.*, 2009, p. 493). Stakeholder theorists focus only on the bright aspects of stakeholder management, and do not seem to realize that it can also have negative repercussions for the corporation. Cennamo *et al.* (2009) bring out the 'dark side' of stakeholder management by suggesting that there is ambiguity regarding the preferences of different stakeholders, and how those preferences relate to corporate performance. This ambiguity gives more discretion to managers of a corporation who, by adopting a stakeholder management approach and subsequently gaining the confidence of the stakeholders, might indulge in pursuing items of self-interest, such as increase in compensation, perks and acquisition of higher power (*ibid*). This self-serving behaviour of managers may go unnoticed because of the difficulty and ambiguity in establishing connection between corporate performance (both social and economic) and stakeholder management endeavours. All this can have negative implications for the corporation, in that this opportunistic behaviour of managers may result in over-investment in social endeavours, thus leading to a deterioration in the long-term competitive position of the firm (*ibid*). The study by Cennamo *et al.* (2009) offers a significant contribution to the CSR literature, because it highlights that engaging in stakeholder management by following stakeholder theory can have invisible costs. The aforementioned work highlights an important issue for the current study, concerning whether the managers at the case corporations have a clear sense of the linkage between corporate profitability and CSR initiatives, or if they are over-investing in CSR and hiding behind it to pursue their own self-interest.

Stakeholder theory fails to provide guidance to managers regarding moral issues in which human beings are not directly involved (Orts and Strudler, 2002). Additionally, the theory is limited in its focus solely on the interests of human beings. Orts and Strudler (2002) question that if the natural environment is to be accepted as a stakeholder, how will it express its interests, and how will managers get to know these? Another important question that Orts and Strudler (2002) put forward is that is it morally right to disobey the law, if disobeying the law balances or reconciles the stakeholder interests? They put forward these questions because stakeholder theory, in

essence, asks business enterprises to define the relevant stakeholders and their interests, and attempt to balance the often conflicting stakeholder interests when allocating and distributing resources. But it in no way suggests any approaches for balancing stakeholder interests (Sternberg, 1997; Jensen, 2001). Orts and Strudler (2002) maintain that, regardless of whether stakeholder interests are balanced or not, businesses and their managers have a moral obligation to follow the law and to care for the natural environment. The cost-benefit analysis inherent in a balancing of stakeholder interests approach does not have the capacity to capture the moral dimension involved in dealing with law and the natural environment (ibid). Obeying the law and caring for the natural environment are two such moral issues for which stakeholder theory offers no guidance to managers.

Stakeholder theory focuses on stakeholder pressures and guides the corporations towards a reactive stance. Stakeholder theory is uni-dimensional in nature and focuses only on the micro level of society, i.e. the stakeholders. Moreover, it does not prescribe how managers should provide benefits to society as well as providing the shareholders with profits. These arguments are the basis for strategic CSR, which is discussed and conceptualized in the ensuing section.

#### **2.8.4 The Need for a Strategic Focus on CSR: Theory of Strategic CSR**

Corporations adopting stakeholder theory act under pressure from their stakeholders. Stakeholder theory is essentially reactive in nature because it prescribes a reactive behaviour for the corporations (Frynas, 2009). What businesses need to do in today's unstable environment is to take a proactive stance to the needs of the outside world. Instead of acting under pressure from their stakeholders, business managers have to take a proactive stance to the needs of their relevant stakeholders. This pro-activeness comes from developing an entrepreneurial behaviour that should span the whole of the organization, from top to bottom. Corporations need to strategically analyse the competitive context in which they are operating and invest in their competitive context accordingly. If there is a need for environment-friendly products, they need to innovate, take the risk and launch such a product on a proactive basis, before their competitors can do so. Corporations need to have an entrepreneurial focus on their social responsibility initiatives, which requires them to take risks, be proactive and innovative.

The strategic CSR (hereafter referred to as SCSR) approach was originally developed by Burke and Logsdon (1996). Recognizing the necessity for business to respond to social problems, given the fact that governmental capability for resolving social problems was being questioned and society was looking to the business sector for alleviating social ills, Burke and Logsdon (1996) presented the solution in the form of SCSR. They define SCSR as: 'Corporate social responsibility (policy, programme or process) is strategic when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission' (p. 496). Burke and Logsdon (1996) describe centrality, specificity, proactivity, voluntarism, and visibility as the five dimensions of strategic CSR. They contend that every such CSR initiative should be undertaken as being: central to the firm's mission, specific to the firm, makes the firm positively visible, is proactive, and voluntary (beyond legal requirements). Such CSR initiatives create value for the business in economic terms. Although Burke and Logsdon (1996) maintain that engaging in strategic CSR practices will lead to 'collective benefits' (p. 501), they put more emphasis



on value creation for the corporation, and not on collective benefits, which is a drawback of their work.

Theory of SCSR was developed further by Porter and Kramer (2006), who maintain that the creation of shared value is an outcome of engaging in SCSR practices. Porter and Kramer (2006) criticize current CSR practices and CSR literature, and argue that fulfilling stakeholders' expectations should not be the goal of CSR initiatives. This is because stakeholders cannot understand the business complexities and realities, the trade-offs it has to make, the competitive context, and its capabilities. Rather than engaging in defensive, and what they term as generic CSR activities, businesses should engage in SCSR, the goal of which is to create shared value, i.e. a win-win situation for both society and the business. Porter and Kramer (2006) maintain that most businesses are pre-occupied with generic CSR activities that have no relevance to the strategies and operations of the business, and are initiated in order to enhance the reputation of the organization. Carroll and Shabana (2010) lend support to the arguments of Porter and Kramer (2006) by suggesting that CSR initiatives should correspond to the core business and capabilities of the firm, while McAlister and Ferrell (2002) stress a need for aligning CSR initiatives with the strategic goals and resources of the corporation, in order to achieve both corporate and social benefits. Porter and Kramer (2006) suggest that businesses should analyse the opportunities for CSR using the Value Chain framework and Porter's Diamond framework. In other words, it means that businesses should analyse the impact of their value chain activities on society, and the impact society has on the competitive context of businesses. By utilizing these frameworks and adding a social dimension to their activities, businesses can initiate such CSR initiatives that are highly relevant to their operations and strategy, produce value for the business, and, at the same time, have a favourable and positive impact on society in terms of general welfare of the community in which the business operates. In this way shared value is created that cannot be created from simply engaging in generic CSR activities.

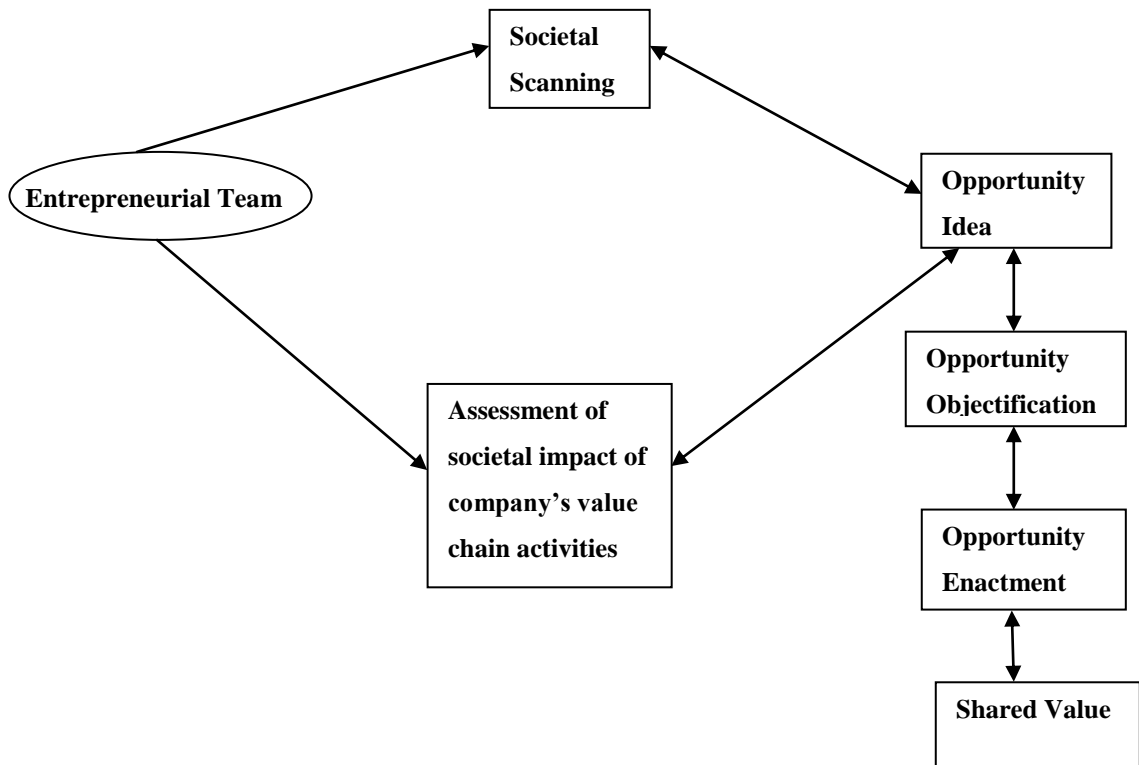
SCSR involves investing in the social aspects of the competitive context of the business, and transforming value chain activities to come up with an innovative

and improved product that benefits both society and the business, thus creating shared value (Porter and Kramer, 2006). Gelbmann (2010) supports this argument by asserting that CSR initiatives should be linked to the corporation's value chain activities. Porter and Kramer (2006) suggest corporations engage in SCSR because the benefits of SCSR are substantial and unique. For example, a financial services firm operating in a region where there is shortage of skilled MBAs, should invest in the business schools of that region by giving them expertise, knowledge, technology and money to produce MBAs of the kind they need. This will increase the employment rate of the region, improve incomes and standard of living, and reduce the recruiting and selection costs of the business, by giving it access to a diverse and qualified pool of candidates locally. Indeed, this will not only enhance the image and reputation of the business, but, more importantly, it will add to the long-term competitiveness of the organization.

Engaging in SCSR activities can have enormous benefits for the corporations in terms of good reputation, cost reduction, increased sales, product differentiation and charging of premium prices, and attracting highly qualified employees, as suggested by Husted and Salazar (2006). The authors also support the idea that initiating training programmes for the local community that develop specific abilities and knowledge in the trainees which have a direct usage in the sponsoring corporation, can create significant social value, and, at the same time, corporate value in terms of a large potential pool of highly qualified job candidates to choose from. Husted and Salazar (2006) recognize the drawback of this approach, by emphasizing that the marginal benefits to society and the corporation will only increase up to a certain point, beyond which there will be a labour surplus, and marginal enhancement in the reputation of the corporation will decrease. SCSR can be a source of technological and managerial innovation as well (Kanter, 1999). It is expected that more and more firms will adopt this approach, as it has many benefits that have been highlighted above. Nonetheless, organizations adopting SCSR should take in to account that SCSR is a long-term approach that needs the commitment of top management, along with extensive resources for making careful investments (Polonsky and Jevons, 2009).

By adopting an SCSR approach, companies can work for the welfare of the local community by leveraging their core competencies to align their CSR initiatives with their business operations, in order to create more value for themselves and society, as suggested by Jamali (2007). She contends that companies in developing countries should adopt a SCSR approach, because the political and economic conditions in such countries are unstable, which causes the corporate sector to devote most of its attention to the financial bottom line only. Nevertheless, Jamali (2007) limits her conceptualization of SCSR to 'strategic philanthropy' only, which is a major shortcoming of her work and is overcome by Atiq and Karatas-Ozkan (2013)'s study.

An SCSR approach is not limited to strategic philanthropy only, but also encompasses the production and marketing of such products which act as solutions to some of society's existing problems, besides creating corporate value in the form of increased sales and profitability (Atiq and Karatas-Ozkan, 2013). This idea entails linking an opportunity-centred approach of entrepreneurship to CSR in order to extract both corporate and social value simultaneously from SCSR initiatives. By adopting Wood and McKinley (2010)'s constructivist approach to opportunity production, Atiq and Karatas-Ozkan (2013) propose the following conceptual framework of SCSR:



**Figure 2.4: Conceptual Framework for Strategic CSR adopted from Atiq and Karatas-Ozkan (2013, p. 9)**

This framework makes an important contribution to the study of SCSR by linking the entrepreneurial process of opportunity production and exploitation to CSR. The key idea behind the above given conceptual framework is that companies adopting the SCSR approach should proactively seek to find convergent issues of interest between the business and society, which can be profitably exploited, resulting in the creation of value not only for the business but also for society simultaneously. Thus, creation of shared value is the ultimate objective of a SCSR approach, by leveraging a company's core competencies and aligning CSR initiatives of the company with its business operations.

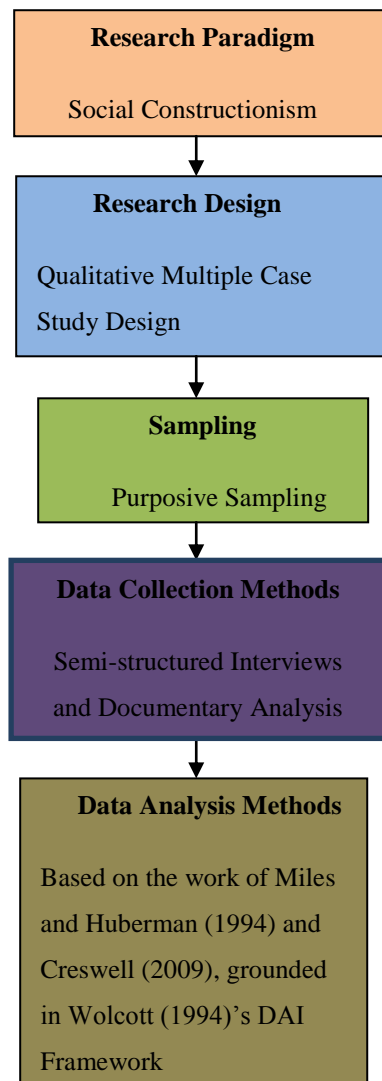
## **2.9 Conclusion**

A systematic and critical approach to the extant literature on entrepreneurship and CSR was presented in this chapter. In particular, a critical review of the earlier studies on sustainable entrepreneurship was undertaken. Working definitions of entrepreneurship, corporate entrepreneurship, sustainable corporate entrepreneurship and CSR were also presented, and the conceptual framework adopted for the purposes of the current study was highlighted and discussed. SCSR was offered as an alternative conceptual lens to stakeholder theory, borrowing the concepts from extant literature, and demonstrating the interrelationships between key aspects in a way that addresses the issues inherent in existing theories. This conceptual lens forms the backbone of the study for the interpretation of data and generation of a theoretical framework of sustainable corporate entrepreneurship in the context of a developing country. The discussion in this chapter paves the way for an outline of research methodology used in the current study, which is presented in the next chapter.

# Chapter 3: Research Methodology

## 3.1 Introduction

Research methodology concerns itself not only with the research methods used in a particular study, but also with the underpinning research paradigm, research design and sampling strategy of a study. This chapter details the underpinning research paradigm of this study, followed by a discussion of the research design, sampling, and specific data collection and analysis methods used in the study. The purpose of this chapter is to familiarize readers with the overall research methodology of the study, thus acting as a foundation for the next chapter, on case accounts. Figure 3.1 graphically represents the research methodology of the study.



**Figure 3.1: Research Methodology of the Current Study**

## 3.2 Research Paradigm

Research paradigm refers to a set of philosophical assumptions that a researcher maintains to carry out the research inquiry. The word paradigm comes from the Greek word 'paradeigma', 'which means a pattern, model or plan' (Johnson and Duberley, 2000, p. 68). A research paradigm 'represents a worldview that defines, for its holder, the nature of the "world", the individual's place in it, and the range of possible relationships to that world and its parts' (Guba and Lincoln, 1998, p. 200). Patton (2002) defines a research paradigm as 'being a particular worldview where philosophy and methods intersect to determine what kinds of evidence one finds acceptable' (p. 571). Willis (2007) maintains that paradigm is a 'comprehensive belief system, world view, or framework that guides research and practice in a field' (p. 8). Researchers can choose from a diverse mix of research paradigms, each of which has its own set of ontological and epistemological assumptions (Burrell and Morgan, 1979). Research paradigm, in essence, is a philosophical position that a researcher holds, and presents his/her perspective regarding ontological, epistemological, axiological, and methodological assumptions.

Ontological assumptions in research refer to the assumptions that researchers frame about the nature of reality. Ontological assumptions deal 'with the essence of phenomena and the nature of their existence' (Duberley *et al.*, 2012, p. 17). Crotty (1998) maintains that ontology 'is concerned with 'what is', with the nature of existence, with the structure of reality as such' (p. 10). The ontological debate concerns itself with the question of whether reality is objective, singular and concrete, or whether reality is subjective, multiple and constructed by people through their actions and interactions. Epistemology concerns itself with 'the best ways of enquiring into the nature of this reality' (Karatas-Ozkan and Murphy, 2010, p. 455). Epistemology relates to the question of what is the nature of adequate knowledge (Morgan and Smircich, 1980). Philosophically, some scholars maintain that knowledge can only be acquired through direct, objective and unbiased observations of the world that can be communicated in hard and tangible form. Others argue that knowledge is socially constructed by humans as they act and interact with fellow beings in their daily routines, and can be communicated in soft and intangible form.

Axiological assumption is related to the role human values that play in the research (Hart, 1971; Hindle, 2004). Duffy and Chenail (2008) contend that axiology is concerned with the question of 'what values or ethical principles should be adhered to in conducting our research' (p. 23). Consistent with ontology and epistemology, there are two extremes in axiology as well. Some scholars contend that the research should be value-free while to others, research is value-laden as they deem the researcher to be a part of the research process. Methodological assumption is related to the question of 'How can the inquirer (would-be knower) go about finding out whatever he or she believes can be known?' (Guba and Lincoln, 1998, p. 200). Grix (2010) maintains that methodology is 'concerned with the discussion of how a particular piece of research should be undertaken and so can best be understood as the critical study of research methods and their use' (p. 32). The methodology which the inquirer adopts must fit with the ontological, epistemological and axiological stance taken by the inquirer, because all these philosophical assumptions are interconnected (Denzin and Lincoln, 2003).

### **3.3 Social Constructionism as the Underpinning Research Paradigm**

The research paradigm adopted for this study is social constructionism, which has its roots in interpretivism (Karatas-Ozkan and Murphy, 2010; Grix, 2010). Social constructionism seeks to understand how humans make sense of their world as they act and interact with each other in meaningful ways. As such, social constructionism is concerned with the social processes that enable humans to construct their reality and to make sense of the world around them. Social constructionism is not about explaining and predicting human behaviour and human experiences; rather it is about understanding the human experiences and behaviours in a specific socio-cultural context (Anderson and Warren, 2011). Social constructionism is concerned with how meaning 'is socially (and variously) constructed, sustained, modified and negotiated' (Lock and Strong, 2010, p. 10). For Schwandt (2003), social constructionism means that 'human beings do not find or discover knowledge so much as we construct or make it. We invent concepts, models, and schemes to make sense



of experience, and we continually test and modify these constructions in the light of new experience' (p. 305).

Social constructionism is based on four assumptions, as suggested by Burr (1995). Firstly, it requires researchers to take a critical stance towards the conventional ways of inquiring in to the nature of the world. Constructionists contend that knowledge cannot be produced through objective and unbiased observations of the world. The world may not be the way it seems to be. Secondly, truth is culturally and historically relative. Truth is seen to be the product of culture and history by constructionists. Thirdly, truth is not out there waiting to be discovered; rather, people construct truth and knowledge amongst themselves through social interactions. As Schwandt (2003) maintains, 'We do not construct our interpretations in isolation but against a backdrop of shared understandings, practices, language, and so forth' (p. 305). Hence, social interactions and social processes are important for constructionists, because through these interactions and processes, humans create shared versions of knowledge that are not singular but multiple, and vary with culture and over periods of time. Lastly, each time knowledge is socially constructed, it invites some kind of social response. Humans act based on the knowledge that they have socially constructed amongst themselves. Therefore, constructionists assert that knowledge and social action come about simultaneously.

At the ontological level, social constructionism entails that there is no objective and concrete reality, but there exist multiple realities that are socially constructed as humans act and interact with other fellow beings (Karatas-Ozkan and Murphy, 2010). Constructionists suggest that reality is 'socially constructed and given meaning by people' (Easterby-Smith *et al.*, 2008, p. 58). Constructionists take a subjective view of the world and attempt to understand the processes through which reality is produced (Berger and Luckmann, 1966). Moreover, they believe that social phenomena and the categories used to develop their understanding are produced through social interaction, and these phenomena and categories are constantly being revised through social interaction (Bryman and Bell, 2007). At the epistemological level,

constructionists believe that knowledge is constructed socially, and the role of the researcher is to aid readers in the construction of knowledge (Stake, 1998). The researcher and the research participants interact and influence each other in meaningful ways, and thus knowledge is socially constructed (Burr, 1995). As Berger and Luckmann (1966) maintain, ‘Common-sense knowledge is the knowledge I share with others in the normal, self-evident routines of everyday life’ (p. 37) because one cannot live a life ‘without continually interacting and communicating with others’ (ibid). Indeed, this continuous interaction and communication with others creates knowledge that is shared by the members of society.

At the axiological level, constructionists contend that the researcher is part of the research process, and human interests drive the research (Burr, 1995; Denzin and Lincoln, 2003). At the methodological level, social constructionism necessitates that the researcher should have close and frequent interactions with the research participants in order to elicit their responses about the reality in question (Guba and Lincoln, 1998). Responses need to be as open as possible in order to generate rich data for analysis (Creswell, 2009). Ideas should be induced from gathering rich qualitative data, and sample size should be small, and chosen for specific reasons (Easterby-Smith *et al.*, 2002; 2008). Hence, semi-structured interviews, personal observation and focus group interviews are more suitable as data collection methods for studies adopting a social constructionist paradigm, and analytical strategy should be inductive rather than deductive. The philosophical assumptions of social constructionism are summarized in Table 3.1 below.

Philosophical Assumptions	Social Constructionism
<b>Ontology</b>	Reality is not singular and objective but there exist multiple realities that are socially constructed by human beings through their social interactions
<b>Epistemology</b>	Knowledge is constructed socially as the researcher socially interacts with

	the research participants
<b>Axiology</b>	Research is value-laden and the researcher is part of the research process as he or she socially interacts with the research participants
<b>Methods</b>	Research requires such methods that allow the researcher to have close and frequent social interaction with the research participants in order to understand and explain how they view and construct the world around them

**Table 3.1: Philosophical Assumptions of Social Constructionism based on the work of Burr (1995), Guba and Lincoln (1998), Easterby-Smith *et al.* (2002), Bryman and Bell (2007), and Karatas-Ozkan and Murphy (2010)**

### **3.3.1 Applying Social Constructionism to the Study**

Entrepreneurship is a complex social process (Zafirovsky, 1999), and as such it is socially constructed (Anderson and Smith, 2007, Steyaert and Katz, 2004), meaning that entrepreneurship is shaped by socio-cultural context. To fully appreciate the role that entrepreneurship can play in the sustainable development of both business and society, a social constructionist approach is required because it allows ‘consideration of the relationality between peoples’ actions and their cultural, societal, economic and political situational context’ (Fletcher, 2006, p. 437). This implies that a social constructionist approach helps in understanding the concept of sustainable corporate entrepreneurship in a specific socio-cultural context, which is useful for rich conceptualisation and further development of the field. Exploring sustainable corporate entrepreneurship which is an under-theorised area, by using a social constructionist approach, extends our understanding of sustainable corporate entrepreneurship, by demonstrating that how corporate managers construct their reality regarding why it is practiced and what they understand to be

sustainable corporate entrepreneurship in the context of a developing country, namely Pakistan. Anderson and Starnawska (2008) maintain that context shapes entrepreneurship and a social constructionist approach helps to advance our understanding of the phenomenon of entrepreneurship in a particular context. Thus, social constructionism is particularly suited to the overall aim of the present study, which is to generate insights into sustainable corporate entrepreneurial activities as exercised by multinational and local companies in Pakistan, within selected key sectors of the economy.

Grant and Perren (2002) suggest that positivism is the dominant research paradigm for entrepreneurship studies. Nevertheless, entrepreneurship scholars are paying increasing attention to using social constructionism in order to advance our understanding and further develop the field of entrepreneurship (Anderson and Warren, 2011). Table 3.2 below illustrates studies in entrepreneurship, which have utilized social constructionism as their theoretical lens in exploring different aspects of entrepreneurship.

**Table 3.2: Entrepreneurship studies utilizing a social constructionist approach**

<b>Authors</b>	<b>Context of Study</b>	<b>Type of Study</b>
Zafirovsky (1999)	The social nature of entrepreneurship	Conceptual
Chell (2000)	Social construction of the entrepreneurial personality	Conceptual
Bruyat and Julien (2001)	Social constructionist understanding of entrepreneur and entrepreneurship	Conceptual
Warren (2004)	Entrepreneurial identity through communities of practice	Empirical

Down and Reveley (2004)	Entrepreneurial identity within a small organization context	Empirical
Nicholson and Anderson (2005)	Role of language in entrepreneurial sense making	Empirical
Fletcher (2006)	Social construction of opportunity formation	Empirical
Anderson and Smith (2007)	Social constructionist understanding of the morality of entrepreneurship	Empirical
Anderson and Warren (2011)	Entrepreneurial identity through entrepreneurial discourse	Empirical
Karatas-Ozkan (2011)	Relational qualities of entrepreneurial learning	Empirical

The entrepreneurship studies illustrated in the above table either focus on the individual entrepreneur (cf. Anderson and Smith, 2007) or on the small firms (cf. Karatas-Ozkan, 2011). The current study contributes methodologically by utilising a social constructionist lens to explore sustainable entrepreneurship in the context of large firms within a developing country, namely Pakistan. This novel application of social constructionism to explore sustainable corporate entrepreneurship contributed to the existing body of knowledge on entrepreneurship, in general and sustainable corporate entrepreneurship, in particular (see Chapter 7 for contributions of the study).

The assumptions of social constructionism as outlined by Burr (1995) and explained above also apply to the phenomenon under investigation, i.e. sustainable corporate entrepreneurship. Previously the role of

entrepreneurship was confined to being innovative, and thus aiding in generating profits. But now entrepreneurship has become an imperative, and is used as a strategy not only to be profitable, but also to be environmentally and socially responsible. The phrase, 'sustainable corporate entrepreneurship' itself has been conceived not through objectively observing the world, but through the social interactions between humans as they interacted in conferences, symposiums, economic forums, climate change forums, etc. Nonetheless, the practices of sustainable corporate entrepreneurship vary across cultures and mean different things to different people. Therefore, sustainable corporate entrepreneurship is context sensitive, and needs to be understood in terms of the context in which it is studied (The research context for the current study is described in section 3.5). Sustainable corporate entrepreneurship has transformed a great deal over time, from being viewed as a costly process, to being recognized as a profitable investment by the corporate sector. On these grounds, sustainable corporate entrepreneurship needs to be studied not through objective and unbiased observations, but through eliciting the responses of the actors who are developing and implementing related projects and activities by interacting with societal stakeholders.

A social constructionist paradigm has been chosen as the underpinning research paradigm for this study, because I view sustainable corporate entrepreneurship as a social process that is perceived and enacted by the social actors (managers) for whom managing relationships with societal stakeholders is of utmost importance. This raises the important issue of reflexivity in qualitative research, which is discussed in the ensuing section. Sustainable corporate entrepreneurship is a social process, because it is the product of human imagination that has been triggered by a need for such business practices. This social process has the capacity to create value for the social actors (corporate managers), stakeholders (suppliers, employees, distributors, customers and general public), and the corporations, all of whom are integral parts of society, and are interdependent on each other for satisfying their needs. On the basis of aforementioned reasons, social constructionism is the most appropriate research paradigm for conducting this study.

### **3.4 Reflexivity and a Reflexive Account of My Engagement in the Research Process**

Reflexivity can be described as the process of becoming aware of one's own presuppositions as a researcher, and how these presuppositions affect the object of the research. Haynes (2012) suggests that reflexivity 'involves thinking about how our thinking came to be, how a pre-existing understanding is constantly revised in the light of new understandings and how this in turn affects our research' (p. 73). Moreover, the notion of reflexivity can also be extended to include understanding the perceptions of the research participants and the readers of the research, their expectations and the perspectives that they bring to the study. Patton (2002) describes the objective of engaging in reflexive debates as 'Reflexivity reminds the qualitative inquirer to be attentive to and conscious of the cultural, political, social, linguistic, and ideological origins of one's own perspective and voice as well as the perspective and voices of those one interviews and those to whom one reports' (p. 65). Thus, reflexivity is the process of critical reflection on how a person, as a researcher, engages with research and research participants, and which perspectives and views the researcher and research participants bring to the research. Cunliffe (2003) maintains that, by engaging in reflexive debates, we raise 'fundamental questions about our ability as researchers to capture the complex, interactional and emergent nature of our social experience' (p. 984). This is because, as explained in Section 3.3, people construct truth and knowledge amongst themselves through social interactions and, as researchers, it is our duty to reflexively report on our interactions with the research participants in the process of co-constructing this knowledge (the study that the researcher undertakes). What follows is a reflexive account of my profile and engagement in the research process, and the learning that took place in the process of co-constructing this knowledge with the research participants.

I belong to a middle class family residing in Peshawar, Pakistan. I grew up acquiring high ethical values from my parents, which included giving

importance to higher education and learning. I first received my bachelor's degree, and then my master's degree in business administration, both with distinction. Teaching and lecturing greatly appealed to me, so I became a lecturer in management and finance at a private university soon after receiving my master's degree. A two-year stint at a private university familiarized me with organizational dynamics, and how hard it is to earn money in an economy where thousands of graduates are unemployed. During that time, the Higher Education Commission (HEC) of Pakistan was actively awarding foreign scholarships to those who wanted to pursue an academic career after completing their PhD and met all the requirements for being awarded a scholarship. I won a competitive scholarship under the Faculty Development Programme (FDP) of the HEC for a public sector higher education degree awarding institute – IM|Sciences, Peshawar. Thus, I was appointed as a lecturer in management and finance at IM|Sciences and served for one and a half years before coming to the University of Southampton, UK, having secured admission on to a PhD (Management) programme on a split-site study basis.

It is pertinent to note here that even before securing admission on to the PhD (Management) programme, I was actively involved in research on finance topics (quantitative research), and had published four papers as a co-author. I wanted to have an in-depth understanding of how organizations work to create value for themselves and society. I therefore, chose the field of entrepreneurship. However, prior to this study, I had no concept of qualitative research, beyond that it involved interviewing people, because it is not taught as part of the Research Methods course in the educational institute from where I graduated. I undertook extensive training in research methods at the University of Southampton to familiarise myself with philosophical debates and research methodologies and methods, particularly, the qualitative ones. Hence, this study is my very first encounter with qualitative methodologies and methods.

Drawing on my cultural capital (my education and training, and understanding of the Pakistani context) and social capital (networks and contacts utilised to gain access), I have been an integral part of the process, particularly fieldwork, as the co-constructor of data. Going to the field as a lecturer in a leading



Management Institute, I engaged with the research participants with an awareness that they had expectations from me, in terms of learning about the subject. Equally, I learnt a lot from the research participants, who were corporate managers at different levels of the organization. Some of them were very friendly; some were very outspoken and difficult initially, but turned out to be helpful participants later on. As with every research practice, the current research was full of challenges, but I endured all of this to produce the current thesis.

Research is a long-winded process, with many iterative stages. During the conduct of fieldwork, I learnt to remain focused, patient and demonstrate strong perseverance to complete the research. The interactions with research participants, the Supervisor, colleagues, fellow PhD researchers and scholars at conferences were fundamentally important in this journey of learning. I have learnt to be more, reflexive, thoughtful and relational scholar and hence educator.

### **3.5 Research Context – Pakistan**

The current study was conducted in the context of a developing country, which is Pakistan. Pakistan is a former British colony that achieved independence from British rule on August 14, 1947. Geographically and politically, the country is of great importance, not only in the region but also in the whole world. As seen in Figure 3.2, Pakistan is geographically connected to China in the north, Afghanistan and Iran in the west, and India in the east. The southern border of the country connects with the Arabian Sea. The country has three ports, which are of vital geo-political importance in connecting incoming ships to the rest of Asia. Pakistan is the leading partner in the war against terrorism since 9/11, and has paid huge financial and human costs since then. Since the war began, Pakistan has faced the worst law and order situation internally, as terrorists began attacking civilian and military facilities in the rural and urban areas of the country. Generally, police and military personnel have been their targets, with civilians facing collateral damage.



**Figure 3.2: Pakistan's Geographic Location**

Foreign Direct Investment (FDI) in the country over the period July 2011 to April 2012 stood at \$ 666.7 million, as against \$ 1292.9 million the previous year, which reflects a decline of 48.4% (Pakistan Economic Survey, 2012). The reasons for such massive decline in FDI in Pakistan are the worsening security situation, coupled with energy crisis and the consequent high cost of doing business in Pakistan. 40% of Pakistan's electricity is produced through thermal sources, i.e. imported furnace oil (ibid) despite the fact that the country has huge potential for hydel generation of electricity, and has huge coal reserves in the Thar Desert. A surge in global oil prices in recent years has had a negative impact on the country's oil bill, adding to the circular debt of the energy sector and shortage of electricity in Pakistan. The energy crisis is leading to a high cost of doing business in Pakistan, as no company can achieve economies of scale by operating at 100% capacity.

The official religion of the country is Islam, and thus presents a huge market for halal food products and Islamic banking. Religious events throughout the

year play a great role in boosting the economy, as demand for different items such as sweets, meat, tea, sugar, cooking oil, flour, flowers, fruit, clothes, footwear, advertising and transportation services etc., increases during the religious events. However, profiteers generally hoard essential items for such events in advance, and thus earn undue profit. This gives rise to supply side inflation, which can easily be controlled by governmental checking on hoarders of essential items. The country is gifted with abundant natural resources, such as oil and gas, minerals, gems, coal etc., most of which remain unexplored. Pakistan has well-developed and efficient capital markets that are backed by a sound and robust banking and financial system. There are three stock exchanges in the country, of which the Karachi Stock Exchange (KSE) is the oldest and biggest, with 651 companies listed on the KSE (KSE's website).

On the political front, the country has been mostly ruled by the military. Only the last two civilian governments have been able to complete their five-year term in power. Corruption has been rampant during both military and civilian rules and is the root cause of all the problems in Pakistan. During the past ten years, ethnic and sectarian violence has claimed many lives in Karachi, which is the business hub of Pakistan, and where the head offices of most big corporations are located. Sectarian rifts are common in Pakistan, with clashes erupting between Shia and Sunni sects of Muslims during the holy month of Muharram. Besides this, the internal war against militants, and natural disasters of 2005 and 2010 have caused a huge dent in the Pakistani economy and has shaken the confidence of foreign investors in Pakistan. Therefore, sustainable corporate entrepreneurship initiatives of the case companies (to be discussed in the next chapter) need to be viewed within this general contextual framework of economic deterioration, corruption, political instability and worsening security situation.

### **3.6 Research Design – Qualitative Multiple Case Study**

Qualitative multiple case study design was adopted for this study. Before discussing case study, it is useful to consider what the term ‘case’ means. A case is the object to be studied in a research inquiry. Punch (1998) defines case as ‘a phenomenon of some sort occurring in a bounded context’ (p. 152). Stake (1998) defines case as ‘a complex entity operating within a number of contexts, including the physical, economic, ethical, and aesthetic’ (p.91). A case can be an individual, a group of persons, a department, an organization, a factory, an industry etc. Stake (1998, 2006) asserts that for an object to be called a case, it must be specific, functioning, purposive, have working parts and a bounded system. Hence, case study is the study of an object(s) that is specific, functioning and has a bounded system. Patton (2002) defines case study as ‘Case analysis involves organizing the data by specific cases for in-depth study and comparison’ (p. 447). Hartley (2004) maintains that ‘Case study research consists of a detailed investigation, often with data collected over a period of time, of phenomena, within their context’ (p. 323). The purpose of such a study is to present an object in its entirety, and either to show how the phenomenon under investigation is embedded in the case, or to show what it is that is unique about the case and thus necessitates its study (Stake, 1998).

Case study provides the opportunity for a holistic view of the phenomenon under investigation, i.e. to study the phenomenon in its totality in a natural setting (Gibbert and Ruigrok, 2010). Case study is an approach that connects the theories of academic disciplines to the practice in natural settings (Stake, 1998). Case study design also offers the opportunity for using a mix of quantitative and qualitative methods of inquiry (Patton, 2002; Buchanan, 2012). Case study design enables deeper understanding of a phenomenon within a bounded context, as it allows the researcher to use different research methods to deal with the research problem. Case study design is suitable for use when the aim of research is to provide the corporate world with management tools (Gummesson, 2000). Cepeda and Martin (2005) report three benefits of case study research. Firstly, it can enable a researcher to study management practices in a real setting and thus generate theories from the

practical study. Secondly, by adopting case study design, the researcher is able to answer 'how' and 'why' questions regarding a phenomenon that is to be studied in a complex and dynamic situation. Finally, case study design is appropriate to explore research problems where not much research has been undertaken to answer the problems, and theory is at its formative stage.

Case study design helps in the refinement of existing theory, and limits the broad generalization of theories, especially if the case is a negative example (Stake, 1998). Putting this concept in a different way, Patton (2002) emphasizes the importance of critical case. A critical case is a case which shows that if a phenomenon occurs here, it can occur anywhere or vice versa (Patton, 2002). As a negative case works to limit the broad generalization of a theory, a critical case can serve to testify or reject a preconceived theory. Mitchell (2000) refers to critical and negative cases as atypical, meaning such cases where the prevalence of the phenomenon under investigation is presumed to have fewer chances. Buchanan (2012) suggests that qualitative researchers should actively search for atypical cases in order to challenge the prevailing theories and generate useful new insights about the phenomenon under investigation.

Three types of case studies are suggested by Stake (1998): intrinsic case study, instrumental case study, and collective case study. Intrinsic case study involves only a single case, which is chosen because the case itself is of interest. The purpose is not theory-building or understanding a phenomenon, but the case is chosen because the researcher has an intrinsic interest in it. Instrumental case study is also comprised of a single case, which is chosen to refine a theory or to advance the researcher's understanding regarding an issue or phenomenon under investigation. Collective case study design consists of a number of cases that are chosen for studying and inquiring about a particular phenomenon or general condition. Punch (1998) asserts that collective case study can also be called multiple case study, or comparative case study. According to Stake (1998)'s typology of case study design, this study employed a collective case study design (nine case organizations). Analysis of the cross-case material which emanated from nine case accounts, enabled

theorisation from data, by utilising working definitions embedded in a conceptual framework.

Consistent with the benefits of case study articulated by Cepeda and Martin (2005), I wanted to develop a deeper understanding of the phenomenon of sustainable entrepreneurship within the context of a developing country, i.e. Pakistan. Firstly, I wanted to study the practice of sustainable corporate entrepreneurship within different multinational and local corporations, and thus generate theory from this empirical study. Secondly, adopting case study design made sense, as the study attempts to answer why sustainable corporate entrepreneurship is becoming so important for companies in a developing country like Pakistan, and how can sustainable corporate entrepreneurship result in the creation of shared value for both corporations and society. To answer these why and how empirical questions, qualitative multiple case study design was adopted. Thirdly, not much research has been done on sustainable corporate entrepreneurship, and theory on sustainable corporate entrepreneurship is still in an exploratory stage (Shepherd and Patzelt, 2011; Schaltegger and Wagner, 2011). Therefore, this situation warrants the use of qualitative multiple case study design to explore the phenomenon of sustainable corporate entrepreneurship from the perspective of those who are developing and implementing sustainable corporate entrepreneurship strategies, i.e. the corporate managers.

In line with the quality criteria set for the research from a social constructionist standpoint which will be explained later in section 3.11, multiple case study design was required, in order to generate a robust theoretical framework that builds on negative cases (within case study groups). More specifically, there are three industry groups, namely oil marketing, pharmaceuticals, and food and beverages. This forms one cluster of cases within a multiple case study design. There is also a second cluster, which is local versus the multinational corporations. It was important to apply a multiple case study design and draw the sample from these two clusters, in order to generate credible and confirmable data sets. Sample framing and parameters associated with this design will be elaborated in section 3.8.

Having outlined the research design in light of the literature, and its implication in the current study, the next section specifies the research methods and techniques utilized.

### **3.7 Data Collection Methods**

Qualitative data collection methods were used in this study. In particular, semi-structured interview technique was employed to gather primary data, and documentary analysis was employed to gather secondary data for the purposes of the current study. Semi-structured interview is a type of qualitative interview where a researcher has a list of questions to be covered, although the order of questions may vary in each interview that the researcher intends to conduct (Easterby-Smith *et al.*, 2008; Alvesson and Ashcraft, 2012). Semi-structured interviews involve asking mostly open-ended questions in order to elicit the understanding of the interviewee regarding the phenomenon being researched (Bryman and Bell, 2007). King (2004) maintains that the aim of qualitative interviews is not only to understand the viewpoint of the respondents, but also to gain an understanding of why the interviewees maintain a particular viewpoint. As this study follows the social constructionist paradigm, the use of semi-structured interview is particularly suitable for this study.

Constructionists contend that understanding the meanings that people ascribe to different phenomena is important for the researcher. Therefore, semi-structured interviews were employed as a means to discern meanings that the respondents, as representatives of their organizations, attributed to the phenomenon under investigation, i.e. sustainable corporate entrepreneurship.

Semi-structured interviews for the purpose of this study were conducted between May 2011 and February 2012. Interviews were conducted with at least three managers at different levels of the organization in each case company. The interviews were centred around the themes of entrepreneurship, CSR, shared value, corporate culture and history, company operations and eco-friendly products. Interviewees were asked how their respective companies

were creating shared value, what specific CSR projects their companies had initiated and why their companies were involved in creating shared value and CSR projects (see Appendix A for interview questions). A typical interview took approximately 50 minutes, although the duration of each interview varied based on how open the interviewee was in discussing the above mentioned themes. In total, 34 interviews were conducted in nine case companies. Only three interviews were tape recorded because the rest of the managers interviewed declined to give a tape recorded interview, most citing as the reason that they had signed an agreement with their respective companies not to give any information to an outside researcher. In a country such as Pakistan, corporate settings are highly regulated and it is extremely difficult to apply usual methods such as tape recording. To cope with this situation, I, as a trained and speedy note taker, took very detailed notes, and transcribed them immediately after each field visit, in order not to lose any important information and data. Additional care was taken by repeating the words of each interviewee back to them in order to confirm it with the interviewee. Detailed interview transcripts and notes were shared with the supervisor who also confirmed the richness and level of detail. Each manager interviewed had spent more than two years with their company, with some having 15 years' experience with their company. Therefore, most interviewees gave rich detailed accounts of how the above mentioned themes were at play in their companies. After each interview, field notes were typed in the form of questions and answers on the same day the interview was conducted, in order to retain as much information as possible.

In addition to primary data, secondary data was also collected through the use of secondary sources: company websites, annual reports, CSR reports, environmental reports and news reports etc.. Moreover, these sources were used in order to have some understanding of the case companies, and in order to frame some of the interview questions, before embarking on the interviews with company executives. Secondary data was also used in writing up the case accounts to give a rich and detailed understanding of each case.



The data collection methods used in this research, have their limitations. The limitation of interviews is that the interviewees may engage in impression management (Alvesson and Ashcraft, 2012), i.e. making big claims regarding their own performance or that of their own organization's performance. Similarly, companies may overstate their sustainability performance on their websites and in the documents which they make publicly available. Hence, readers of this thesis should give consideration to the aforementioned limitations of data collection methods before forming their own conclusions regarding the sustainability performance of the case companies.

### 3.8 Research Sample: Sampling Parameters and Characteristics of the Sample

Following Miles and Huberman (1994), sampling parameters were defined and operationalized for the current study as shown in Table 3.3 below:

**Table 3.3: Sampling Parameters**

Sampling Parameters	Samples
Settings	Corporate Offices of local and multinational corporations in selected sectors of the economy
Actors	Corporate Managers at different levels of the organization
Events	Launch of environmentally friendly products; Launch of products in response to societal needs; initiation of CSR projects; year end profitability achieved; ISO 14000 certification
Processes	Rationalizing investment in environmentally friendly products, CSR projects, and initiatives that create shared value

Specific questions were asked of each interviewee regarding the events and processes that are shown in the table above (see Appendix A for interview questions). The sample was drawn from local and multinational corporations across the three key sectors of the economy, namely oil marketing, pharmaceuticals, and food and beverages, in line with the research questions set for the purposes of this study. These sectors are extremely relevant to the current study as, firstly, oil marketing involves the transport of petroleum products across the whole country and a single accident can have enormous environmental and social consequences. Moreover, petroleum products directly contribute to environmental pollution as well. Secondly, pharmaceutical companies have an important role to play in human health and life, as medicines are used to cure diseases and have a significant bearing on health and life expectancy. Thirdly, food and beverages also deal with human health, as one needs to consume safe and healthy foods in order to remain healthy. All three sectors are particularly relevant to strategic CSR, and hence sustainable corporate entrepreneurship. The case companies were purposefully selected, as they are rich cases that exemplify the phenomenon under investigation (Stake, 1998; Patton, 2002). Table 3.4 below shows the profile of these case companies, number of interviews conducted in each company and the level of access gained in each case company.

**Table 3.4: Profile of Case Companies and Research Access**

Name of Company	Line of Business	Local/MNC	Interviews Conducted	Level of Access
Pakistan State Oil (PSO)	Oil Marketing	Local	5	First line and middle management
Shell Pakistan Limited	Oil Marketing	MNC	3	First line management
Total PARCO Pakistan Limited	Oil Marketing	MNC	6	First line and top management
Abbott Pakistan Limited	Pharmaceutical	MNC	4	First line and middle management
Sanofi Pakistan	Pharmaceutical	MNC	3	First line management

Limited				
Bryon Pharmaceuticals	Pharmaceutical	Local	4	Top management
Saffron Pharmaceuticals	Pharmaceutical	Local	3	First line and middle management
Nestle Pakistan Limited	Food and Beverages	MNC	3	First line, middle, and top management
Engro Foods Limited	Food and Beverages	Local	3	First line and middle management

Research access was a major issue, as, for the most part, top management of the case companies, apart from Total PARCO and Bryon Pharmaceuticals, did not respond to my interview request letter, repeated emails and phone calls. Therefore, access was negotiated mostly with the first line management in each company, and then further contacts were built up the hierarchy, where possible. Most managers gave interviews on the condition of anonymity, and not having their interview tape recorded. Even with the first line management, I had to put in a lot of effort and persistence, with many personal visits to the site of data collection and repeated phone calls. By repeatedly pursuing the interviewees and building contacts in the process, 34 interviews were executed in the nine case companies. Every effort was made to have at least three interviews in each case company, in order to gain access to the views of at least three key managers, and to give a detailed picture of the issues at hand in each case company from the perspective of the company's managers.

Closely related to research access is the issue of research ethics, which is described in the following section.

### 3.9 Research Ethics

Every research inquiry, especially qualitative inquiry, needs to have some ethical principles in place in order to avoid harming research participants, and be fair and just. As Miles and Huberman (1994) maintain, 'We cannot focus only on the quality of the knowledge we are producing, as if its truth were all that counts. We must also consider the rightness or wrongness of our actions as qualitative researchers in relation to the people whose lives we are studying, to our colleagues, and to those who sponsor our work' (p. 288). Bryman and Bell (2007) contend that the main ethical issues in any research are: 'harm to participants, lack of informed consent, invasion of privacy, and deception' (p. 149). As with any research inquiry, ethical issues were important for the current study, and due steps were taken to ensure that the rights of research participants (interviewees) were not violated. To ensure this, the interviewees, prior to the commencement of interview, were informed in writing about the:

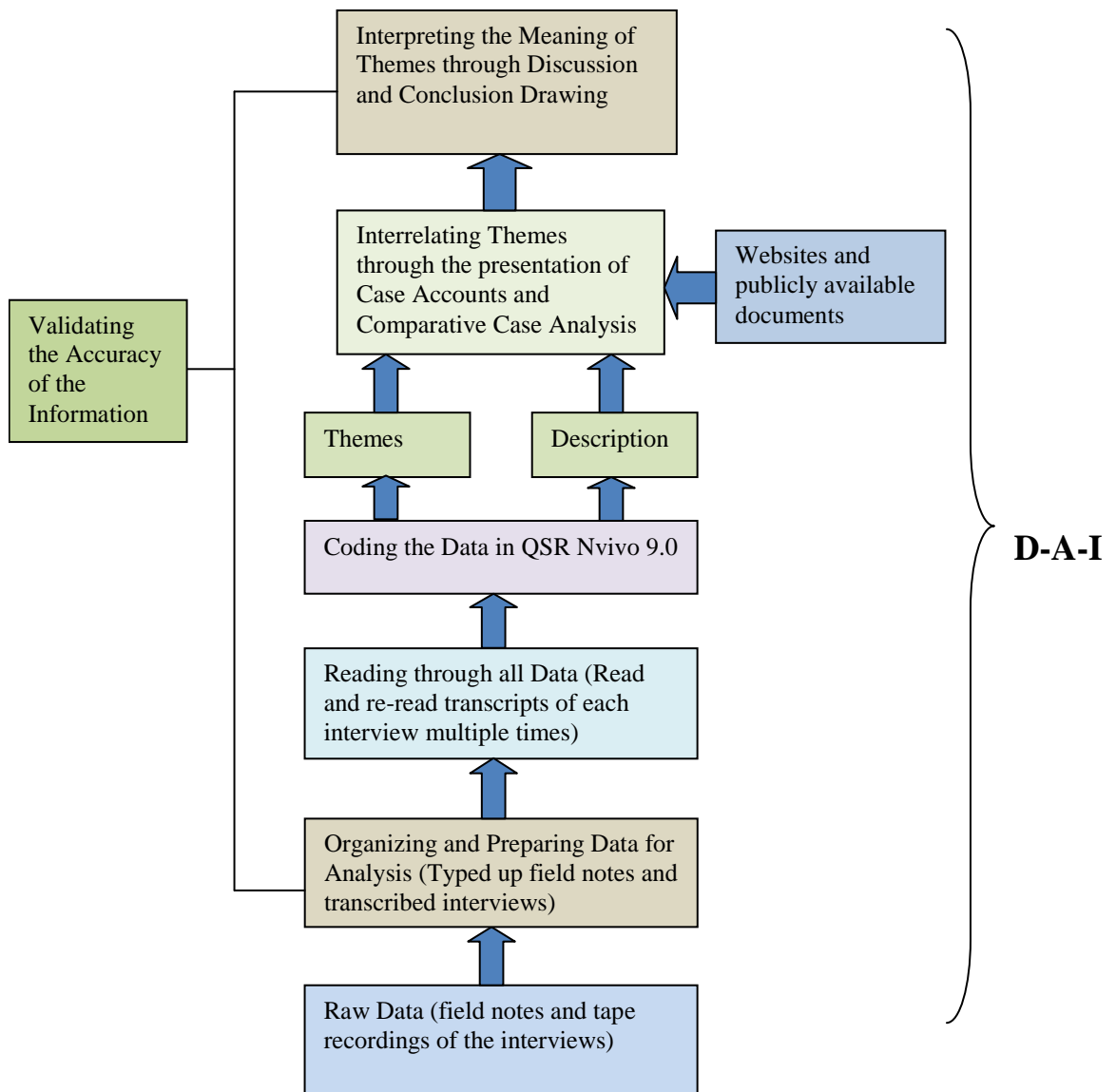
- purpose of the research
- my work background and institutional affiliation
- the research themes
- the intended length of time of the interview
- the right not to be named in any part of the research report without permission

Interviewees were given the opportunity to fully read the consent letter, before being asked to sign it (see Appendix B for consent letter). Most of the interviewees (31) were concerned about tape recording of the interviews. Where personally requested, interviews were not recorded. Similarly, the names and designations of all the managers interviewed were anonymized at their personal requests, in order to avoid any personal harm. Ethics application to the School was also made, which was duly approved by the School's Ethics Committee. The issue of tape recording in Pakistan's corporate setting was raised and approved as such. This issue has been well-understood by the Supervisor and the Ethics Committee of the School. The ethical issues were hence taken care of, and thus, in effect, informed consent was obtained from the research participants.

### **3.10 Data Analysis Process and Associated Methods**

Data analysis for a qualitative inquiry is an iterative and lengthy process that requires the researcher to work with enormous volumes of texts, and code and recode them as new categories, themes and patterns emerge. The process of data analysis in a qualitative inquiry is conducted concurrently with the process of data collection (Miles and Huberman, 1994; Boyatzis, 1998), so as to reflect on the data collected and identify issues to explore in future rounds of data collection. The process implemented in the current study has elements of both deductive and inductive approach to research. Patton (2002) suggests that any qualitative inquiry has elements of both induction and deduction, as the researcher moves back and forth in discovering emergent themes and verifying them across the cases. This study is characterized by the discovery of emergent themes (induction) and verifying those emergent themes (deduction) within the cases as well as across the cases.

As part of the data analysis, whilst collecting data, a contact summary sheet was also filled in after each interview (see Appendix C), following Miles and Huberman (1994). The purpose of the contact summary sheet was to reflect on the issues explored in an interview, to keep track of any document collected from the research participant and highlight any new questions for the next round of data collection. Miles and Huberman (1994) suggest the use of contact summary sheets as one of the early steps in qualitative data analysis when collecting data. A contact summary sheet engages the researcher in reflexive thought about the interview, and needs to be filled in just after an interview is conducted. The use of a contact summary sheet helps to tease out themes and recognize patterns in the qualitative data collected. More detailed analysis of qualitative data collected for the purposes of the current study is based on the work of Creswell (2009) grounded in Wolcott (1994)'s D-A-I framework. Figure 3.3 below illuminates the actual steps I followed for analysing data collected for the purposes of the current study.



**Figure 3.3: Data Analysis Procedure based on Creswell (2009) grounded in D-A-I Framework of Wolcott (1994)**

The steps outlined in Figure 3.3 may appear very linear and hierarchical, but in practice these steps were interrelated and required working back and forth, as suggested by Creswell (2009). As elucidated in section 3.6, primary data for the current study was collected through semi-structured interviews, which were mostly in the form of field notes. These field notes were typed in MS Word after each interview, so as to organize and prepare them for data analysis. Each transcript was read multiple times to get familiar with the issues and concepts that the transcript contained. Then reflection was made on the transcripts as to whether the data supported existing knowledge, or was divergent from the

existing knowledge base. After familiarization and reflection on the transcripts, the data was exported to the QSR Nvivo 9.0 software, and thus the process of coding began. Coding is the process of assigning labels to chunks of text in order to categorize them and make sense of them (Patton, 2002). Strauss and Corbin (1990) suggest that a researcher should be open and flexible to emerging themes and patterns in the data. At the start of the coding process, some codes were predetermined based on an extensive review of the literature, while some codes emerged during the process of data analysis by being open and flexible to emerging themes and patterns in the data. Thus both deductive and inductive codes were used in the current study. Initially, free nodes were used, but later on concepts were catalogued and thus, tree nodes were formed in Nvivo software. As each interview was coded, it was compared with the previous interview coded, and, where necessary, re-coding was done to make sure that the rules for coding were consistent across all the transcripts. Table 3.5 below provides an example of codes used in the current study (see Appendix D for a full list of codes used in the current study).

**Table 3.5: An Example of Codes Used**

<b>Theme</b>	<b>Code</b>	<b>Related to Research Question</b>
Challenges	CHALL	RQ 3
Challenge - Circular Debt	CHALL-CD	
Challenge - Competition	CHALL-COMP	
Challenge - Energy Crisis	CHALL-EC	
Challenge - Poor Economic Conditions	CHALL-PEC	

.....	.....	.....
Shared Value	SHV	RQ 2
Shared Value – Benefits	SHV-BEN	
.....	.....	.....
.....	.....	.....

The coding process led to the development of themes and description of the organizational setting and SCE initiatives. This, in turn, led to the development of individual case accounts, as presented in Chapter 4, and comparative case analysis, as presented in Chapter 5, by interrelating themes with one another. Additionally, secondary data collected, for the purposes of the current research in the form of review of corporate websites and publicly available documents, also aided in the development of individual case accounts. The meanings of the themes were interpreted by presenting the theoretical framework of the current study, based on the data collected and analysed, in Chapter 6. The discussion about the theoretical framework of the current study in Chapter 6 leads on to the drawing of conclusions and suggestions for future research in Chapter 7.

Writing up is an integral part of data analysis and interpretation. Tracy (2010) suggests that ‘qualitative research must be presented with clarity, avoid jargon, and be comprehensible to the target audience’ (p. 845). Therefore Wolcott (1994)’s ‘Description, Analysis and Interpretation’ (DAI) framework was used for writing up the analysis, so as to present the current research in a clear and comprehensible manner, thus facilitating readers to think, interpret and react to the research. In Wolcott’s terms, description means staying close to the data collected so as to let the data speak for itself. Wolcott (1994) suggests that this may be accomplished by drawing long quotes from transcripts so that the research participants themselves seem to describe what is happening in



the context with respect to the phenomenon under investigation. To keep the account moving forward, a researcher needs to engage in analysis in order to identify the relationships between key themes and categories in the data. Interpretation means to go beyond the analysis towards making meanings and developing theory in the original context. As Wolcott (1994) maintains, at the interpretation stage 'the researcher transcends data and cautious analyses and begins to probe in to what is to be made of them' (p. 36). Interpretation, in a qualitative inquiry, should be context specific, and the researcher should not aim for generalization, although the findings of qualitative research remain transferrable to other contexts, as will be elucidated in the ensuing section. It is pertinent to note here that although Wolcott makes a distinction between description, analysis and interpretation, in practice these three ingredients overlap each other when reporting the analysed data.

Description, in the current study, involves providing thick description of the case companies, their SCE initiatives, philanthropic activities, motives for SCE initiatives and challenges faced by them in the creation of shared value, based on interviews of their managers, corporate websites and annual reports. Analysis involved comparing the findings with the literature and identifying key issues and interrelationships between key themes across cases. Interpretation involved inductive reasoning with respect to the conceptual framework used in the current study, and drawing conclusions. Therefore, Chapters 4 to 7 of the current study should be read by taking in to account the D-A-I framework. In terms of the D-A-I framework, Chapters 4 and 5 present the description and analysis of data, while Chapters 6 and 7 present the interpretation of themes developed in the data analysis procedure of the current study. As highlighted by Figure 3.3, during the process of data analysis, validation of the accuracy of the information was taken care of. This raises the issue of the trustworthiness of the current study, which is discussed in the ensuing section.

### 3.11 Trustworthiness of Qualitative Research

Trustworthiness in the context of qualitative research means to judge the rigour of the study through ways that are in conformity with the research paradigm chosen for the purposes of that study. Traditionally, positivist criteria of internal validity, generalizability, reliability, and objectivity were applied to qualitative studies to test their rigour (Lincoln and Guba, 1986). However, these criteria were imported from a positivist paradigm, which itself utilises techniques from natural sciences (Johnson and Duberley, 2000). Therefore, the above mentioned positivist criteria were inappropriate to judge the rigour of qualitative studies, because they were not in harmony with the research philosophies of qualitative studies (Tracy, 2010). To overcome the difficulty of judging the rigour of qualitative research, Lincoln and Guba (1986) provided four alternative criteria to establish the trustworthiness of qualitative studies. Table 3.6 below outlines the conventional and alternative methods of judging the rigour of a scientific inquiry. Lincoln and Guba (1986) suggest that trustworthiness is itself analogous to the term ‘rigour’, and the corresponding four criteria of establishing trustworthiness of a qualitative research are: credibility as opposed to internal validity, transferability as opposed to generalizability, dependability as opposed to reliability, and confirmability as opposed to objectivity.

**Table 3.6: Qualitative Criteria of Assessing Trustworthiness of a Qualitative Study**

Positivist Criteria of Assessing Rigour	Qualitative Criteria of Assessing Trustworthiness
Internal Validity	Credibility
Generalizability	Transferability
Reliability	Dependability
Objectivity	Confirmability

Lincoln and Guba (1986) suggest that credibility of a qualitative study can be enhanced through prolonged engagement with the research participants, persistent observation of the research participants and their roles,

triangulation of data, peer debriefing, negative case analysis and member checks. Moreover, they contend that transferability of a study can be enhanced through providing thick description of the context, so that the readers of the study are themselves able to transfer the findings to their own context. For dependability and confirmability, Lincoln and Guba (1986) suggest the establishment of an audit trail, and the conduct of the audit by a competent person. Table 3.5 below highlights the application of Lincoln and Guba (1986)'s criteria of assessing the trustworthiness of qualitative research in this study.

As illustrated in Table 3.7, credibility of the study was attained through using multiple sources of data (triangulation), such as interviews of corporate managers, and analysis of corporate websites and publicly available documents. During the interview, any ambiguities were clarified by repeating the words of the interviewee and asking for any corrections. Moreover, the research approach and findings were presented at academic conferences and a conceptual paper was published in a reputable journal of entrepreneurship. Negative cases were actively searched, and hence research was undertaken in three key sectors of the economy, and not just one sector. Regarding transferability, thick description of the context, which is a developing country, i.e. Pakistan, is given in section 3.5, and the next chapter, i.e. Chapter 4, provides detailed narratives of the individual case companies, and how these companies are involved in the process of SCE to create shared value. Chapter 5 provides a comparative analysis of the case companies, which is made in the context of Pakistan by paying attention to the particularities of Pakistan as a developing country. For the achievement of dependability and confirmability, the supervisor and some select colleagues of the researcher were continuously updated at every stage of data collection and analysis, and provided useful suggestions during these stages.

**Table 3.7: Application of Lincoln and Guba (1986)'s Alternative Criteria of Establishing Trustworthiness to the Current Research**

<b>Criteria and Strategies</b>	<b>Application in the Current Research</b>
<p><b>Credibility</b></p> <p>a) Triangulation</p> <p>b) Member Checks</p> <p>c) Peer debriefing</p> <p>d) Negative Case Analysis</p>	<p>Semi-structured interviews as the main source of primary data augmented by an analysis of corporate websites and publicly available documents as secondary sources of data</p> <p>Clarifying ambiguities by repeating the words of interviewees and asking for correction of transcripts</p> <p>Discussing research findings with the supervisor and colleagues; presenting research approach and findings at academic conferences and publication of a conceptual paper in a reputable journal of entrepreneurship</p> <p>Active search for negative cases by focusing research in three sectors and not just a single sector, and also choosing both multinational and local companies in each sector</p>
<p><b>Transferability</b></p>	<p>See section 3.5 for an overview of Pakistan as a developing country, Chapter 4 for description of individual case organizations, and Chapter 5 for comparative case analysis in the context</p>

	of Pakistan as a developing country
<b>Dependability and Confirmability</b>	Supervisor and select colleagues of researcher taken into confidence regarding how data was collected and analysed

The discourse on the criteria for assessing the quality of qualitative research has advanced to much higher levels over the years since Lincoln and Guba (1986) first proposed their alternative criteria for assessing the trustworthiness of qualitative studies. Tracy (2010) suggests eight universal criteria of quality in qualitative research that span across research paradigms situated within the qualitative tradition, meaning that the criteria proposed by the author are not tied to a specific paradigm. Tracy (2010) contends that ‘simple structure of qualitative methodological best practices can therefore encourage dialogue with members of the scientific, experimental, and quantitative communities’ (p. 838), and presents a qualitative study in a structured and systematic manner. Thus, criteria guidelines for qualitative quality can aid researchers in systematically presenting their work to others who may hold philosophical assumptions different from those of the researcher. Table 3.8 below highlights the application of Tracy (2010)’s qualitative criteria for excellent qualitative research.

**Table 3.8: Application of Tracy (2010)’s Universal Criteria for Qualitative Quality to the Current Research**

<b>Criteria for Quality</b>	<b>Application in the Current Research</b>
<b>Worthy Topic</b>	The topic of the current research is interesting, timely and dynamic because it generates insights for the phenomenon under investigation in the context of a developing country, which is Pakistan
<b>Rich Rigour</b>	The current study is based on 34 interviews of corporate managers across five multinational and 4 local case organizations in three key sectors of the economy; challenges encountered during data collection and how they were responded to have been clearly

	articulated in section 3.7; interviews for the purpose of this study were conducted from May 2011 to February 2012; detailed interview transcripts shared with the supervisor
<b>Sincerity</b>	A reflexive account of my background, encounter with and learning from the research participants is discussed in section 3.4; transparency about data collection and analysis methods is ensured through sharing interview questions, codes employed and an example of CSF through appendices
<b>Credibility</b>	Thick description of the research context is provided in section 3.5 and those of case corporations in Chapter 4; based on the thick description of the research context and case organizations, sectoral maps and sectoral differentials of SCE, and differences between SCE approach of MNCs and local corporations are presented in Chapter 5; semi-structured interviews as the main source of primary data augmented by an analysis of corporate websites and publicly available documents as secondary sources of data; clarifying ambiguities take place by repeating the words of interviewees and asking for correction of transcripts
<b>Resonance</b>	A rich description of the research context and case corporations is provided to aid readers in transferring the findings of this study to their own settings; research findings are presented in a clear and comprehensible manner, linking them to specific research questions
<b>Significant Contribution</b>	The current study makes significant contribution to theory, practice and methodology, which are highlighted in Chapters 1 and 7; suggestions for future research are also discussed in Chapter 7
<b>Ethical</b>	Ethical approval was given by Southampton School of Management's Ethics Committee; informed consent was obtained from research participants (see section 3.9 for a discussion of ethical issues)
<b>Meaningful Coherence</b>	The research design and methods of data collection and analysis fit well with the research paradigm and research questions of the study; the findings and conclusions of the current study meaningfully interconnect with the literature and empirical data presented in the form of case accounts and comparative case analysis

### **3.12 Conclusion**

The underlying research methodology of the current study was presented in this chapter. This study adheres to the social constructionist paradigm, because a social constructionist approach helps in extending our understanding of sustainable corporate entrepreneurship, by demonstrating that how corporate managers construct their reality regarding why it is practiced and what they understand to be sustainable corporate entrepreneurship in the context of a developing country, namely Pakistan. In addition, this chapter also outlined the research context of the study by describing the economic, political and sociological conditions of the context, which is a developing country, namely Pakistan. The chapter presented a reflexive account of the research process, by highlighting my role in the process. The multiple case study research design, sampling decisions and associated data collection and analysis methods were explained in the chapter. Therefore, it provides a foundation for the description and analysis of empirical data collected in the field, which is presented in the next chapter in the form of case accounts.

# Chapter 4: Case Accounts

## 4.1 Introduction

Following on from the methodology chapter, this chapter presents the empirical data collected in the form of case accounts. As discussed in the previous chapter, the current research has studied nine case organizations across three sectors, namely oil marketing, pharmaceuticals, and food and beverages. This chapter presents the case narratives of the case organizations structured by the themes that emanated from the data guided by the research questions of the study. Based on a social constructionist approach, the following case narratives help to explain how the case companies are creating shared value, why SCE is becoming important for them and what are the contextual challenges they are facing with regards to the practice of SCE. The first three case accounts are of the oil marketing companies, followed by four case accounts of pharmaceutical companies. Finally, two case accounts from the food and beverages sector are presented. After discussing the case accounts, conclusions are discussed at the end of the chapter.

## 4.2 Pakistan State Oil (PSO)

### 4.2.1 Introduction

PSO was incorporated in 1976 by the Government of Pakistan (GoP). Today, it is a progressive, blue chip, dynamic and entrepreneurial corporation combining public and private partnership, with more governmental control. The GoP owns 22.45% shares of PSO, while the other public sector companies have a 24.37% ownership stake (PSO's Annual Report, 2010, p. 123). The rest is held by private investors, both institutional and retail. Senior management positions in the company are Government appointments. Despite being a public sector company, and unlike other public sector companies, over the years it has thrived and developed into a very profitable, entrepreneurial, socially and environmentally responsible organization. It has 3,800 retail outlets across the whole country, and no other oil marketing company has



such a large sales network in Pakistan. It sells petrol, diesel, Compressed Natural Gas (CNG), Liquefied Petroleum Gas (LPG), lubricants, jet fuels, furnace oil, and chemicals to retail and industrial consumers. Even competitors recognize that PSO was the first oil marketing company (OMC) to introduce green fuels in Pakistan.

#### 4.2.2 SCE and Innovation in PSO

Over the years, PSO has been engaged in SCE activities and innovation, and the following initiatives are examples of PSO's involvement in SCE and innovation: green/additized fuels, a card system to prevent theft and fraud, and a vehicle identification system (VIS).

Pollution was and is becoming a major global issue, and to tackle this, PSO, which is Pakistan's biggest OMC, introduced such fuels that contain certain additives, which reduce black smoke emission and clean the vehicle's engine. Manager E affirms this by stating that:

*"PSO introduced additized fuels in 2003 in order to reduce carbon emissions and give added mileage. This is because we care for the environment and our customers. We want to give added value to our customers, and at the same time be responsible corporate citizens."*

According to Manager B at PSO, these additives are purchased from the Ethyl Company, which is based in the USA. The introduction of green fuels was not only an innovation in the business operations of PSO, but also demonstrated the company's strong commitment to reducing its negative impact on the natural environment. It can also be considered as a strategic CSR (SCSR) act, because the convergent issue of interest between the company and society was the reduction in CO<sup>2</sup> emissions by the vehicles running on the roads of Pakistan. PSO came up with a solution in the form of Green XL diesel and Premier XL petrol, which reduce CO<sup>2</sup> emissions of vehicles. This solution was proactive, innovative and risky too. However, as it turned out, the green fuels were highly successful, and created shared value, as they reduced CO<sup>2</sup> emissions on the one hand, and improved PSO's financial bottom line on the

other. This example illustrates that a public sector corporation such as PSO, despite all the political interference at the top, can be involved in sustainable entrepreneurship. The company, as part of fulfilling its environmental responsibility, has also adopted air emission monitoring and control mechanisms at its operational locations, and is recognized 'internationally for minimal carbon emissions as per the Clean Development Mechanism (CDM) as defined and monitored under the United Nations Kyoto Protocol' (Annual Report, 2012, p. 39).

Another example of how PSO is involved in SCSR, and indeed, in sustainable entrepreneurship, is the introduction of a card system in the Pakistani market. PSO was the first oil marketing company to introduce such a card system in the Pakistani market. It was introduced in February 2003 and is aimed at bringing transparency and efficiency in fuel billing. Manager C reports the following:

*“Our card system has been very successful and we have captured most of the market because of our large network. We have our petrol pumps everywhere. The card system brought efficiency and transparency for the customers. Earlier, drivers made fraudulent transactions and our customers had to pay huge fuel bills. This was becoming unacceptable for our customers. We took the lead in solving that problem and introduced the card system. Now because of that computerization and tracking system, our customers can easily track and monitor their fuel bills. Moreover, it is also useful for ordinary customers as they don't have to carry cash and it works like a credit card.”*

Hence, the convergent issue of interest between society and PSO was to eliminate the fraudulent transactions made by the drivers of customers. PSO came up with a solution that was proactive, innovative and carried downside business risk. It was a huge success, and PSO has captured 100% of the governmental sector and 70-73% of the private sector because of the card system, that is backed by a large retail network (Manager D). The result of all this has been the creation of shared value, as customers can monitor and keep a check on their fuel bills, whilst the company's profitability has improved.

The third innovation by PSO that is aimed at bringing more efficiency and transparency in fuel billing is the 'Vehicle Identification System' (VIS). It is a state-of-the-art technology and is still unmatched in the Pakistani market. VIS is an advanced fleet management system, and was introduced in 2009 (Manager D). Refuelling a vehicle under this system does not require any card or cash. A 'Vehicle Identification Unit' (VIU) is installed in all the authorized vehicles of the customer, and refuelling is done up to the amount of a pre-approved balance. When the fuel nozzle is inserted in to the fuel inlet of the vehicle, it communicates with the station controller (a device at the retail outlet), which then verifies the identity of the vehicle and the amount of balance available. After refuelling, the station controller generates two transaction receipts; one is intended for the customer and the other is for the company's records. In addition, the station controller also detects fuel consumption per kilometre, thus eliminating the chances of fuel theft by the drivers. The introduction of VIS also highlights the commitment of PSO towards creation of shared value, and is part of its SCSR initiatives. The company not only practises CSR strategically, but is also actively involved in corporate philanthropic activities, which are discussed in the ensuing section.

#### **4.2.3 Corporate Philanthropic Activities in PSO**

Besides practising SCSR, the company is also very actively involved in what Carroll (1991) labels as philanthropic responsibility. The company, to date, has built a tuberculosis hospital (Manager A), provided funding to a hospital for thalassemia patients (Manager B), built schools in earthquake struck areas (Manager C) and donated cash in kind, food items and shelter to the flood victims of 2010 (Managers D and E). During the period July 2011 to June 2012, the company financially supported over 31 social and welfare organizations countrywide (Annual Report, 2012). An archival analysis of the company's publicly available document reveals that for CSR initiatives, the company focuses mainly on three areas, namely: education, health-care and community building (Corporate Environment Report, 2007, p. 47). Community building includes areas related to sports development, female empowerment, child welfare, heritage preservation and relief activities (ibid). PSO has also built a storage depot in the northern area of Chitral valley (Manager B). No other OMC

has a storage depot there, and PSO is the only company to stock fuel there for the winter, providing it on credit to dealers, as in the winter the road access to Chitral valley is closed. Thus, the company has a significant focus on corporate philanthropic activities, because the management of the company considers it to be the leading national company of Pakistan.

#### **4.2.4 Motives behind Involvement in SCE Initiatives**

All the managers interviewed at PSO agreed that, because of the above discussed CSR and eco-friendly initiatives, the goodwill of the company has improved, leading to improved brand image and subsequent increasing sales in the long-run. Manager A asserts that:

*“We are involved in such activities because the company wants to create goodwill amongst the general public. As the company creates goodwill, its sales also improve because of improved goodwill. There are many customers who come to us and say that we don’t purchase from other companies; we only purchase from PSO because it is our national company and we want to give business to national companies only. So that is the amount of goodwill that we have created amongst the general public”.*

Manager B reinforced the above mentioned point of creating goodwill and improving brand image in the following words:

*“We are engaged in such activities in order to have a competitive edge, to improve brand image and goodwill. Sales also improve because of improved brand image”.*

The response of other research participants from PSO was similar. This finding, that SCE initiatives improve brand image and, subsequently, sales, is consistent with the earlier work of Miles and Covin (2000), and Husted and Salazar (2006) who maintain that improved environmental and social performance can significantly enhance the reputation and image of a corporation, thus leading to improved financial results. Indeed, PSO has positioned itself as an eco-friendly and socially responsible company by engaging in SCE initiatives and innovation, as discussed in section 4.2.2.

#### 4.2.5 Challenges Faced By PSO

Although PSO is the biggest OMC of Pakistan, the company is not without its challenges. The challenges which PSO is facing, as cited by the interviewees, include: circular debt, governmental interference, and competition. Circular debt is the most cited challenge faced by PSO. Basically, it is a vicious debt circle that needs urgent Government attention. In Pakistan, electricity is produced by some public sector companies and independent power producers (IPPs). Because most power plants in Pakistan are thermal power plants and run on furnace oil, PSO purchases furnace oil for them from the refineries in Pakistan, and occasionally from abroad. PSO gives it on credit to IPPs who provide electricity on credit to the Government of Pakistan (GoP). The GoP does not pay in full to the IPPs, who are not then able to pay PSO, and then PSO is not able to pay the refineries. When the matter becomes very serious and the receivables reach hundreds of billions of rupees, the GoP then injects some money in to PSO. This has been an ongoing problem for the past five years. Manager C maintains that:

*“Government interference is much more in PSO. Government asks us to provide oil on credit to railways, airlines, independent power producers, and government departments. They don’t pay us on time and we are unable to make payments to our creditors. For the last five years, we are facing this issue of circular debt. We cannot start many initiatives because our money is stuck in circular debt”.*

Even at the time of writing this case account, an energy crisis is taking place in Pakistan, with 15 power plants completely shut because of non-payment by the GoP to IPPs (June 25, 2011). Besides IPPs, many governmental organizations which purchase fuel and other supplies on credit from PSO also do not pay PSO in a timely manner, and receivables swell to billions of rupees. The cash-strapped company is then left at the mercy of the GoP, which injects money in to PSO at its own discretion, although this is not the full amount that it requires. Governmental interference is considerable in the company, to the extent that:

*“Government interference is the biggest constraint. Government appoints politically affiliated people in the company who just follow the*

*government orders without considering the adverse consequences that such decisions can have for the company” (Manager D).*

If PSO was not a government-controlled entity, it would not have provided fuel worth billions of rupees on credit. Hence, circular debt and governmental interference are significantly interrelated challenges for PSO.

PSO is not a government created monopoly. Like other companies, it is also facing a competitive environment, especially in the lubricants segment, which is dominated by Caltex Pakistan (a subsidiary of Chevron USA) followed closely by Shell Pakistan (Manager A at Shell Pakistan). PSO was marketing lubricants under licence from Castrol, but five years ago, this relationship ended, and PSO has been marketing its own brands for the past five years or so (Manager B at PSO), whilst facing intense competition in this segment. New OMCs are springing up in Pakistan and they may well be stealing PSO’s market share in different segments. Manager A illuminates this point in the following words:

*“The challenge for us is that competition is increasing. Five more companies have entered the Pakistani market, whereas the market size is the same. So competition is a big challenge for us”.*

In retail fuels, however, PSO is still number one, with 63% of the market share, backed up by a huge retail network (Manager B at Total PARCO). He maintains that:

*“PSO is a giant for us. We don’t even look towards PSO as a competitor. Its market share is 63% in retail fuels, while ours is only 9%”.*

Despite all these considerable challenges, PSO is operating fully, and most importantly, undertaking SCE initiatives successfully. It is planning to introduce bio-diesel in Pakistan, and has already introduced ethanol blended fuel that gives a saving of Rs.2.5 per litre and is more eco-friendly. However, the Government did not take much interest in this product and consequently E-10 did not succeed in producing positive financial returns for the company. Nevertheless, this product, along with bio-diesel, has the potential to revolutionize the Pakistani market and may be able to reduce the pollution

problem to a great extent. Moreover, PSO is also importing 'Low Sulphur' furnace oil (LSF) to reduce the negative impact of furnace oil on the natural environment. The company's five sites are ISO 14001 certified as well. All this demonstrates PSO's long-term commitment to its environmental and social responsibility, alongside the will and vision to create shared value, thus leading to sustainable development in Pakistan.

## **4.3 Shell Pakistan Limited (SPL)**

### **4.3.1 Introduction**

Shell Pakistan Limited (SPL) is a subsidiary company of the Royal Dutch Shell Company, which is the world renowned Oil and Gas Company. SPL's history in Pakistan dates back to 1899, when the Royal Dutch Petroleum Company and Shell Transport Company began supplying fuel to the sub-continent through their marketing arm known as Asiatic Petroleum. The Royal Dutch Shell Company merged with Burmah Oil Company Limited of India to capitalize on its distribution strength in 1928. When Pakistan came in to being in 1947, the company changed its name to Burmah Shell Oil Distribution Company of Pakistan. As a consequence of the nationalization of companies in 1970, the company's name changed to Pakistan Burmah Shell Limited. After the economic reforms of 1993, the Royal Dutch Shell Company increased its share to 51% and became Shell Pakistan Limited (SPL). In the year 2001-02, the Royal Dutch Shell Company further increased its ownership stake in SPL and raised it to 76% (SPL's website). SPL is listed at the Karachi Stock Exchange (KSE), as 24% of its ownership stake is with institutional and retail investors. SPL is second to PSO in the number of retail outlets, and has over 780 retail outlets in Pakistan (Annual Report, 2012).

### **4.3.2 SCE and Innovation in SPL**

SPL has been involved in SCE initiatives and innovation for many years, and the following initiatives of the company are a testament to this argument: new vision retail outlets, Shell Tameer programme, training of lorry drivers,

green/additized fuels, removal of plastic wrap from lubricant containers to make the packaging eco-friendly, and collection and recycling of empty lubricant containers.

SPL was the first company to introduce modern retail outlets in Pakistan that feature roofs, digital meters, tuck shop and the like. The company named these 'New Vision' outlets and introduced them in 1993. In the words of Manager B:

*"Shell Pakistan came up with a 'New Vision' in 1993 that changed the way business was conducted. For the first time in the history of Pakistan, digital meters were introduced, customers were shown the meter before filling, car screens were wiped, Shell shops were introduced, and petrol pumps had roof and clean facilities. Shell introduced its 'New Vision' in 1993 and that was replicated by other companies, and today you see that every company's pump has clean facilities, roof, shops, digital meters and things like that. Shell is the market leader in setting standards. It changed business norms".*

In essence, SPL revolutionized the Pakistani fuel market by introducing modernization and comfort for fuel customers, and other companies soon followed suit. The image of SPL's retail outlets soon became that of a place where customers can relax and enjoy an efficient service with the added assurance that they are getting the right quantity and quality of product. Through this initiative, SPL created shared value, as customers benefited from its modern retail outlets and it also improved its financial bottom line in the long-run, as the company attained a competitive edge over its competitors, especially PSO.

SPL is not only entrepreneurial itself, but it is also helping the young entrepreneurs of Pakistan through a social investment programme known as the 'Shell Tameer' programme. This programme is known in the UK as the 'Shell Live Wire' programme. SPL, through its Shell Tameer programme, aids young persons aged between 18-32 in realizing their dream of starting, managing and owning a business. It does so by providing the services of mentoring, enquiry, seminars, workshops and awards for successful



entrepreneurs (Shell website). It provides the services of industry linkages for the would-be entrepreneurs as well. The Shell Tameer programme is, in essence, what Porter and Kramer (2006) describe as an investment in the competitive context by leveraging the company's capabilities. This programme is an investment in the competitive context and can thus be categorized as an SCSR initiative, because it is helping improve the local demand conditions for SPL's products by creating a favourable brand image, besides creating positive social change by helping youngsters to become their own boss. Thus, by taking an entrepreneurial approach to CSR and practising SCSR, SPL is creating shared value. However, this programme is limited to major cities, with few opportunities in other parts of the country. The company could do more by raising awareness about Shell Tameer in the whole of Pakistan.

In terms of environmental and social impacts, oil marketing is a highly risky business, as it involves the transport of petroleum products, mainly through land routes. Any single accident of a lorry tanker can significantly damage the environment and the local community, besides loss of the product, property and human lives. Therefore, SPL's most important goal is to have zero fatalities and incidents, and the company puts heavy emphasis on training its lorry drivers in defensive driving techniques (Annual Report, 2012). In partnership with the National Highway Police, the company developed a defensive driving training programme, which was audited by Shell's global transport team, and is used to train Shell staff and lorry drivers (ibid). By training lorry drivers in defensive driving, the company not only mitigates the risk of loss of reputation and goodwill, but also helps in saving precious human lives that can be lost in the event of an accident. Thus, the company is creating shared value through this SCSR initiative, which has become imperative for the safe and sustainable operations of the company.

SPL, like PSO, is also selling additized fuels that are meant to give added mileage and reduce harmful emissions. But this initiative came long after PSO and Caltex had introduced such products in Pakistan. Manager C affirms this in the following words:

*“Our POL products contain certain additives, which are environment-friendly and give added mileage. PSO was the first to launch green products, way back in, I think, 1994-95, but it was a failure because they added cleaning agents in their products and thought that it will clean the engines of automobiles thus reducing black smoke. But what they didn’t realize was that before going in to the automobiles, their product will go in to underground fuel tanks and will clean the tank. What happened was that the product got mixed with the waste and decay of tanks and then entered the automobiles, thus damaging the engines of the automobiles, and the petrol pump tanks as well. But later on Caltex introduced Caltex Techron, and it succeeded”.*

But this is not to claim that SPL is not taking entrepreneurial approach to its environmental responsibility. The lubricant container of every OMC used to be wrapped with plastic, which was an unnecessary cost and also environmentally hazardous. In 2008, SPL removed this plastic wrap, resulting in cost savings and introducing more eco-friendly packaging. Manager A narrates this as:

*“Mostly our packs were having a shrink wrap of plastic, which was an additional cost, and as you know, plastic is not bio-degradable. What we did was to remove this shrink wrap back in 2008. The other companies which are working here in Pakistan, were still having their shrink wrap on their products, but after a year they also removed the shrink wrap from their products”.*

The second entrepreneurial initiative of SPL in terms of its environmental responsibility was to collect the empty lubricant containers and send them for recycling. This initiative had dual objectives. One was obviously to be a more eco-friendly company and reduce its negative impact on the natural environment, and the other was to curtail fake lubricants consumption, as the lubricant dealers sold the empty containers to fake lubricant sellers for a few rupees. The sale of fake lubricants in the containers of SPL maligned its brand image. In order to curtail this, SPL launched this initiative, and the sales of fake lubricants did come down. Manager A illuminates this point as:

*“Yeah we had double advantage from it. This project was being initiated by the marketing department just because of two reasons. One of these was obviously the HSSE, but the second was that we wanted to reduce the fake oil*

*contribution in our market, because fake oil is available in the market in huge quantity, and it is keeping our sales low”.*

Thus, it can be understood from the above quote that the underlying motive of collecting empty lubricant containers was not just to be environment friendly, but to contain the activities of fake lubricant sellers and to mitigate the risk of loss of reputation. Nevertheless, this initiative resulted in the creation of shared value.

In what can be termed as quite a stark contrast, SPL is not an ISO 14000 certified company. ISO 14000 is ‘a universal and international system of environmental management standards’ (Miles *et al.*, 1999, p. 113). The company managers believe that the internally developed standards of SPL are much higher than ISO 14000 standards, and the company on a global level has liaisons with car manufacturers like Ferrari. Manager A argues that:

*“I strongly believe that these certifications are no-where in comparison with our standards and procedures. Our standards and procedures are very much higher than these certifications as u said ISO or whatever it is”.*

Manager C emphasizes that Shell is one of the best companies in the world and has strategic alliances with leading global companies. They therefore do not need any certification such as ISO 14000. He maintains:

*“First of all, I don’t know about these kind of certifications. But what I will say is that Shell’s slogan is ‘One of the best fuels in the world’. We are more than just fuels. We want to give customers a better fuelling experience. We are the market leader in setting standards. You can gauge it from the fact that Ferrari — the best high-class car manufacturer, recommends Shell”.*

SPL, and certainly the whole Royal Dutch Shell group, serves as a negative case to the prediction of Miles and Russell (1997) that multinational corporations will adopt ISO 14000 standards in order to globally market their products without the constraint of environmental concerns. SPL’s managers stress that the company has a strong focus on health, safety, security and the environment, internally known as HSSE policy. They have set high standards of

HSSE in their company, and that is why they do not need ISO or any third party certification.

*“We have the highest standards of HSSE among all the departments and production places, and every-where around in our offices and at our production places” (Manager A).*

This suggests that companies with an already established brand name, and having alliances with other companies of high repute do not need, or do not aspire to ISO 14000 certifications, because internally they have developed higher environmental management standards themselves. Moreover, their subsidiaries in the developing countries leverage the corporate image of their parent companies which is recognized the world over and therefore, they do not opt for third party certifications like ISO 14000.

#### **4.3.3 Corporate Philanthropic Activities in SPL**

The company is also involved in corporate philanthropic activities that focus around community development, environment, health, education, welfare and heritage preservation (SPL website). According to the interviewees, SPL donated to earthquake victims of 2005 (Manager A), funded entrepreneurs through the Shell Tameer programme (Manager B), and built safe schools and safe homes for the earthquake survivors of 2005 in Muzzafarabad (Manager C). The company also built a model village for 100 families at Goth Noor Muhammad in 2012 (Annual Report, 2012). SPL also donated and took part in the flood relief efforts for the flood victims of 2010 (SPL website). Hence, the company is involved in both strategic and philanthropic CSR activities.

In 2009, the company provided scholarships for graduate programmes in some of the most prestigious universities of the country to 53 deserving students. By the end of 2012, 38 students had graduated, with the remaining 15 expected to graduate by the end of 2013 (Annual Report, 2012). In addition, under the company’s ‘Fuelling Education’ endowment, more than 50 children of lorry drivers and workers of retail outlets are receiving free school education (ibid). Thus, education is one of the key areas of SPL’s philanthropic activities.

The company also has a humanitarian dimension to it. SPL was the first OMC in Pakistan to introduce a bike straddling policy, CNG safety policy and no armed guard policy. Manager C at SPL stated that:

*“By noticing certain incidents at our and competitors’ sites, we introduced bike straddling policy, CNG safety policy, and no armed guard policy in Pakistan. Before that no one ever had such policies in place. Bike straddling policy is that we ask the bikers to stand away from the bike and don’t use mobile phone at that time. While implementing CNG safety policy, the petrol pump staff ensures that the CNG tank of the vehicle is a standard HDIP tank, otherwise they will not fill it. Moreover, we ask the staff to hold the nozzle, and not leave it any time during filling. Armed watchmen are the first target of dacoits. First they kill them and then they steal cash. So we negotiated with police chiefs and made them realize this, so that they don’t object to this policy. We arranged insurance policies for the petrol pumps by negotiating with the insurance companies to take the best rates for them. Now the cash is insured, and petrol pump owners pay roughly around Rs. 74,000 for cash insurance”.*

These above mentioned policies also indicate that SPL is taking an entrepreneurial approach to its social responsibility and contributing to society in a positive way.

#### **4.3.4 Motives behind Involvement in SCE Initiatives**

The managers’ construction of why SPL is involved in the process of SCE is that basically the company cares for people and values human lives, and it is the company’s responsibility to care for people and society as it has an established brand name that is recognizable every-where. When probed further as to whether such initiatives create goodwill, improve brand image and increase sales, the answers were affirmative. For instance, Manager B at SPL contends that the company engages in SCE activities:

*“...for brand building and brand preference. We want to create the difference for better brand preference and profitability. Good reputation improves sales”.*

Manager C asserts that the company’s main motive for engaging in SCE initiatives is to create goodwill and improve its brand image so as to generate repeat sales. He maintains:

*“...yes, to create goodwill. We have a brand image that is worth millions of dollars. Yes, sales also increase because of it, but we do it to improve our brand image and to tell the world how cultured we are. We have 150 years of culture at Shell. We want to create brand share preference so that people keep coming back to our sites”.*

This finding is consistent with the earlier work of Miles and Covin (2000), and Husted and Salazar (2006) who contend that behaving in a socially and environmentally responsible manner can enhance the reputation and brand image of a company, and can have a positive impact on the sales and profitability of the company.

#### **4.3.5 Challenges Faced by SPL**

The biggest challenge that SPL is confronting is the sale of fake oil (lubricants) in the local markets. Local sellers package fake oil in containers that bear the name of SPL and sell it in the market to customers as if it were the original product. Since the lubricant sold is not original, it does not perform as promised. This maligns the brand image of SPL. Manager C reports the following:

*“Fake oil is a challenge for us. We need the Government to start an operation against these fake oil dealers. That is why we advise our customers to purchase lubricants from our petrol pumps and not from the open market”.*

Illiteracy and price consciousness are the main reasons for this situation. People are price conscious because their purchasing power is decreasing over time, owing to widespread inflation and the deteriorating economic condition of the country. For example, if a lubricant pack is available at a retail price of

Rs.1200 at a retail outlet of SPL, and the same pack, which is obviously not original but bears the name of SPL, is available in the local market or workshops at a retail price, of, say Rs.1150 or even less, customers tend to buy the fake oil to save money as it is cheaper than the original product.

## **4.4 Total PARCO Pakistan Limited (TPPL)**

### **4.4.1 Introduction**

Total PARCO Pakistan Limited (TPPL) was formed as a joint venture between Total S.A of France and the Pak Arab Refinery Company Limited (PARCO), and incorporated as a non-listed public limited company on November 8, 2000 (Oil Companies Advisory Committee website). Total S.A has 60% ownership stake while PARCO has 40% ownership stake in TPPL. Interestingly, the GoP itself has 60% stake in PARCO, while the remaining 40% is held by Abu Dhabi Petroleum Investments. Accordingly, TPPL can be categorized as a public-private partnership. However, the management of the company is with Total S.A (ibid). The company deals in retail fuels, lubricants, marine lubricants, and speciality fluids. Currently, it holds fourth position in terms of market share in the retail fuel segment (Manager A), which is only 9% of the total market (Manager B). TPPL has around 260 retail outlets and one storage depot (Manager C). TPPL launched club cards in 2009 that are basically post-paid and pre-paid loyalty cards (ibid). However, PSO enjoys a first mover advantage in the card system, as it had launched its own card system long before TPPL.

TPPL is an entrepreneurial organization and has introduced a range of new facilities on its sites that include Sun Carwash, Pizza Hut delivery shops, biker's zone and battery change centres. These facilities were not introduced by either Shell or PSO before TPPL. Through these initiatives, the company is trying to create a competitive advantage and aiming to become the user's first choice. In the words of Manager C:

*“This way we become a trendsetter. We get the marketing edge. We get first mover advantage. We are smaller and new. This means we are more compact and able to take quick decisions”.*

Manager D asserts that the corporate culture of TPPL has played an important role in making the organization an entrepreneurial one. Operating in an entrepreneurial way is embedded in the corporate culture of TPPL. Manager D contends that:

*“We have a very positive and open culture. Everybody has a say in the affairs of the company. The company conducts surveys on employee satisfaction. Every year there is an annual conference where vision and strategy of the company is shared with all employees. Motivation, mutual support, boldness, good listening, innovation, and respect are the values that drive this organization”.*

#### **4.4.2 SCE and Innovation in TPPL**

As stated in the preceding section, TPPL is an entrepreneurial organization and has introduced many new initiatives in the oil marketing sector. The company has taken an innovative approach to SCE initiatives as well, and is making strategic use of CSR to create shared value. The SCE initiatives of the company are: training of welding mechanics and lorry drivers, upgradation of existing lorry tankers, 90 RON unleaded petrol, vapour recovery units, long-lasting lubricants, SunWash facility, and renovation of a children’s park in Lahore.

Since there is widespread illiteracy in Pakistan, welding mechanics often do not have the proper technical knowledge regarding how to empty an oil tank and weld it properly. During this operation, many accidents have happened and many people have lost their lives because the mechanic did not empty the tank properly before starting to weld it. Realizing this, TPPL took the initiative of training mechanics so that precious human lives could be saved. Manager F maintains that:



*“Many accidents happen during the maintenance of tank lorries, especially when the mechanics weld them. They don’t empty the tank properly and start welding it. Since some of the product is inside the tank, as soon as they start welding it, it catches fire and there is a huge explosion. People lose their lives. As a socially responsible company, we feel it as our duty to train the mechanics on how to de-gas, how to clean, how to empty and how to weld the tanks so that they don’t lose their lives and remain safe. Last year, we trained 60 mechanics in Machike on how to weld the tanks”.*

Through this initiative, the company has saved precious human lives, besides saving its own time and costs in finding alternate drivers and lorry tankers in the case of such accidents. This initiative also shows that the company operates ethically and has a humanitarian dimension to it, creating shared value by saving human lives as well as company costs and time. However, this training was limited to mechanics based in Machike where the company’s lone storage depot is located and thus achieved a limited societal impact. Similarly, the company also provides defensive driving training to its lorry drivers so as to minimize the chances of road accidents. Manager D highlights the need for this initiative in the following words:

*“The majority of the workforce is illiterate, and they are not even safety conscious. Lorry drivers are also illiterate. A highly risky business is in the hands of less safety conscious people. Every year, the company provides free of cost 4, 5 trainings to drivers on safe driving. We are increasing the awareness level regarding safe driving, as oil marketing is a highly risky business. We are working to increase health awareness among our drivers, contractors, workers and employees. We want to manage our business in a way as to minimize our negative impacts on society. We want to run our business in a responsible manner”.*

Oil marketing is a highly risky business, because the accident of a lorry tanker can have serious environmental and social consequences, besides bringing a bad name to the company, which no company wants. The training provided for mechanics and drivers is an excellent example of SCSR, as the company is trying to save human lives as well as mitigating the risk of a bad corporate image. Furthermore, the company has banned night-time driving (12 a.m to 8 a.m), and is upgrading existing lorry tankers so that even in case of an

accident, oil spillage does not occur (Manager F). This initiative will ensure that the company will not lose its product, and that, more importantly, the company's image will not be hurt as there will be no environmental consequences of the accident.

TPPL was the first oil marketing company to introduce high octane 90 RON unleaded petrol under the brand name Hi-Super. It is more environment-friendly, and gives added mileage and reduced emissions (Manager A). Moreover, the company has installed vapour recovery units at 12 retail outlets that minimize environmental damage and convert the vapour back into product, thus creating shared value. Manager E narrates this as:

*“We have 12 vapour recovery units which are installed on 12 retail outlets for the last two years. A vapour recovery unit minimizes environmental damage, and it converts vapours into product. We are the only company to do this. This way we create value for ourselves, as the vapour turns into product again and this is also environment friendly”.*

Regarding lubricants, TPPL introduced a new range of lubricants in 2011 that last longer and result in less output of used oil. The company is aggressively advertising it through TV commercials as well. As Manager E at PSO stressed:

*“Oil marketing companies need to work on reducing used oil output by producing such lubricants that are long-lasting mileage-wise, because used oil is not properly disposed of in Pakistan. Some try to re-use and re-sell it. It is very dangerous if it is spilled, or if touched it may cause skin cancer”.*

TPPL may have kept this in mind, and that is why they introduced a new range of lubricants, namely, Quartz 7000:9000 that last longer. Nevertheless, TPPL is still marketing and selling the old range of lubricants, namely Quartz 3000:5000 as well. Manager A at TPPL reports the following:

*“We have introduced such lubricants that have a longer life. Initially, we had Quartz 3000:5000, which was only for petrol engines, while for diesel engines we had Rubia. Now we have introduced Quartz 7000:9000, which can*

*be used in both diesel and petrol engines. Quartz 3000 needed to be changed after 3000 kilometres but now Quartz 7000 needs to be changed after 7000 kilometres, thus reducing the output of used oil”.*

Manager B also highlighted this initiative of TPPL and maintains that:

*“Our parent company is investing huge money in R&D and we are innovating lubricants. We are shifting from mineral base to synthetic base, which has more durability and is long lasting mileage-wise. Thus, used oil quantity will reduce this way”.*

The above mentioned initiative of TPPL is entrepreneurial in terms of both its environmental and social responsibilities, and highlights how the company is making efforts to create shared value in Pakistan.

TPPL introduced a ‘SunWash’ facility at its retail outlets for automobile owners in November 2005 (TPPL’s website). SunWash conserves the use of water and gas by using the sun’s rays to heat the water needed for car washing. Since the water is warm, less water is needed for car washing than for a normal car wash. However, this initiative did not succeed much and remained limited to a few sites only. Manager C narrates this in the following words:

*“We had started a ‘Sun Car Wash’ project on Punjab side. Basically, under this initiative, cars were washed with warm water, so this reduced the water consumption required for a normal car wash. For this we also interacted with Alternate Energy Board, but the Pakistani Government’s response was lukewarm. The dealers’ response was also not good. Pakistani businessmen are very traditionalist. They are not revolutionary. They resist changes. So that is why the ‘Sun car wash’ project remained limited to some sites”.*

This example demonstrates that not every SCE initiative is necessarily successful, and that SCE initiatives are context dependent, requiring strong network support. Before implementing an SCE initiative, a company should assess the potential demand and the network support it can get for the proposed SCE idea. This assessment should be done in the opportunity objectification stage of SCSR, as articulated by Atiq and Karatas-Ozkan (2013).

In 2003, the company needed a piece of land on which to operate a retail outlet. The city district government of Lahore agreed to grant a piece of land, and also to operate the retail outlet itself on the condition that *‘the company make some sort of positive contribution towards the children's hospital’* (TPPL's website) that was adjacent to the site of the retail outlet. The company *‘decided to renovate a small park directly in front of the children's hospital so that the children being treated at the hospital and those visiting patients would have a place to relax and enjoy themselves’* (ibid). This initiative is an SCSR initiative because the convergent issue of interest was to make a positive contribution to society, and receive benefit in the form of a piece of land for the opening up of a retail outlet. TPPL made strategic use of CSR, thus creating value for itself and society as well.

Taking its environmental responsibility a step forward, TPPL is working to get ISO 14000 certification in the current year. Manager D claims that the company has more stringent standards in place than ISO 14000 and it will easily get ISO 14000 certified. He maintains:

*“We are working on getting ISO 14000 certification. At the end of April, we are going to get ISO 14000 certification through Bureau Varitas. But we have more stringent standards than ISO 14000 that have been implemented in our depot. The name for those standards is ISSSRS, i.e. International Small Site Safety Rating System. They were specially designed for TOTAL company by PNL. In ISSSRS we have four levels. Of all the affiliates of TOTAL company, TOTAL PARCO Pakistan was the only affiliate that achieved the level four certification, which is the highest level in ISSSRS. So you can gauge our commitment to HSE through this. This shows how committed we are to HSE. Now we are also doing ISO 14000 certification. The reason is that we have a high focus on environmental responsibility. We have installed oily water separator equipment at our depot so that waste generated because of our operations should not go to the rivers”.*

Indeed, TPPL is one such organization that is creating shared value by minimizing its negative impact on the natural environment; by creating health,

safety and environmental awareness among people; by making its operations safer; and by providing environment-friendly petroleum products for the people of Pakistan. The company is seeking innovative directions and making use of SCSR in trying to create shared value. Nevertheless, the company needs to do more in order to have a greater societal impact and maximize shared value.

#### **4.4.3 Corporate Philanthropic Activities in TPPL**

TPPL, like other case companies, is also involved in corporate philanthropic activities. As illuminated by Manager B:

*“Recently, we gave donations for the flood victims. Total PARCO donated Rs.3 Million from staff salaries, while Total S.A donated 200,000 Euros. All of that was distributed through the army. Employees who were affected by floods were also given money. I myself got money from Total as my home was completely destroyed by floods. Similarly in the earthquake, we contributed. We provided logistical support to the French Red Crescent, as they had no support system in Pakistan. Road champion is our regular programme, but not in Peshawar because of the law & order situation. It is must once a quarter. Under that programme, we invite 25-30 kids of a local school and take them to our outlets. We educate them about road safety and traffic rules. We also familiarize them with our operations. In the end, we give them KFC lunch boxes. So the kids are happy and their parents are also happy”.*

In Machike, where the company’s lone depot is located, the company built a one kilometre long approach road and provided a clean drinking water facility for the local community, besides donating furniture to the local schools there. Manager D reports the following:

*“For the community in Machike, we donated free benches and chairs to nine schools. We built a one-kilometre long road near our depot, and installed reflectors and signage on that road too. We did water boring there and gave clean water to the community there”.*

The above mentioned community initiatives are necessary in order to make friendly relations with the local community rather than appearing as strangers. However, creating employment and income opportunities for the local community in a developing country is more valuable than building roads, and requires a strategic approach to CSR.

#### **4.4.4 Motives behind SCE Initiatives**

The above discussion gives rise to the question of why the company is involved in SCE initiatives. Manager E asserts that the company is involved in the process of SCE because:

*“We manage our image and reputation; we care for that and we care for people as well. The company strongly believes that where we are earning some money, we should socially invest there. This way our image and reputation improves among the locals. Ultimately, profitability increases. Being a petroleum company, we have to focus more on improving our reputation and image, because one oil spill can take many lives and can do significant environmental damage, as well as bring a bad name to us. Look what happened with BP. Because of one mishap, it has to face serious financial challenges and it sold all of its investment in Pakistan to meet the legal and financial ramifications of that mishap. So if we behave in an environmentally and socially responsible manner, it’s in our best interest to do so”.*

Manager F argues that earning a good brand image is more important for the company than earning profitability. In the words of Manager F:

*“We want to show to the public that we are part of Pakistan and we are working for Pakistan. People only remember the worst things. As an oil company, you are always on the front line. For oil companies, it is very important to invest in the environment and society. The aim is not earning profitability but earning brand image. Earning profitability is easy, but earning brand image is not easy. In case of any accident or mishap, people quickly forget our good deeds and will remember our bad deeds, like killings, pollution and accidents etc. People never forget the worst! Therefore, our company invests in safety equipment; invests in socially responsible projects; and*

*participates significantly in times of natural calamities. Earning brand image is important for us”.*

Both these responses highlight the context sensitivity of CSR, and SCE as well. Being an MNC and oil marketing company, TPPL has to manage its brand image and reputation, and it does so by investing in SCE initiatives. A good brand image and a better reputation among the general public lead to increased sales and profitability. To have a good brand image and reputation, companies should invest in SCE initiatives, and that is exactly what TPPL is doing. This finding is similar to the one found in the earlier two cases, and supports the previous studies of Miles and Covin (2000), and Husted and Salazar (2006), who suggest that improved environmental and social performance can significantly enhance the reputation and image of a corporation, thus leading to improved financial results.

#### **4.4.5 Challenges Faced by TPPL**

The biggest challenge for TPPL in Pakistan is the worsening law and order situation. It is followed by the low profit margins and high cost of business in Pakistan, and the energy crisis. Manager C discussed the impact of the worsening security situation on the operations of the company in the following words:

*“We have stopped business expansion in KPK and Balochistan. The law and order situation is worse in these two provinces of the country. We don’t want to expose our assets and employees to risk. Business concerns have not been targeted in terrorist attacks in these two provinces, but we have suffered collateral damage in KPK, as there were some explosions that took place near our retail sites. Those employees who have to visit KPK and Balochistan, are given permission by no less than the CEO of the company. We don’t allow our employees to stay there overnight. Before sunset they should enter Punjab. In KPK, we do send our lorry tankers, but in Balochistan, we don’t send our lorry tankers. We have closed company offices in these two provinces, and company employees operate either from home or from retail outlets of our dealers”.*

Manager B asserted that low profit margins are a challenge for the company. He maintains:

*“Our margins are unfortunately much less. They are regulated by the Government. Cost of business is much higher”.*

For Manager F, the biggest challenge is operational and that is the lack of depots, followed by the challenge of the energy crisis. He contends that:

*“I think infrastructure is the biggest challenge for us. We just have one depot which is not enough. Availability of product is another challenge. Most of the time there is product shortage. Energy planning is not there in Pakistan. Government is not paying any attention to the energy crisis faced by the nation”.*

Despite these challenges, the company is making significant progress in terms of the number of retail outlets, entrepreneurial initiatives and market share, as Manager A observes:

*“We are in fourth place. First is PSO, second is Shell, third is Caltex and we are in fourth position, but we are just going to surpass Caltex in few days’ time”.*

Similarly, Manager C was very optimistic about the company’s progress, and reinforced the views of Manager A in the following words:

*“We are one of the fastest growing companies in Pakistan. We have opened up more retail outlets than our competitors in the last ten years. Even from TOTAL’s point of view, we are one of the fastest growing businesses. Every year, TOTAL is investing in Pakistan. They have confidence in Pakistan. We have around 260 pumps and one depot in Machike. One depot is under construction”.*

The above quotes highlight that, despite facing significant challenges in the Pakistani market, the company is making steady progress, which is mainly attributable to its SCE initiatives and management of brand image on a proactive basis.



## 4.5 Abbott Pakistan Limited

### 4.5.1 Introduction

Abbott Pakistan Limited is the subsidiary of a leading global healthcare company - Abbott Laboratories, which is a US-based company, having operations in more than 130 countries. Abbott Pakistan was established in 1948 as a marketing affiliate of its parent company but with the passage of time, it started manufacturing products and now has two manufacturing plants (Abbott Pakistan's website). Abbott Pakistan manufactures medicines, nutritional products, diabetes care products and laboratory diagnostics (Annual Report, 2010). The goal of Abbott Pakistan is:

*'to advance medical science to help people live healthier lives'* (ibid, p. 5)

To achieve this goal, Abbott Pakistan has invested a huge amount in its infrastructure. In the words of Manager A:

*"Abbott, even as an MNC, has invested more than any individual local pharmaceutical industry has invested in Pakistan. And a kind of evidence is that the single biggest pharmaceutical factory under one roof is that of Abbott Pakistan; it's not even that of GSK. It's the biggest one in Pakistan".*

Abbott Pakistan is driven by the core values of pioneering, achieving, caring, and enduring (Annual Report, 2010). The company is well known to its customers (doctors/GPs) for its quality products and ethical approach towards the business. Manager C asserts that:

*"Abbott is focused on training and development, discipline, and ethics. We are well known for our ethical approach, and quality. Abbott doesn't make any compromise on ethics and quality".*

The result of producing quality products and having an ethical approach towards the business has been a steady growth in terms of sales, as highlighted by Manager A in the following words:

*“We are growing by more than 22% per year, which is faster than the market growth. Our growth is more than the industry’s growth”.*

For the year 2012, the pharmaceutical industry’s growth rate was 15.1% while that of Abbott Pakistan was 18.5% (Annual Report, 2012). This superior growth rate of the company is the result of SCE initiatives and the ethical business conduct of the company, as will be elaborated in the ensuing section.

#### **4.5.2 SCE and Innovation in Abbott Pakistan**

The SCE initiatives of Abbott Pakistan revolve around three themes: providing high quality products, ethical business practices, and educating consumers and customers. Providing the right quality product is essential in the pharmaceutical business, because pharmaceutical companies deal directly with human health and life, and human health is above everything. If the right quality product is not provided, the patient’s health does not improve and he or she will continue to suffer from the disease. Moreover, the business practice of not providing the required quality will be considered unethical, and the company will not remain economically and socially sustainable. Thus, quality is imperative for the sustainable business operations of a pharmaceutical company. Manager A illuminates this point in the following words:

*“We are charging money, but the quality provided by a pharmaceutical company is very different as compared to the quality provided by a shoe-making company, or a leather jacket-making company or, a cement producing company, the reason being that, if a patient does not get well when he uses our medicine in the right indication in which the product has been approved by the medical department of Abbott, then it means that we have not provided the right quality to the patient. We do have charged the patient but it will further increase the treatment cost of the patient, will make the life of the patient miserable. So the far most important factor in social responsibility, I think, is the quality of the medicine itself”.*

Patients need the right quality of medicines to get better, and Abbott Pakistan is one of those pharmaceutical companies which is providing them with the

right quality of medicines to cure their diseases. Hence, shared value is being created, as diseases are being cured and Abbott Pakistan is obtaining financial value in the form of rising sales and profitability. Manager B maintains that:

*“Abbott is providing quality medicines to improve the quality of life of the people. Every company can bring change in its own sector, through its own business. We have good manufacturing techniques; our products are of quality and have good formulation. In a way, you can say that this is all CSR, at least I term it CSR. Business interest is involved, but the customer is also getting benefit”.*

Closely connected with product quality is the issue of ethical business practices. What happens in Pakistan is that pharmaceutical companies lure doctors into prescribing their medicines by offering bribes in the form of clinic renovation, monthly payments, financing foreign trips along with their spouse and children, giving various other personal gifts, etc. The result of these unethical practices is that patients' cost of treatment increases as the doctor prescribes sub-standard medicines along with unnecessary medicines that do not cure their diseases. The doctors become richer day by day and the patients keep suffering from their diseases. In this scenario, there are very few pharmaceutical companies in Pakistan that do not bribe doctors, even at the cost of losing their business, and Abbott Pakistan is one such pharmaceutical company. Manager B describes this whole scenario and the company's policy in the following words:

*“Abbott International has its own code of business ethics, and it is being implemented in Pakistan as well. Doctors demand different things; if a doctor puts up unethical demands, we simply refuse. Doctors prescribe our medicine on merit. If a doctor asks for some medical related thing like BP apparatus, some other medical instrument for his or her clinic, or medical books, we can provide him through the company, and for that we have a limit of Rs.6000. This is our ethical limit; it is not budgetary limit. In return, we don't ask the doctor to prescribe our medicine. Similarly, medical books for the hospital library can be donated, medical instruments can be donated to hospitals, and for that there is no limit. Recently, we wanted to send a leading doctor to a*

*conference in Vietnam. I told him that the company will sponsor only him and not his family. When I visited him to collect his passport from him for visa purposes, he gave me his wife's passport as well. I refused to take his wife's passport".*

Manager C also held similar views regarding the ethical standards of Abbott Pakistan, but asserted that local companies are involved in unethical practices to generate their sales. He maintains that:

*"Abbott is the most well-known ethical company with very high ethical standards. Our SOPs are very well-defined and known to every employee, right from top to bottom. Every employee knows how to deal with the customer, what's the leverage and what are the limitations. All our sponsorship activities are academic-based, that is, we sponsor doctors for medical conferences, but we do not sponsor their spouse and children, even if a doctor gets annoyed, and they do get annoyed but business doesn't matter for us. We simply cannot make a compromise on our ethical standards. Abbott has high ethical standards. We do not give any personal gifts to doctors. We only provide medical equipment or patient-oriented things. Other than that, nothing else! Basically, this situation is being exploited by franchisors and local companies, and they fulfil every unethical demand of doctors. We are not like that".*

'Dengue Fever' claimed hundreds of lives during August-November, 2011 in Pakistan. It is a fever which is caused by the bite of a special gene of mosquito, known as dengue. Because of dengue's bite, the level of platelets in the human body drops suddenly and a person can die within 24 hours of the dengue's bite. Manager B highlighted the company's positive and ethical role that it played in this year's catastrophe of dengue fever by stating that:

*"I will again give you the example of Mospel. You know that dengue fever is widespread in Pakistan nowadays, and Mospel is our mosquito repellent product. Abbott could have exploited this opportunity by increasing the price of Mospel or creating an artificial shortage of this product, but Abbott didn't exploit this opportunity. The price of the product is still the same as it was before the outspread of dengue fever, and Abbott kept stocks of the product available and didn't try to take any seasonal benefit".*

The third way in which Abbott is benefiting society through its operations is by educating its consumers (patients) and customers (doctors). Abbott is running various awareness campaigns regarding different diseases and health issues for the benefit of the general public, and sponsors doctors for international medical research conferences. Manager D explains this societal contribution of Abbott Pakistan in the following words:

*“We are involved in patient education, doctors’ education, like sending them to conferences, health awareness among the general public, and donating in cash and in kind during times of national catastrophe. At the doctor level, we sponsor them for various international conferences, which is called continued medical education (CMU). On return from such conferences, doctors bring their learning with them; their knowledge increases and thus society gets benefit.*

*We send them for international conferences as this is their professional requirement and part of their continued medical education (CMU). CMU is also a support to the Government, as attending conferences is very costly, so we remove this burden from the Government”.*

Manager A gave detailed examples of how Abbott Pakistan is educating the consumers (patients). He maintains that:

*“Abbott used to do BMI camps – Basel Metabolic Index. Those camps of BMI which were arranged in general parks, clinics, hospitals and various other places were used to create awareness among the general public regarding the status of their health in terms of obesity, in terms of their body weight. They were not asked to use Abbott medicine, but it was a kind of a general awareness which helped us in creating awareness among the people and realizing in them that in fact obesity was resulting in creating complications in their lives. There is one other thing that we do on a day to day basis. We have various posters which provide information to the general public about various diseases. Like we have some leaflets which we place in the clinics of the doctors, which provide information on a specific disease, but we do not have the product name printed on it. So we have mountings which are placed on the walls of the clinic or in general OPDs of the hospitals. Patients usually pick up these leaflets, whether the patient is suffering from it or not but it does create*

*awareness among the patients. Mostly the information is how to prevent a disease”.*

Manager B also illuminated the role of Abbott Pakistan, which it is performing to raise health awareness amongst the people of Pakistan. He asserts that:

*“Every company can benefit society through its products, through its operations. We are also running an awareness campaign nowadays, which is Z say Zindagi (Life with Zinc), as in Pakistan, people don’t consume a lot of fish, which is a good source of zinc. In this way, we are creating awareness as well as promoting our product – Surbex Z”.*

On the innovation front, the company keeps introducing new research-based medicines in the Pakistani market. Manager C held a view that the company has a long history of introducing some very genuine research-based medicines. He asserts that:

*“Yes Abbott Pakistan has introduced some very original research-based products in the past. These include anti-hypertensive, anti-obesity, nutrition and anaesthesia products”.*

Manager D was also of the view that Abbott Pakistan is a very innovative organization and keeps introducing new products in the market on a proactive basis. He maintains that:

*“We introduced many genuine research-based products in Pakistan like Reductil and Klaracid. Klaracid is an anti-biotic and Reductil is an anti-obesity drug. No company had introduced these products; we were the first to introduce these products in Pakistan”.*

It is interesting to note that Abbott Pakistan, like the other two multinational companies included in the study, is also not an ISO 14000 certified company. However, the company is Class A accredited against the Oliver Wight ABCD checklist, which is an international standard for operational excellence (Abbott Pakistan’s website). Manager B maintains that:

*“Abbott has good manufacturing techniques and has higher manufacturing standards. Abbott has Class A accreditation. In Pakistan, only Pakistan Tobacco Company (PTC), and now Abbott, have Class A accreditation. No other companies in Pakistan have been able to achieve Class A accreditation”.*

Abbott Pakistan serves as another negative case to the prediction of Miles and Russell (1997) that multinational corporations will adopt ISO 14000 standards in order to globally market their products without the constraint of environmental concerns. Manager A maintains that they have higher standards than those required for ISO 14000 and:

*“We are even exporting, I mean, you can gauge the standard of quality from the fact that we are exporting medicines to the Maldives, we are exporting medicines to South Africa, we are exporting medicines to Saudi Arabia and to Sri Lanka”.*

Thus, the overall conclusion from the above discussion is that Abbott Pakistan is practising SCSR by influencing its competitive context in a positive way, through its products and operations, by providing well-formulated quality medicines, conducting business in an ethical way, and educating patients and doctors about prevention and treatment of various diseases. It is also an innovative company that keeps introducing original research-based medicines in the Pakistani market on a proactive basis. But that is not to claim that the company is not involved in philanthropic activities. The philanthropic activities of the company are discussed in the next section.

#### **4.5.3 Corporate Philanthropic Activities in Abbott Pakistan**

Abbott Pakistan has been very active during times of national crisis, such as the earthquake of 2005 and the floods of 2010. It donated cash, medicines, tents, and food items for the victims. Manager C gives a detailed account of company’s philanthropic activities:

*“Abbott International has a non-profit organization known as the Clara Foundation. It works mainly for employees. Parents of employees are not covered by the health policy of Abbott; only spouses and children are covered. In case parents are in a critical condition and much money is required to spend on their care, the Clara Foundation provides grants as well as loans to employees to care for parents. Similarly, if a mishap happens with employees, the Clara Foundation provides financial aid to them, like in the earthquake of 2005 and the previous year’s floods, when many employees’ houses were badly affected. So the Clara Foundation gave aid to employees whose homes were affected by these natural calamities. In the 90s, there was much focus on profitability, but after 2000, the company became very active socially. After 2000, many natural calamities hit Pakistan. We provided cash donations as well as medicine donations during the earthquake of 2005, as well as in the floods of 2010. During the Swat operation, we also distributed food packets among IDPs. Whenever there is a catastrophe in Pakistan, a request from the company comes asking employees to contribute”.*

The company also cares for its employees by giving educational scholarships for their children, and providing loans for house building and purchasing a motor bike or car. Manager D illuminated this in the following words:

*“We offer four years graduate level study scholarships for the children of employees. Abbott also gives loans for house building and conveyance, and medical benefits to its employees”.*

In 2012, the company repaired and upgraded a primary school near its manufacturing plant in Korangi, Karachi. Due to the company’s philanthropic intervention, in which company employees were personally involved, student attendance and new student enrolment at the community school has significantly increased (Annual Report, 2012). Thus, it can be interpreted from the accounts presented above that the company is an active corporate citizen, both on a national and global level, that works for the welfare of the general public and its employees on a proactive basis.



#### 4.5.4 Motives behind SCE Initiatives

All four managers interviewed at Abbott Pakistan agree that behaving in an environmentally and socially responsible manner leads to improved reputation of the company, which subsequently leads to increased sales and profitability. Manager D summarized the benefits of engaging in SCE practices in the following words:

*“The logic for doing so is very simple: because of doing such activities, your market reputation improves, investors get attracted to your company and they come to you. So your share value increases and thus the shareholders receive benefits, I mean the financial benefits in the shape of rising stock prices. Reputation improves and so do sales!”*

Manager C acknowledges SCE as a long-term approach and believes that it helps to improve the reputation of business in the long term, which, in turn, leads to increased sales and profitability. He maintains:

*“Basically it’s a long-term approach. Those businesses that rely on unethical practices for revenue generation cannot survive in the long run. We are here for the long run and our slogan is ‘Caring’. The benefits of operating in this way are improvement in the reputation of business among the customers. Thus, profitability and sales increase in the long run because of improved reputation”.*

Similarly, Manager A and Manager B also believe that practising SCE helps in improving the reputation of the business and generating further revenue for the company. This finding is consistent with the earlier work of Miles and Covin (2000), and Husted and Salazar (2006), who contend that improved environmental and social performance can significantly enhance the reputation and image of a corporation, thus leading to improved financial results.

#### 4.5.5 Challenges Faced by Abbott Pakistan

Abbott faces enormous challenges in the Pakistani market. The interviewees mentioned the law and order situation, economic situation, unethical business practices of local firms, and increased competition from local companies, especially in terms of price, as the major challenges being faced by Abbott Pakistan. Manager A asserts:

*“The unethical approaches of the local firms, first of all that’s the major issue; the various unethical demands of the customers which hamper revenue generation; the law and order situation. We can’t go to Wana; we can’t go to Sadda-Parachinar, we can’t go to Miranshah. In Ramadan, one of our sales manager was looted while he was travelling from Lahore to Gujranwala. He was kidnapped and they held him for, like, three or four hours”.*

Manager D also mentioned unethical business practices of local firms, whilst discussing the economic conditions of the country as challenges that Abbott International is facing in the Pakistani market. He maintains:

*“Unethical practices of the local companies and even health-care professionals are a big challenge that we are trying to cope with. The economic condition of the country is also not good enough. To survive in such economic conditions is another challenge that we are facing. Because you know there is the problem of purchasing power. People don’t have the purchasing power to purchase expensive medicines. So these are the challenges that Abbott is facing in Pakistan”.*

Besides the worsening security situation and declining purchasing power of consumers in Pakistan, Abbott Pakistan is also facing intense competition from local companies. This issue was brought to light by Manager C in the following words:

*“Local companies have increased and are taking away the sales and market share. Earlier, the ratio was 70:30 and now it is 60:40. I mean, earlier the multinationals commanded 70% market share, but now it has reduced to 60%. So this situation is alarming for us as competition has now increased”.*

At the end of the year 2012, the market share of MNCs had dropped to 43%, while the market share of local pharmaceutical companies stood at 57% (Annual Report, 2012). Despite the above mentioned challenges, Abbott Pakistan is growing steadily and its financial performance is improving, which can be attributed mainly to its SCE initiatives. The reason for this is that SCE is a long-term approach towards managing business, and is now the only way for big companies like Abbott to remain financially sustainable in the long run.

## 4.6 Sanofi Pakistan Limited

### 4.6.1 Introduction

Sanofi Pakistan Limited is the fifth largest pharmaceutical company of Pakistan (Annual Report, 2010). It is the subsidiary of Sanofi S.A, which is headquartered in France and is a leading global company in the healthcare sector, having a presence in more than 100 countries (Sanofi's website). Sanofi Pakistan has two manufacturing plants: one in Karachi, and the other in Wah Cantt (ibid). The company deals primarily in medicines and vaccines, and focuses on seven major therapeutic areas, namely: cardiovascular diseases, thrombosis, oncology, central nervous system disorders, diabetes, vaccines and internal medicine (Annual Report, 2010). The company's goal is 'To become a diversified healthcare leader, focused on patients' needs' (ibid, p. 3). Sanofi Pakistan is driven by the values of innovation, confidence, respect, solidarity and integrity (Sanofi's website). Sanofi Pakistan, like Abbott Pakistan Limited, has a strong focus on professional ethics, and it does not make any compromise on its ethical standards. Manager B illuminates this point by stating that:

*"Sanofi has a global code of ethics, which is followed in the same letter and spirit as worldwide. The code of ethics binds all employees of Sanofi worldwide, including Pakistan, that they won't bribe any government official or any doctor. If any employee is found involved in such practice, then that employee will be fired, whether he or she is at any level of the organization. Sanofi has also signed the code of ethics of the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA). If any member*

*company of IFPMA is found involved in unethical practices, its membership is suspended and it will be fined heavily. So we are also bound by the code of ethics of IFPMA”.*

The focus on ethical practices and serving society in a strategic way has made Sanofi Pakistan one of the best pharmaceutical companies in the country. It is growing steadily and its growth rate in terms of sales for the year 2010 was 19.3%, as compared to 17% in 2009 (Annual Report, 2010, p. 13).

#### **4.6.2 SCE and Innovation in Sanofi Pakistan**

The SCE initiatives of Sanofi Pakistan are as follows: education and training of employees, education of doctors within ethical limits, free medical camps and sampling, delivery of insulin to diabetic patients to the doorstep at a discounted price, high quality products, sale of polio vaccines along with donation of cold chain vehicles, and diabetes awareness programmes.

Sanofi Pakistan is improving its competitive context by investing in the education of its employees. Manager B maintains:

*“It has registered its 47 lower level employees with the Institute of Business Administration (IBA) Karachi in a tailored MBA course. The company will bear all the educational expenses of its 47 employees for the whole duration of the course, which is two years. The personal benefit for employees is that their managerial and professional skills will be developed, and the benefit to the company is that it will have a broader base of professional employees and develop future business leaders for itself. Similarly, the company also has an arrangement with the Lahore University of Management Sciences (LUMS). Under that arrangement, the company’s employees get specific tailor-made three-day training from LUMS and all the cost is borne by the company. Recently, I attended one such training course in LUMS along with some other colleagues”.*

In the year 2012, the company sponsored another 45 of its employees for the two-year ‘Business Management Certification’ course with IBA, Karachi (Annual

Report, 2012). Certainly, a well-educated and developed workforce is vital for a company's long-term sustainable growth and development. By educating and training its employees, the company obtains a more motivated workforce that can effectively contribute to the achievement of its goals. Thus, shared value is created, as Manager B has rightly pointed out.

Sanofi Pakistan is not only involved in the education of its internal customers (employees), but also its external customers, i.e. the doctors as well. The company sends them to various international medical conferences, has a separate department to address their research needs, and provides them books and journals free of cost. Manager A reports the following:

*"We have a department called 'Drug Information Services' (DIS). Any doctor can call on its number and obtain information about any drug, any new researches conducted on that drug, or new journal papers written on that drug. It is not necessary that we are dealing in that drug. It can be any drug. We provide them soft and hard copies of that information free of cost. There is a whole team of doctors sitting there, whose sole work is to scan the internet for new research on a wide array of topics. Similarly, we provide medical journals and text books to doctors free of cost".*

Similarly, Manager C maintains that educating doctors is an important CSR area that the company is focusing on. He attests:

*"We sponsor doctors for international conferences. The doctors receive new information and knowledge from attending those conferences. On their return they are better able to treat patients effectively using the newly acquired knowledge. So we educate doctors and the ultimate benefit goes to patients".*

In 2012, the company, in collaboration with the British Medical Journal (BMJ) arranged a web-based distance learning conference for doctors in Pakistan. Through this conference, '350 leading Family Physicians from three major cities of Pakistan received simultaneous 'BMJ Masterclasses' from reputed healthcare professionals based in the United Kingdom. BMJ Masterclasses provide doctors with essential updates on the latest evidence, important advances and current issues that are relevant to their daily medical practice'

(Annual Report, 2012, p. 60). Many pharmaceutical companies send doctors abroad with their families, and defy all ethical limits of marketing and selling medicines. Like Abbott Pakistan, on the other hand, Sanofi Pakistan has a specific code of ethics and strictly adheres to it when sending doctors abroad. Manager B illuminates this point in the following words:

*“We only sponsor doctors for medical conferences, and we tell them clearly that no accompanied person will be sponsored. Only the registration, transportation, and lodging expenses of the doctor will be borne by the company. We sponsor doctors for the conferences of the International Diabetes Federation (IDF), American Diabetes Association (ADA), and American Medical Association (AMA). When sponsoring a doctor, we look at their relevance to the conference. For example, if a doctor has no interest in diabetes, or he is not a consultant of diabetes, we won’t sponsor him for an IDF conference. We only sponsor senior specialists or senior consultant doctors. And that we purely do for patient benefit, because by attending such conferences, the doctor’s knowledge will improve, and he will be better able to treat the disease of his patients and to teach the junior doctors”.*

Educating doctors within the ethical limits of the company builds up the trust of doctors in the company and its products. This way shared value is created.

To gain the trust of doctors, the company also arranges free medical camps and gives free samples of its medicines to patients on the doctor’s prescription. The company also provides insulin to diabetic patients on their doorstep if they call the toll-free number. Through these ethical practices, not only the patients benefit, but the company also benefits. Manager C reports the following:

*“We also arrange free camps for the general public, in which doctors come and do free check-ups of BP and blood sugar. If the doctor prescribes medicine to a patient, free samples of that medicine are given to the patient.*

*Our company also delivers insulin to diabetic patients on their doorstep if they call on our toll-free number. If the doctor prescribes them our insulin, we write the toll-free number on that prescription for the benefit of the patient.*

*The patient can call on that number to order insulin and he/she will also get 15% discount on its retail price, and there will be no delivery charges”.*

Manager C argues that Sanofi Pakistan is benefiting society through the quality of its products. He contends that:

*“We are number one in Europe and number four in Pakistan. The majority of our products are research-based products. We conduct large studies and enrich the data continuously. We arrange seminars based on our studies and tell doctors the success rates of our medicines. Therefore, our products are of high quality and have superior efficacy. We are benefiting society through the quality of our medicines. Society is getting benefit in terms of high quality medicines and we are getting benefit in the shape of increasing revenues”.*

Indeed, quality of medicines does matter, as medicines are used to improve the quality of life of the patient suffering from a particular disease. The first social responsibility of any pharmaceutical firm is to provide the right quality of medicines, as they can have significant effects on patient health. An innovative way in which the company created shared value last year was:

*“Our company sold polio vaccines to the Government of Pakistan, and donated, I think, 8 or 9 cold storage vehicles for safe carriage of vaccines to the Government. This way the company got financial benefits and society also benefited in that the vaccines will reach their doorsteps in their purest form”.*

(Manager B)

This demonstrates Sanofi’s commitment to its social responsibility and is a bold example for other pharmaceutical companies of how, by utilizing the strength of SCSR and taking an entrepreneurial approach to business operations, a company can create shared value.

On the innovation front, the company launched Lantus insulin four years ago, and Solo Star insulin two years ago (Manager A), which are still unmatched in the Pakistani market (Manager B). The company is also innovating its most famous brand ‘Daonil’ and is going to introduce ‘Daonil M’ in the market (Manager C). Daonil is the most economical tablet to treat diabetes (ibid), and

holds sixth position in the Top 10 brands of the company sale-wise (Annual Report, 2010, p.27).

The company ran separate TV and radio 13 episode shows in 2010 that raised awareness regarding diabetes, symptoms, complications, misconceptions and self-management (ibid). The company commemorated 'World Diabetes Day' on November 14, 2010 and:

*'ensured free blood glucose testing for 10,000 patients; free distribution of glucometer (200) to patients to encourage self-monitoring of blood glucose and distribution of a series of diabetes awareness brochures to educate patients on self-management techniques. Moreover, all employees were provided the opportunity to undergo free blood glucose testing on Nov 14'.* (Sanofi's website)

This is because:

*"Sanofi is the market leader in diabetes treatment, having 60% share worldwide".* (Manager B)

This initiative clearly demonstrates how, by leveraging its expertise in diabetes management, Sanofi Pakistan is creating shared value and thus practising SCSR. Sanofi Pakistan is improving its competitive context by focusing on the health of its consumers, and creating awareness amongst them to lead better and healthier lives. The result for Sanofi Pakistan is in the form of increased trust of customers and consumers alike in its capabilities and products, thus ensuring long-term sustained sales and profitability. In the pharmaceutical business, winning the trust of customers is important, as the customer is the decision maker who will decide what product the consumer will use to recover from illness. Initiatives like these surely win the hearts and minds of customers of the company.

Like Shell and Abbott, Sanofi Pakistan has also not done ISO 14000 certification, and serves as another negative case for the prediction of Miles and Russell (1997) that multinational corporations will adopt ISO 14000



standards in order to market their products globally without the constraint of environmental concerns. On this point, Manager C argues that:

*“No, we are not ISO certified. Local companies do ISO 14000 certification. It’s nothing as compared to our standards. It’s just a manufacturing technique, but there is no quality control in it. Actually the thing is quality control. ISO 14000 is necessary for national companies. We are a well-established company and we don’t require that”.*

Thus, it can be concluded from Manager C’s statement that well-established MNCs do not need ISO 14000 certification, as their standards are already higher than those required for ISO 14000 certification. They have established brands and they have already won the trust of customers through their higher standards and ethical practices. They have established an image in the minds of their customers who assume that these companies will never be involved in environmentally harmful practices. Sanofi Pakistan leverages the corporate image of its parent company, Sanofi S.A., and therefore has not undertaken third party certification for its environmental initiatives.

#### **4.6.3 Corporate Philanthropic Activities in Sanofi Pakistan**

Like other case companies, Sanofi Pakistan is also involved in philanthropic activities, and has played a lead role in responding to the call of the nation in times of national crisis. Manager A provides a detailed account of the company’s philanthropic activities in the following words:

*“In 2009, the Government of Pakistan conducted operation against the militants in the area of Swat. A number of persons were displaced from their homes because of the Swat operation. We donated Rs. 3.5 million worth of medicines for the IDPs, which included anti-biotics, and medicines for diarrhea, cough, influenza, pain killers etc. Some of the employees of the company were also affected. The company gave them the option that if they want to relocate to any part of Pakistan, they can do their job there and the company will also give them house rent in addition to the salary that they receive. They were considered to be achieving their targets 100%, and were given incentives based*

*on that. For six months, company gave them house rent, and they were also given Rs.100,000 as ‘Dislocation Allowance’”.*

Sanofi Pakistan also contributed significantly to the relief of flood victims in the year 2010. The company:

*‘provided medicines to treat (approximately) **1.2 million** patients; **20,000** individual treatments were ensured (Tulipe emergency trunks in collaboration with Medecins du Monde); **32,033** doses of typhoid vaccines and **5,000** vials of snake venom antiserum were sent to the affected locations.*

*Supplies of food rations for (approx.) **12,000** persons for 1 month and assortment of food, safe drinking water, medicines, shelter kits, NFIs (children and women clothes, foot wear, kitchen utensils,) water purification tablets, sanitary pads, medicated mosquito nets for **20,000** beneficiaries were also dispatched to respond in a timely manner to the vast population waiting in desperate need of relief’. (Sanofi’ website; **bold** in original)*

The company also provided financial assistance to those employees whose homes were damaged by floods. This issue was brought to light by Manager C in the following words:

*“Those employees of the company who were affected by floods were given cash donations ranging from Rs.30,000 to Rs.500,000, depending on the condition of their houses after floods”.*

Sanofi is also bearing the full educational expenses of two students who are studying on a four-year degree programme at LUMS, Lahore (Annual Report, 2010). All the above mentioned philanthropic activities of the company demonstrate its commitment to serving the people of Pakistan, acting ethically, and being a responsible and active corporate citizen. The motives for the company’s SCE initiatives are discussed in the next section.

#### 4.6.4 Motives behind SCE Initiatives

All three managers interviewed were of the opinion that behaving in an environmentally and socially responsible manner improves a company's brand image, which subsequently has a positive effect on the company's sales and profitability. Manager A asserts that:

*"This is very simple to understand. If today five doctors are prescribing our medicine, tomorrow there will be many doctors who will prescribe our medicine. And then there are followers as well. If a Professor starts prescribing our medicines today, tomorrow his students will also prescribe our medicine. There is a chain reaction; our product usage will get wider. By operating ethically, providing quality and working for society's benefit, we improve our brand image in the eyes of our customers. Although today our profit may suffer, in the long run our profit will definitely increase as our reputation improves and our product usage gets wider. The end result of all these activities is an increase in sales and profitability".*

Manager C argues that the company is a commercial enterprise and not a charitable organization, and therefore the ultimate objective of engaging in SCE initiatives is to gain the trust of doctors and thereby increase the sales and profitability of the company. In the words of Manager C:

*"The ultimate benefit of all these activities is for us in the shape of improved brand image, sales and profitability. After all we are a commercial organization; we are not a charity organization. At the end of the day, sales and profitability do matter! Because of these activities, people recognize our name and our brand image improves. Doctors, as well as patients, have trust in our products because they know that we are doing our every bit to improve the quality of life of the patients".*

As will be elucidated in the next chapter, in the pharmaceutical business, winning the trust and confidence of doctors is very important. The SCE initiatives of the company help in winning such trust, because of which the brand image of the company improves, and sales and profitability increase in the long-run. This finding is consistent with the earlier work of Pivato *et al.* (2008), who maintain that good corporate social practices can result in the

creation and enhancement of consumer trust, which can subsequently result in brand loyalty and hence better financial performance of the company.

#### 4.6.5 Challenges Faced by Sanofi Pakistan

The key challenges for the company in the Pakistani market are poor economic conditions, unethical practices of local firms, and the worsening law and order situation. Manager A makes a point about economic condition in the country as below:

*“Rupee depreciation is a major challenge for us. The Rupee is continuously under pressure against the Euro, so the profit we report in Euros is less every year. Inflation is rising each year. The prices of raw materials are continuously increasing and profit margins are decreasing. In this situation it is very difficult to satisfy employees and retain them”.*

Manager A made a point about rupee depreciation and rising prices, while Manager B described the declining purchasing power of consumers as the biggest challenge, along with the worsening security situation of the country. Manager B contends that:

*“The purchasing power of consumers is diminishing day by day and that is causing major problems for us. To achieve profitability, we have to rely mostly on generics which are low-priced. Inflation is also rising day by day and so are the company costs. The law and order situation is very poor in the country. The company, as well as its employees, face threats. MSD and Squibb company closed their operations in Pakistan because of the poor law and order situation”.*

Unethical practices of local companies and doctors also create a big challenge for Sanofi Pakistan, which follows the global code of ethics set by the IFPMA. Manager C describes the unethical practices of local firms and doctors in the following words:

*“They are involved in highly unethical practices. They give bribes to doctors that range from an expensive mobile phone set to a luxury car. They*

*give multimedia projectors, cash, cars, house, plots, per pack money to doctors so that they keep prescribing their products”.*

Manager A made a similar point about local firms; however, he also hinted at the involvement of ministry officials in such unethical practices in the following words:

*“Unethical approaches of local firms also hurt our interests. We cannot take an Rs.2 price increase from the Ministry of Health but they get even Rs.35 price increase by giving bribes to the officials in the ministry”.*

Despite having to face the above mentioned challenges, the company is prospering in Pakistan, and the company’s sales growth for the year 2010 was 19.3%, having a market share of 4.5%, making it the fifth biggest pharmaceutical company of Pakistan (Annual Report, 2010). All this is attributable to the company’s entrepreneurial approach towards business operations, backed by a strong socially responsible and ethical approach towards business, which is based on the premise that such initiatives will improve the company’s sales and profitability in the long run.

## **4.7 Bryon Pharmaceuticals (Private) Limited**

### **4.7.1 Introduction**

Bryon Pharmaceuticals (Private) Limited was established in 1995 as a family business whose owners had vast pharmaceutical distribution experience (Bryon’s website). Initially, it started its operations in Peshawar and Rawalpindi, but with the passage of time, Bryon’s operations expanded to the whole of Pakistan (Manager D). The manufacturing plant and head office of Bryon pharmaceuticals are located in Peshawar, which is one of the oldest cities of the sub-continent and has suffered huge collateral damage in the war against terrorism. Bryon Pharmaceuticals started its operations with just three products (ibid) and now has 50 brands, with many more in the pipeline (Manager B). The company deals in antibiotics, anti-diabetes, anti-hypertensive, analgesics, cardiovascular, and psychotherapeutic drugs (Bryon’s website). In the year 2011, Bryon pharmaceuticals created 105 production and marketing

jobs by expanding its product line, and now employs over 300 individuals (Manager A). The company not only sells medicines in Pakistan but it also exports its medicines to Afghanistan, Sri Lanka and the Philippines (Bryon's website). The company is driven by the core values of honesty, integrity and respect, and has a strong focus on manufacturing quality medicines (Manager A). Loyal employees are one of the greatest assets for any organization, and Bryon's major strength is its loyal employees. In the words of Manager D:

*"We have a strength, and that is our corporate culture. Normally, in local companies, people don't stick around for long. The case is the opposite in this company. We have very loyal employees who have been with us for many years. It is the biggest strength of this company that it retains people. Slow workers can be tolerated here, but dishonest employees cannot be borne. The owner of this company knows how to retain people, and that is through giving respect to all employees and giving salary on time."*

#### **4.7.2 SCE and Innovation at Bryon**

The SCE initiatives of Bryon Pharmaceuticals are: production and marketing of high quality products at low prices, free medical camps and sampling in rural areas, regular donation of medicines to different hospitals, education of doctors at national level and food rations for deserving factory employees on a monthly basis.

The managers' construction of reality regarding how Bryon pharmaceuticals is involved in SCE practices is that the company is providing high quality medicines, comparable with the quality of any MNC, but at a much lower price. Manager D illuminates this point in the following words:

*"Price variation is much more in Pakistan. What we have done is that we have medium prices and quality is on a very high side. As a result, poor people can afford our medicines. This is the biggest service I think that we are providing to society. If we lower our quality, our profit margins will increase. But no! We have decreased our margins and we are ensuring that patients get*

*high quality medicines at medium prices. I think that is the shared value that we are creating. This is a hidden aspect of our business operations”.*

A testament to the above mentioned commitment was the introduction of a tablet for thyroid patients, and a particular cardiac medicine, both at a much lower price. Manager A narrates these initiatives in the following words:

*“The generic formula administered to thyroid patients is Carbimazole. Before 2011, Reckit Benkieser was the only manufacturer of this medicine, and their production was also limited. It is because the salt of this product is very expensive, and any company who manufactures this product, will have to sell it at a loss. So the Rs.45 product was being black-marketed and sold in the range of Rs.800-900. To contribute towards society, and on humanitarian grounds, we decided to launch this product under the brand name Thyrazol Tablets in 2011. We launched it at Rs.45 for the sake of thyroid patients, and we also made sure that it is available at the control price in the market. Similarly, there is a cardiac product, the generic formula for which is Clopidogrel. This product under Pfizer’s brand name is being sold in the market at Rs.3,500. For the benefit of patients, we introduced this product at Rs.85 and now its price is Rs.140. Pfizer’s product is still selling at Rs.3,500. What we have done for society is that we have made sure that the same quality product is available at low price for the benefit of the patients. MNCs charge much money under the disguise of quality. We give the same quality but at a much lower price”.*

Thus, Bryon Pharmaceuticals is creating shared value by providing high quality medicines at lower prices for the poor people and gaining financial value in return. Certainly, initiatives like these improve the brand image of a company and add to its financial bottom line in the long run. Moreover, society also benefits from such initiatives, as the purchasing power of the people of Pakistan is decreasing day by day, and they need cost-effective but quality medicines. The above mentioned initiatives of the company are SCSR, and also SCE initiatives, as the demand of society has been incorporated in the strategy and operations of the company, thus resulting in the creation of shared value.

The company is targeting rural areas of Pakistan, where people cannot afford the expensive medicines manufactured by MNCs, and it arranges free medical

camps in such areas to gain the trust of doctors, which consequently leads to increased sales. Thus, arranging free medical camps in rural areas can be interpreted as a deliberate strategy of the company to capture market share from the MNCs. Manager B illuminates this point in the following words:

*“We have adopted the strategy of flank attack. Flank attack is a marketing strategy where those areas of the enemy are hit that are easy to be captured. We are focusing on flank areas like Charsadda, Parachinar, Hangu, Tal etc. They are backward and underdeveloped areas. Such areas are mostly neglected by MNCs, and even if they do send their representatives to such areas, they cannot sell their medicines there because their prices are high compared to us. We are providing good quality medicines to flank areas. We are arranging free medical camps there because creating health facilities is important in underdeveloped areas. In such areas, doctors can be easily convinced, because in such areas, the purchasing power of people is less. Doctors in such areas need such medicines that are of good quality but low-priced as well”.*

The above quote reveals that the business model of Bryon Pharmaceuticals is centred around marketing low-priced products in rural areas of Pakistan, because low prices cannot be offered by MNCs in such areas which are characterized by consumers’ declining purchasing powers. In an attempt to achieve this business objective, the company makes use of an SCSR approach by arranging free medical camps, which help in winning the trust of local doctors and consequently lead to repeat prescriptions and sales. This strategic approach to CSR to achieve a business objective provides a compelling example of how CSR can be embedded in the business operations of a company to create shared value, as articulated by Atiq and Karatas-Ozkan (2013).

The company also gives regular donations of medicines to different hospitals for the benefit of poor patients. Manager A reports the following:

*“We give regular medicine donations to Al-Khidmat hospital on a monthly basis, and to Lady Reading Hospital (LRH) on a quarterly basis. The medicine donation is according to the respective hospitals’ demands. LRH*



*normally demands cardiac and pain killer medicines. Al-Khidmat demands general medicines like syrups, Lopramide, anti-malarials, cough syrups, panadol, folic acid etc. Medicines donated to Al-Khidmat every month are worth approximately Rs.120,000. We trust them, as we know that they will not be misused and are given to deserving patients”.*

Manager D provides a reinforcing example of medicine donations that is carried out systematically, and on a continuous basis. He reports the following:

*“What we do extra, which is not known to many people, is that in hospitals, we liaise with different wards. We give regular donations to them for poor patients. We place jars in wards and put tablets in them. Our sales reps regularly visit those wards where we have placed our medicine jars. When the jars are empty, our sales rep refills those jars with tablets. This is a continuous service that we provide to society”.*

In this way, shared value is created, as the poor patients benefit from this practice, and the company’s image improves in the eyes of its customers, who are doctors working in those hospitals. Thus, they increasingly prescribe the medicines of the company, creating demand for its product in the local market. This initiative shows the power of SCSR in creating shared value.

Bryon Pharmaceuticals is also involved in educating doctors, and catering to their educational and professional needs within ethical limits. While discussing the ethical limits of the company, Manager C asserts that:

*“We sponsor medical conferences and seminars. Through these conferences, new research is shared and senior doctors also share their experiences with junior doctors. We were one of the main sponsors of the 20<sup>th</sup> Biennial International Cardiology Conference, 2011, which was held in Peshawar.*

*Before 1995, doctors asked us about the clinical studies and merits of products that we were promoting. After 1995, some local and multinational companies started bribing doctors in various ways. Now the first question of most doctors is “what’s in it for me?” They don’t ask about the efficacy of the product, about clinical studies and merits of the product. They just ask this*

*question. What we are doing is that we are visiting mostly those doctors that are honest and prescribe on merit. My team is working only in the cardiology department of LRH because the professors and consultants of other departments have very unethical demands, which we cannot fulfil. We are focusing mostly on GPs and not on the big guns. GPs need economical products with good quality. The big guns have big expectations. They demand tickets of to the UK and USA for themselves and their family. We do not want to indulge in such practices.*

*We cannot provide foreign trips to doctors and their families, cars, apartments and other facilities. What we can provide is stethoscopes, BP apparatus, prescription pads and books. We can renovate the clinics of doctors for the benefit of patients, and that's it! We only do such activities that are beneficial for the patient”.*

In essence, such initiatives create shared value, as they invoke the trust of doctors, who start prescribing the medicines of the company. Patients and doctors benefit through such practices, and so does the company, thus resulting in the creation of shared value. This will be further elaborated in Chapter 5 under the ‘trust building’ theme of the conceptual map of SCE developed for the pharmaceutical sector.

The company also supplies food rations to deserving factory employees on a monthly basis. Manager A describes this SCSR initiative in the following words:

*“After every month, we evaluate our profit and a certain percentage of it is given to deserving factory employees as a ration for the whole month”.*

This above mentioned initiative also creates shared value, as the company is able to win the loyalty of its employees, and helps to reduce some of their financial problems. Thus, shared value is created because of such employee-centred CSR initiatives, which are in effect SCSR initiatives.

Bryon Pharmaceuticals is an ISO 9001:2008 certified company (Manager A). It has not done ISO 14000 certification because the company managers maintain

that the company adheres to the 'current Good Manufacturing Practices' (cGMP) given by the GoP. Manager D argues that:

*"We have incorporated all good manufacturing practices in our operations. They are given by the Government of Pakistan. Taking care of safety and the environment is automatically built-into good manufacturing practices. We try to minimize our negative impacts on the natural environment as far as possible and within our budgetary limits".*

Thus, it can be concluded from the above quote that the company limits its environmental responsibility to regulatory compliance, and is not taking a holistic view of its environmental responsibility by going beyond compliance issues, because of its budgetary limitations. Schaltegger and Wagner (2011) categorize such organizations as performing trustee duty only because environmental sustainability issues receive less priority in such corporations.

Many new medicines have been introduced in the last three years by the company. Manager A maintains:

*"We have introduced Thyrazol for thyroid disease; Steady for diabetes; Copral and Tacar for cardiac problems; Enpress and Olzar for psychiatric problems; Fluxaquin, which is an anti-biotic; Cycloram is our new pain-killer; and Terbizor is our anti-fungal product".*

The company is also producing and marketing some products that have not been introduced by other pharmaceutical companies in Pakistan. Manager C asserts that:

*"Recently, we have introduced a new tablet for cardiac patients with the name SOPRAL. We have also added diuretic in it. No other company is marketing such a formulation. This combined formulation is the innovation of Merck company, and is internationally available, but not in Pakistan".*

Besides practising SCSR, and, in effect, SCE, the company is also involved in philanthropic activities, which are discussed in the following section.

#### 4.7.3 Corporate Philanthropic Activities in Bryon

Like other case companies, Bryon Pharmaceuticals is also involved in corporate philanthropic activities that revolve around education, cultural programmes and helping people affected by natural disasters. Manager A provided a detailed account of company's philanthropic activities in the following words:

*"We also sponsor students for education in local schools. Last year, we sponsored 30 students for a year-long study at a local school. We did so because the literacy rate is very low in Pakistan, and we want to improve it. We consider it our social responsibility.*

*We promote local language and every year we sponsor a Hindku programme, which is supervised by Dr. Adnan Gul, who is a famous local cardiologist.*

*During the floods of 2010, we donated significantly in cash and in kind. Also at that time, NGOs were very active in the relief activities. What we did was that we provided our maximum products to them at low prices so as to ensure medicine availability for the flood victims".*

The above mentioned philanthropic activities are certainly not in alignment with the core competencies and business operations of the company, and therefore have a limited social impact, as opposed to the company's SCSR initiatives, which have been discussed in the previous section.

#### 4.7.4 Motives Behind SCE Initiatives

The managers interviewed at Bryon Pharmaceuticals were of the opinion that, by practising SCE, the company will earn the trust of doctors, and consequently sales and profitability will improve in the long run. Manager C argues that:

*"Obviously, we are not an NGO! We are a profit-oriented, sales driven organization with an added emphasis on our social responsibility. The social initiatives we undertake, like the education of doctors, free camps etc. help us to contribute to the improvement of public health. On the other hand, our brand image also improves, and sales and profitability increase as the doctors' trust develops in us because of such initiatives".*

Manager D reinforced this point of interrelatedness in addressing financial and social bottom lines and contends that:

*“This is very simple to understand. We are spending money to earn money. We are not an NGO; we are a commercial organization. Good companies do not put everything in their pocket. They take care of society as well, and it is very necessary. Such activities build the trust of doctors, and our brand image improves. They start prescribing our medicines, and thus our sales and profitability improve. So I think such activities are very necessary for every organization’s survival in the long run”.*

This finding is consistent with the earlier work of Pivato *et al.* (2008), who suggest that a company can gain customer trust by exhibiting good corporate social practices, which subsequently leads to brand loyalty and improved sales.

#### **4.7.5 Challenges Faced by Bryon**

Besides facing the challenges of rising inflation, the energy crisis, and worsening economic conditions, the company is also facing what can be termed as a ‘city of origin’ challenge as it is a local company, operating from the city of Peshawar. Manager B highlights this challenge faced by the company in the following words:

*“Our head office and manufacturing unit are located in Peshawar, which has become a symbol of Talibanization and terrorism. In the wake of this scenario, acceptability of our product becomes difficult in the rest of Pakistan. Doctors all over Pakistan ask us, how can you manufacture medicine in such a city which is under the siege of Talibans and where terrorism is at its highest level? ”*

However, Manager D maintained that the ‘city of origin’ challenge had been overcome, and it was only a challenge when the company was formed, back in 1995. Manager A discussed the challenges faced by the company in a more

elaborate manner. He highlights the issues of the energy crisis and heavy taxes in the following words:

*“The energy crisis is the biggest challenge. No company is running at its 100% capacity. In the industrial area, there is no electricity from 6 pm to 11 pm, and load shedding of electricity also takes place in the day time at regular intervals. Because of that there is a shortage of medicine in the local market, as demand for medicines is increasing day by day. Then, the Government imposes heavy duties on the import of machinery. In other countries, this is not the case”.*

Manager C also highlighted the energy crisis and worsening economic conditions as the main challenges being faced by the company, which are leading to increased manufacturing costs. He contends that:

*“The energy crisis, increasing inflation, heavy duties and taxes, and depreciation of local currency are all adding to our higher manufacturing costs”.*

The energy crisis and worsening economic conditions are having negative effects on the performance of every business in Pakistan, and companies are devising different strategies to cope with these challenges. Despite the odds, Bryon Pharmaceuticals is performing well within the ethical limits, due to its strategic approach to CSR, and practice of SCE.

## 4.8 Saffron Pharmaceuticals (Private) Limited

### 4.8.1 Introduction

Saffron Pharmaceuticals (Private) Limited was established as a pharmaceutical marketing company in 1997 (Saffron's website), and relied on third party manufacturing for its operations. The company started from Faisalabad, but soon its operations spread to the whole of Pakistan, and it is now an ISO 9002 certified company (Manager B). The company built its own manufacturing facility according to cGMP Ministry of Health guidelines in 2006, and it started functioning in 2007 (Saffron's website). The company deals in antibiotics, anti-asthma, anti-epileptic, anti-acne, vitamin infusion, quinolone, anti-anaemic, anti-depressants and hormonal drugs (ibid). Saffron's workforce at present has exceeded 650 employees (ibid). In April 2011, the company won a contract to manufacture some medicines of Novartis Pharma in its own plant (ibid). It is pertinent to note here that Novartis is a Swiss healthcare company, operating in more than 140 countries (Novartis's website). To obtain a manufacturing contract from such a reputable company is a testament to Saffron's commitment to quality and technical excellence.

The managers interviewed at the company contend that the company's corporate culture is very friendly and open, offering opportunities for training and development, self-improvement and idea sharing. For instance, Manager C maintains that:

*"Our corporate values are honesty, friendliness, innovativeness and respect for others. Our working environment is very friendly and conducive to work, and we all are just like a family. Everyone here thinks about the betterment of the company, and the top management listens to our ideas very carefully, and implements our ideas wherever possible. We can openly discuss our ideas and difficulties at every level in the company. Employees are given proper training to address their professional needs".*

The company managers also claim that the company operates ethically, and does not entertain any personal requests of the doctors. Manager A asserts that:

*“We are having Rs.80 million per month sale in Pakistan, and we are proud of the fact that without giving any bribes, we are having this much sale. If you operate ethically, with the passage of time your reputation develops, and you start reaping fruit of it”.*

#### **4.8.2 SCE and Innovation at Saffron**

The SCE initiatives of Saffron Pharmaceuticals are: production and marketing of high quality products at low prices, free medical camps and sampling, education of doctors at national level and free replacement of a distributor’s stock during the floods of 2010.

Like Bryon Pharmaceuticals, the managers of Saffron Pharmaceuticals also claim that the company is creating shared value through the production and marketing of high quality medicines at lower prices. Manager A asserts that:

*“We have developed certain products that have provided direct benefits to the patients as well as to us. Doplest-3 is our product for those people who have vitamin D deficiency. One company launched that product in the market at the retail price of Rs.165. The other company launched it at Rs.145. In Pakistan, every third woman and every fifth man suffers from vitamin D deficiency. We knew that if we launched this product at a much lower price, patients will be directly benefited by that, and we will earn on volume, as this product at a lower price will be in the reach of more patients. We launched this product with the name of Doplest-3 one year ago at a retail price of just Rs.50. Similarly, there is anti-allergy nasal spray that is not being manufactured in Pakistan by the companies, but is being imported to Pakistan and sold at a retail price of Rs.400. We launched it with the name of Hivate in Pakistan and are selling it for just Rs.140. We are also selling an anti-biotic with the name Lucid. The price charged for this product by the rival companies was Rs.900.*



*We launched it at Rs.85, and now its price is Rs.135. But still there is a big difference between the two prices”.*

Manager C reinforced the above mentioned point of selling high quality medicines at low prices, and gave similar examples. He reports the following:

*“We work to provide cost-effective health solutions that have the same quality as that of any MNC’s. Our strategy is to introduce medicines at rates much lower than our competitors in order to have more outreach. This way, we earn on volume, and the poor patients get a high quality medicine at a much, much lower cost. This is our selling proposition. We introduced Doplex-3, which is a medicine for patients having vitamin D deficiency, at much lower price as compared to our competitors. Competitors are selling it for Rs.165. We introduced it at Rs.50 only. Similarly, we introduced Hivate - a nasal spray at Rs.140, which the rival companies are importing and selling at Rs.400. This way, society benefits, as poverty is widespread in Pakistan, and patients get a good quality medicine at a much lower price. Doctors also appreciate these efforts of the company, because doctors also want a good quality but low-priced medicine for their patients, as they know that the majority of their patients cannot afford costly medicines. The company benefits in that it earns on sales volume. So this is how we are creating shared value in Pakistan”.*

The above quotes reveal that the managers’ construction of reality is that the company is creating shared value by selling medicines at a lower price, which comparatively have the same quality as that of any MNC. By utilizing the power of SCSR, the company is creating value for itself and society simultaneously. The management of the company realizes that the general public in Pakistan cannot afford costly health solutions, but still need quality medicines to prevent and cure their diseases. In order to extend their outreach, the company keeps on introducing high quality medicines at low prices. Through this strategy, shared value is created, as the patients get good quality medicine at affordable prices, and the company earns on sales volume.

Like the other case pharmaceutical companies, Saffron also arranges free medical camps for poor patients, sponsors doctors for attending conferences and seminars at a national level and raises awareness among patients

concerning different diseases. Additionally, the company also raises awareness among medical students regarding its quality and economical medicines, and tries to build its reputation amongst them by sponsoring their literary programmes. Manager A illuminates such initiatives of the company in the following words:

*“To raise awareness about diabetes, we place wall mountings and brochures in clinics and chemists shops. In the years 2008 and 2009, we held free medical camps every week in different public hospitals, where we provided free check-ups and free medicines to diabetic patients. We sponsor doctors for national conferences and seminars at a national level, regarding dermatology, medicine, surgery, ENT and chest diseases. We call this continued medical education (CME). We also make medical students aware regarding our quality and cost-effectiveness. We arrange literary programmes in Khyber Medical College and Khyber Medical Girls College to build our reputation among the medical students and support them for such good activities”.*

Manager C also highlighted the SCSR initiatives of the company, and emphasized the social impact that such initiatives create. He contends that:

*“Our company also arranges free medical camps for poor patients, mostly in rural areas and public hospitals, so as to help the needy people in terms of giving them an initial dose of medicines free of cost, and getting access to good quality health services at their door step free of cost. Similarly, we donate examination beds, water coolers, and furniture for the wards of public hospitals on doctors’ requests. We also sponsor doctors for local medical conferences and seminars. By attending medical conferences and seminars, knowledge of doctors increases, and they are able to treat patients more effectively. We also place wall mountings in the clinics of doctors to raise awareness among patients against different diseases”.*

The above mentioned initiatives, such as arranging free medical camps, sponsoring doctors for medical conferences and seminars, putting wall mountings in clinics and donation of furniture for public hospitals create shared value, because such initiatives boost the confidence of doctors in the company that it is making serious efforts to provide cost-effective and quality

health services to patients. Hence, doctors increasingly prescribe the medicines of the company, resulting in increased sales. Poor people also benefit from such activities in that they get quality health services occasionally at their door step, and, more importantly, they get well-formulated medicines at affordable prices. As far as building reputation amongst the medical students is concerned, it is a novel and long-term approach to creating value for the company. This is because these students, in later years, start their practice after completing their education. The image that the company creates in their minds at the present time may help to increase company sales in the future. Thus, by sponsoring the literary programmes in medical colleges, the company, is, in essence, improving its local profile amongst the medical student community.

During the floods of 2010, the company also practised SCSR by replacing a distributor's stock free of cost, and financially helping those employees of the company whose houses were damaged by the floods. Manager B narrates these initiatives in the following words:

*"In the floods of 2010, our distributor's stock was destroyed. The company replaced it free of cost. The houses of some of our colleagues were badly affected. The company estimated their losses and paid them afterwards, so as to reduce the financial burden on them".*

The above mentioned acts of the company can be considered as SCSR initiatives, because the company earned the loyalty of employees by helping them in time of crisis, and further strengthened its relationship with its distributor. Under the SCSR approach, these acts can be categorized as strategic philanthropy (Porter and Kramer, 2002; Jamali, 2007), as the company made strategic use of corporate philanthropy in creating shared value and fostering its relationship with important stakeholders.

#### **4.8.3 Corporate Philanthropic Activities in Saffron**

The corporate philanthropic activities of Saffron Pharmaceuticals, as described by the interviewees, are limited to helping people in times of crisis. Manager A maintains that:

*“After the devastating earthquake of 2005, the company donated medicines for the earthquake victims worth Rs.250,000. The six directors of the company in their individual capacity, donated Rs.100,000 each, making a contribution of Rs.600,000 in total. Around Rs.25,000 to Rs.30,000 were donated by the employees of the company in KPK. During the floods of 2010, the company again donated medicines and cash for the relief of flood victims. Medicines and essential items were donated by the company in Nowshera and Charsadda. During the floods, our colleagues from these areas also suffered significant losses, and were given financial support by the company. One of our colleagues from Swat was given Rs.100,000 on account of partial damage to his house by the floods. Similarly, the company also contributed in 2009 for the IDPs of Swat. Essential items along with medicines were distributed among the IDPs. In addition, 500 IDPs were given for a meal”.*

The other two managers interviewed also referred to the company’s donation to the flood victims of 2010 when asked about the CSR activities of the organization.

#### **4.8.4 Motives behind SCE Initiatives**

All three managers interviewed at Saffron maintain that the company is practising SCE in order to improve its reputation among its customers and to gain their trust. They contend that by gaining the trust of customers, the company’s profitability and sales increase in the long run. For instance, Manager B maintains that:

*“Doctors’ trust in the company develops because of such activities, and they start prescribing our products. Consequently, our brand image and reputation develops, because of which our sales and profitability increase in the long run”.*

Manager C, while stressing the need for high quality but low-priced medicines, reinforces the point made by Manager B in the following words:

*“The ultimate benefit of all these activities for the company is in the form of increased sales and profitability. As I said earlier, doctors want to prescribe such medicines that can cure the disease of the patient, but the medicine should be cheaper as well. When doctors see the success rate of our medicines along with an economical price, they prescribe our products more. This way our sales increase and consequently profitability also increases. All this is a matter of gaining the doctor’s trust. If you get the trust of doctors, your sales and profitability will definitely increase”.*

In essence, the SCE activities of the company build the trust of the doctors in its practices, and thus aid in improving the company’s image, sales and profitability. This finding is consistent with the earlier work of Pivato *et al.* (2008), who maintain that good corporate social practices can result in the creation and enhancement of customer trust, which can subsequently result in brand loyalty, and hence better financial performance of a company.

#### **4.8.5 Challenges Faced by Saffron**

Unethical practices of ministry officials, rising inflation and the energy crisis are some of the most serious challenges being faced by the company. Manager B describes these challenges in the following words:

*“The unethical practices of promoters and ministry officials are a big challenge for us. Secondly, because of a recent High Court order, no pharmaceutical representative can enter a public hospital before 2 pm. When we go there after 2 pm, only the cleaners are there, and there are no doctors. That is also hampering our business activities”.*

Manager C highlights rising inflation and the energy crisis, besides mentioning the unethical practices of ministry officials as challenges faced by the company, in the following quote:

*“Inflation is rising rapidly, and it is increasing our cost of doing business. Further, the energy crisis is also having negative effects on our costs, and we are compelled to increase the price of our medicines. We don’t want to increase the prices, but the economic conditions of the country are pushing us to increase our prices. But price increase approval is taken from the Ministry of Health, where corrupt officials are sitting who demand huge bribes to grant price increase approval. Those companies which fulfil their unethical demands, they get price approval while we cannot. So the unethical practices of the ministry officials are also hampering our business efforts”.*

The above mentioned challenges create operational difficulties for the company, thus putting its survival at risk. Nevertheless, it can be reasonably expected that the company will prosper more in the future by adopting an SCE approach, despite the above mentioned challenges, as SCE is a long-term approach that requires the practising firm to embed sustainability in its business operations, alongside taking risks, and being innovative and proactive.

## 4.9 Nestle Pakistan Limited

### 4.9.1 Introduction

Nestle Pakistan is a subsidiary of Nestle, S.A, which is a Swiss MNC, operating in 86 countries of the world (Creating Shared Value Report, 2007). Nestle Pakistan started its operations in 1988 by forming a joint venture with Milk Pak Limited (Annual Report, 2010). Nestle Pakistan took over the management of the joint venture in 1992 (Nestle's website). The company has four manufacturing facilities in Pakistan. Two of them are multi-purpose factories, and the other two produce bottled water only (ibid). The company is registered on the Karachi and Lahore stock exchanges of Pakistan. Nestle Pakistan is getting an award from the Pakistan Centre for Philanthropy for its social contributions during the past ten years (Manager B). Creating shared value is instilled in the corporate culture of the company, and it accords the highest priority to people, products, and brands (Nestle's website). Manager C describes the corporate culture of Nestle Pakistan in the following words:

*"I will say just say one thing, and that is this company is a very human company. It gives priority to human life, whether that is the life of the employee or any other stakeholder. The work environment is very good here. It is very friendly and professional. All the departments have good communication with each other. The values of this company are passion, integrity, teamwork and patience".*

### 4.9.2 SCE and Innovation at Nestle

Nestle S.A prides itself in being the top health, nutrition, and wellness company, and has formally adopted Porter and Kramer's concept of creating shared value. The company calls this its 'CSV' concept. In Pakistan too, the CSV concept is being applied by Nestle, and the company has taken a number of initiatives that have created shared value. Nestle Pakistan believes that:

*'The social responsibility does not end with a few philanthropic activities; instead CSV is embedded in Nestle's business model, where a direct engagement and support to communities across the value chain is extended.*

*This adds value to the business and socio-economic development for the communities.’ (Annual Report, 2010, p.40)*

Nestle has identified three broad segments for implementing its CSV concept. These are: rural development, water, and nutrition (ibid). Within rural development, the company focuses training and development of farmers, farmer support, and education (Manager B). To educate farmers in best practices of livestock and farm management, the company has established two training institutes (demonstration farms) in Pakistan, where 9,000 farmers have been trained so far in modern dairy practices (Annual Report, 2012). By establishing farmer training institutes, the company is creating shared value, as because of the training, quantity and quality of milk will increase, resulting in increased income of farmers, and access to increased and good quality milk for the company. Under the water segment, the company donates water coolers, water filters, and hand pumps to schools in underprivileged areas, besides sponsoring research studies on the water issues of Pakistan through WWF, Pakistan (ibid). Nestle Pakistan perceived the need of the people of Pakistan to have access to clean and purified water, and therefore it ventured into bottled water, ahead of many of its competitors (Manager C). The company launched bottled water under the brand name ‘Nestle Pure Life’ in 1998 (Annual Report, 2010), and thus created shared value by providing clean water to the people of Pakistan, whilst also creating financial value for itself. Under the nutrition segment, the company gives regular donations of its juice and milk products to schools in underprivileged areas, and also to welfare organizations that have a focus on the nutritional needs of rural women and children (Manager B). Moreover:

*“We have a Healthy Kids Programme. It is a nutrition awareness programme for school-going children of the age 6-16 years. It is purely a non-promotional activity. Its pilot phase was initiated last year and it was very successful. We hired an external nutritionist who trained school teachers on good eating habits and then they transferred that knowledge to their pupils. This way, in the pilot phase of that project, 2500 children were trained. So that is the social value we created. This year we are going to target 25,000 children.” (ibid)*



In 2012, the company trained 30,000 children, 90 teachers and 100 mothers across 30 schools in the Care Foundation under the Healthy Kids programme (Creating Shared Value Report, 2012). By undertaking this initiative, the company is improving its brand image, as well as, by leveraging its capabilities in the nutrition area, creating social value by training school teachers and children in the area of nutritious food. Thus, shared value is being created because the company has adopted an SCSR approach.

Nestle Pakistan, in addition to caring for society, also cares for its employees by sponsoring their children for local conferences, giving them used office equipment free of charge and company used cars at a price below their market price, through a balloting process. Manager A narrates these initiatives in the following words:

*“There is a ‘Young Leaders Conference’ in Pakistan every year, in which young individuals of a certain age group participate. It is an expensive conference. The company sponsors children of a select group of employees for this conference every year. The PC workstations and the laptops we use in our offices have a certain accounting life. After the expiry of their accounting life, the company gives away these machines free of cost to employees through balloting. In that balloting, 70% preference is given to those employees who have children and their children need these machines. If an employee has won a machine, then he or she cannot take part in balloting for the next three years. Similarly, the cars used by the company personnel are also given to employees through balloting, but for a certain price, which is less than the market price”.*

Through these initiatives, the company wins the loyalty of its employees, which translates into increased productivity, less turnover and improved organizational performance. As a result of these initiatives, Nestle Pakistan’s employee turnover is less than 3% (Manager B). Consequently, shared value is created, as the organization takes care of its employee needs, and the employees respond by putting in extra effort to achieve organizational goals.

Besides establishing two farmer training institutes, the company also has a fully-fledged 'Agri-Services Department' that assists farmers in farm development and animal husbandry. Manager B contends that:

*"We have an Agri Services Department who are providing free of cost services to dairy farmers. They provide free of cost services to anyone who comes to them for farm development. They have veterinary doctors who are there for animal husbandry and farm development. During the floods of 2010, this department vaccinated 300,000 animals and gave medicines for them free of cost. They also provided free of cost seeds to farmers because after the floods, the farmers were really in bad financial condition and needed financial support".*

By training farmers, helping them in farm development, looking after the health of their animals and assisting them at times of natural calamities, the company is not only creating value for society, but it is also creating value for itself in the form of improved brand image among the locals. Thus, shared value is being created as the company gains the loyalty of its suppliers, gets access to increased quantities of raw materials and the farmers' income and living standards improve.

Nestle Pakistan is an ISO 14001 certified company, and has additionally acquired ISO 9001 (Quality Management System), OHSAS 18001 (Occupational Health and Safety Management System) and ISO 22000 (Food Safety Management System) certifications. The reason for acquiring these certifications is that the company wants to establish a solid base for creating a high performance culture (Annual Report, 2010, p. 32). The managers interviewed at Nestle Pakistan did not know that the company had acquired any certification, when asked about ISO 14000 certification. However, all three of them asserted that the company is fully environmentally compliant, and is not involved in any operations that might harm the environment. Manager A, discussing the environmental initiatives of the company, contends that:

*"We care about the environment. In all our factories, water treatment plants have been installed. First, we use the treated water ourselves. Then, if any water remains, we dispose it off.*

*We have also started using 40 foot containers for moving our goods from the factories to different locations in Pakistan. Earlier, we were using 20 foot containers. This way the company is saving its costs as well as being good for the environment, as carbon emissions reduce because of such initiatives”.*

The use of 40 foot containers instead of 20 foot containers to transport products reduces the distribution costs of the company, besides reducing its carbon footprint, thus creating shared value.

The company is creating much greater shared value by producing and marketing products in response to societal needs, in similar vein to Nestle Pure Life. Manager C highlights this strength of the company in the following words:

*“Since quality loose milk is not available in the market and the price of packaged milk has increased a lot due to various reasons, what we have done is that we are providing powdered milk which has the same quality as that of packaged milk to consumers, at only Rs.65. So that translates into savings of Rs.15 per litre, as the price of packaged milk per litre is Rs.80. We have taken this initiative for providing benefit to people, as the purchasing power of the common man is decreasing day by day. We want that people should have access to nutritious and good quality milk at an affordable price.*

*Then we have NIDO in which we have done value addition. This is a milk that will give ten benefits to your children. This is aimed for children of 5-10 years. The benefits are listed on the pack of NIDO. We also have NIDO 3+ and NIDO 1+, which are aimed for children of 3-5 years and 1-3 years respectively. In NIDO 3+ and 1+ we have added pro-biotics. Research has proved that pro-biotics are necessary for the growing children especially for children of 1-5 years. That is why we have added pro-biotics in NIDO 3+ and 1+.*

*In the milk segment, we also introduced Nesvita, which is an especially formulated milk for women. It has less than 1% fats, and high calcium. According to research, most women in Pakistan are having iron and calcium deficiencies. Younger women need to consume milk, but they also are weight conscious. To address their needs, we especially formulated this milk, which is high on calcium and iron and has fewer fats. Every milk contains at least 3% fats.*

*So these examples demonstrate our commitment to CSR and also demonstrate how we are creating shared value in Pakistan”.*

The above mentioned products demonstrate how, by taking an entrepreneurial approach to CSR efforts, a company can generate much greater value for itself and society simultaneously. These initiatives are prime examples of SCE because they have the greatest potential to create shared value. Nestle Pakistan has introduced many products in response to societal needs. A product has far more outreach, and can exhibit more tangible benefits than a healthy kids programme, or donating water filters to schools in rural areas. In essence, these initiatives exhibit the commitment of Nestle Pakistan to practising SCE, which means creating value for the company and society simultaneously.

#### **4.9.3 Corporate Philanthropic Activities at Nestle Pakistan**

Although Nestle Pakistan mostly practises SCSR, it is also involved in corporate philanthropic activities. The company has constructed an SOS village in Islamabad for the earthquake-affected orphans of the Northern Areas and Kashmir (Annual Report, 2010). Similarly, Nestle Pakistan, in liaison with its parent company, and SDC contributed significantly to the flood victims of 2010, both in terms of cash and in kind. The total worth of relief provided by Nestle Pakistan was Rs.76 million, and included food packages for 30,000 people, immediate food relief to 50,000 people for more than three weeks in the shape of company products, 240,000 litres of water on a daily basis for three weeks, and also supporting farmers and its own employees (ibid). All three managers interviewed mostly discussed the SCSR initiatives, and there were very few examples of philanthropic activities. Manager B, when discussing the overall contribution of the company to society, mentions the company’s philanthropic initiatives in the following words:

*“For education, what we normally do is that we adopt a school and refurbish it. I mean, we add more space in it, donate furniture and computers to the school, and because of our intervention, it is upgraded. Like earlier, if it was a primary school then after our intervention it becomes a middle or a high school. Then, we have contracts with three universities. They are the University*

*of Agriculture, Faisalabad; University of Veterinary and Animal Sciences, Lahore; and LUMS, Lahore. We provide need-based scholarships in these universities to students from underprivileged areas. We also offer such students internships in our company”.*

The CSR initiatives described by Manager B above, are philanthropic in nature because they fall outside the sphere and capabilities of Nestle Pakistan. However, it is pertinent to observe here that Nestle Pakistan mostly focuses on the SCSR initiatives, as opposed to focusing on corporate philanthropic activities.

#### **4.9.4 Motives behind SCE Initiatives**

Nestle Pakistan, following in the footsteps of its parent company, publicly admits that the goal of its SCE initiatives is creating shared value. For example, regarding the objectives of farmer training, the company management believes that:

*‘The objective of the training is to increase milk production, increase income, poverty alleviation, and a better life for farmers’.* (Annual Report, 2010, p. 41)

The managers interviewed at Nestle Pakistan also believe that such initiatives ultimately benefit the company in terms of improved brand image, building consumer trust, and, consequently, improved sales and profitability. Manager A maintains that:

*“What I believe is that if you invest in employees, they will give quality time to the company. If you free them from economic worries, their productivity will increase. Ultimately, the company’s financial performance improves in terms of sales and profitability. The same is the case with investing in society. When people in a village see Nestle’s name written on a well, they quickly recognize us and say that it has been built by that milk processing company. Our brand image improves because of such initiatives and the ultimate affect is on our sales and profitability”.*

Manager C is of the opinion that gaining the trust of consumers is important for the company because consumer trust increases sales and profitability, and that is why the company engages in SCE initiatives. He contends that:

*“Simply, we want to create trust among the consumers. We want to win their trust so that they blindly buy our products. They just see our name on a product and purchase it with the belief that it is of high quality, and that’s what’s happening in the market. If the consumer has trust in a company, he will purchase its products. Sales and profitability of the company increase because of consumer’s trust in the company. That is why we believe that social responsibility is complimentary to business operations. We want profitability by providing good, healthy and nutritious food”.*

This finding that by engaging in SCE initiatives, a company gains the trust of its consumers, which consequently translates into improved reputation, sales and profitability, is consistent with the earlier work of Pivato *et al.* (2008), who maintain that good corporate social practices can result in the creation and enhancement of consumer trust, which can subsequently result in brand loyalty and hence better financial performance of the company.

#### **4.9.5 Challenges Faced by Nestle Pakistan**

Worsening economic conditions, the poor law and order situation and the energy crisis are some of the challenges that Nestle Pakistan is facing. Manager A highlights deteriorating economic conditions and under-development of the dairy farming sector of Pakistan as the main challenges being faced by the company. He contends that:

*“The economic condition of the country is not good. Inflation is increasing day by day. The raw material, that is the fresh milk, is not available in such quantities as we would like to see, because the dairy farming sector of Pakistan is not that developed”.*

Manager C described the challenges in a more comprehensive manner, by focusing on the impact of the energy crisis on the production and supply chain of the company. He reports the following:

*“The current energy crisis is having a negative effect on production and the supply chain. From 2007 to this year, no company in Pakistan has worked at its full capacity. We also have the same problem. If we can’t operate at 100% capacity and have to use alternate sources of energy, how can we keep our costs down? Naturally, costs increase and the burden shifts to the consumer in the form of higher prices. The second biggest challenge for us is the worsening law and order situation. If you can’t go to the areas where you see opportunity, how can you develop and grow your business? I remember that, back in 2009, when Peshawar’s security situation had dipped to its lowest and every day there were some bomb explosions, the company had asked us to stop travelling. My job is to market the products. If I can’t travel then how can I market the products? You see! These are the two biggest challenges we are facing in Pakistan”.*

Despite these challenges, the company is performing well and experienced a 25% increase in sales in the year 2010, as compared to the year 2009. Manager A illuminates the reason behind such phenomenal growth in the following words:

*“What we have learned over the years is that wherever there is uncertainty, and the law and order situation is bad, food sales increase. People start stocking food items in their homes because of deteriorating law and order conditions”.*

It can be concluded from the above quote that the worsening security and economic situation of the country has worked to the advantage of the company, which has passed on rising costs to consumers in the form of increased product prices, and because of the uncertain situation, consumers have purchased more than their immediate requirement.

## 4.10 Engro Foods Limited (EFL)

### 4.10.1 Introduction

Engro Foods Limited is a subsidiary of Engro Corporation Limited, which is one of Pakistan's largest conglomerates and deals in food and beverages, power generation, commodity trade, polymer and chemicals, and fertilizers (Engro Corp's website). EFL was established in 2005, and launched its first brand, 'Olpers' an all-purpose milk, in March 2006 (Annual Report, 2011). The company has over 1,000 employees, and operates two manufacturing and processing plants, one in Sukkur and the other in Sahiwal (ibid). It also owns a dairy farm, which is located in Sukkur as well. EFL is listed on all three stock exchanges of Pakistan. The company, in its quest to become the largest Pakistan-based company operating internationally, acquired Al Safa Halal – a North American based halal food company, in May 2011 (EFL's website). This acquisition has provided EFL with a presence in four provinces of Canada, and eighteen US states (Annual Report, 2011). Innovation is deep-rooted throughout the organization, and this is the sole reason behind the company's successful brands and staggering success. In the words of Manager A:

*“The important thing we promote is come, try, and learn from your mistakes. That is what we normally promote in our organization. We are very open, very honest, and we are innovative, we love innovation. We motivate people in the organization to come up with something new, irrespective of the fact that they will click or not, but we are always looking for innovation”.*

Due to its innovative approach to business operations, the company has grown from a size of Rs.2 billion, in terms of sales revenue, to Rs.29 billion in just six years (Manager A). EFL achieved a revenue growth of 35% in the year 2012, thus taking its size past the Rs.40 billion mark in terms of sales (Annual Report, 2012).



#### 4.10.2 SCE and Innovation at EFL

The SCE initiatives of EFL revolve around four themes: farmer development, import of high breed cattle, low-priced dairy products for low income families and empowerment of rural women. Under the theme of farmer development, the company is involved in educating farmers in the best modern dairy practices, providing education facilities to the children of farmers and helping farmers in tough times of natural calamities. Manager B highlighted these initiatives of the company in the following words:

*“We have built schools near our milk collection centres for the children of farmers. We want to educate them. We want that they should develop economically and socially as well. We also provide scholarships to their children at university level. Our experts visit farmers and educate them on how they can have more milk from their cattle, and how they should take care of their livestock. So we are working for the farmer development”.*

Four schools, in collaboration with the CARE Foundation, have been adopted in Sahiwal, and one in Sukkur, in order to provide quality education for the children (Annual Report, 2011). Working for farmer development is in the company's own best interests, as the initiatives mentioned above help the company in gaining increased access to raw milk for it to process and sell on. Similarly, the above mentioned initiatives help farmers in increasing their output of milk, and accessing quality education for their children on their doorstep. Thus, shared value is being created, as the company is practising SCSR, and, in effect, SCE, by working for farmer development, which is financially beneficial for both the company and the farmers. In 2010, when the worst floods hit Pakistan, EFL launched the 'Khushaal Livestock Project' in collaboration with Engro Foundation and the United States Agency for International Development (USAID) to save and restore the productivity of cattle to pre-flood levels in the cities of Larkana and Dadu. Through the above mentioned project, the company was able to:

*‘restore the productivity of over 100,000 animals and save the livelihoods of thousands of villagers, who rely heavily on their livestock in their day-to-day struggle for survival’.* (Annual Report, 2011, p. 60)

Initiatives like these help in creating goodwill for the company amongst the local community, and in the long run, improve the company's financial bottom line, thus creating shared value.

Another SCE initiative, which is closely connected to farmer development, is the import of high breed cattle at the company's dairy farm, and crossing them with local cattle in order to have a better breed of cattle that is able to give more milk. Manager A illustrated this initiative of the company in the following words:

*"We have imported around 400 to 500 very high breed cattle from abroad, and what we are doing is that we are crossing them with local animals to have a better breed. And then this breed can be categorized in to some of the breeds from where you can have meat, from where you can have milk".*

By cross-breeding imported cattle with the local breed, the company expects to collect an increased quantity of milk, and thus increase its own output as well. EFL's dairy farm has a production capacity of 3,400 animals, which yield a milk output of 9.2 million litres (Annual Report, 2012, p. 109). The above mentioned initiative clearly demonstrates that the company is conscious of the fact that, in order to sustainably grow in the long run, it has to create shared value, whereby the local community and the company benefit simultaneously. This is a bold example of SCE through the practice of SCSR, and of shared value creation for other companies in the food and beverages sector.

Low-priced quality dairy products is another area in which the company is trying to create shared value, by providing customers high quality dairy milk at affordable prices. In Pakistan, the prices of dairy products are increasing day by day owing to rapid inflation, the energy crisis and increasing costs of energy sources. Only 7-8% of the total population uses packaged dairy milk (Manager C), and they are being discouraged by the increasing price of packaged milk. In order to retain their existing customers, and to appeal to a wider social class, the company launched 'Dairy Omung' - an all-purpose milk, at a reduced price, in 2011. The product was highly successful and provided consumers with a

cost-effective alternative to using hazardous loose milk. Manager C maintains that:

*“The price of packaged milk is increasing day by day in Pakistan, and most consumers cannot afford packaged milk. They have to turn to loose milk, which is less costly but is very harmful for human health. To address their need, our company launched ‘Dairy Omung’ at a retail price of Rs.65 per litre. Our top notch brand ‘Olper’ is selling at Rs.80 per litre. So Dairy Omung gives you a saving of Rs.15 per litre if you want to save money and as well as enjoy safe and healthy milk. So our company is giving more choice to the consumers, keeping in view the declining purchasing power of the people of Pakistan”.*

This initiative of the company was soon followed by Nestle Pakistan, which came up with a powdered version of their branded milk, i.e. ‘Milk Pak’ at a lower price. This initiative demonstrates the entrepreneurial foresightedness on the part of EFL, and the way in which the company used an entrepreneurial approach together with a strategic view of CSR in creating shared value.

EFL is also actively involved in empowering rural women by creating income opportunities for them through training in livestock maintenance and development. The company, in collaboration with USAID, initiated a project with the name ‘Women Empowerment through Livestock Development’ (WELD). Under this project, the company has created and developed:

*‘a cadre of over 300 Female Livestock Extension Workers (FLEW) and over 300 Female Village Milk Collectors throughout Pakistan. WELD is reshaping the lives of rural women whilst helping over 15,000 livestock farmers improve their livestock output’* (Annual Report, 2011, p. 61).

The company is creating shared value through the WELD project, as this project is enhancing the socio-economic opportunities available to rural women by providing additional income opportunities for them, and at the same time, improving the company’s milk collection system and the chances of collecting increased milk, which means opportunities for more sales revenue. However, EFL should provide training to more rural women, as thousands of families rely on the dairy sector to earn their living in the rural areas of Pakistan.

EFL acquired ISO 14001 certification (Environmental Management System), together with acquiring ISO 9001 (Quality Management System), OHSAS 18001 (Occupational Health and Safety Management System) and ISO 22000 (Food Safety Management System) certifications in March 2011. The company applied for these certifications in order to 'standardize processes, documentation and practices across the board for better safety mechanisms and quality control' (Annual Report, 2012, p. 110). In addition to the above mentioned certifications, the company is also a 'British Retail Consortium' (BRC) certified dairy company, which is a more stringent global standard for food safety. Through these certifications, the company wants to position itself as a quality and safety conscious, responsible company. However, consumers in Pakistan pay less attention to such certifications and focus more on lower prices with an acceptable level of quality, as the issues facing consumers in Pakistan are primarily economic and social in nature. This will be elaborated in Chapter 6.

#### **4.10.3 Corporate Philanthropic Activities at EFL**

Like Nestle Pakistan, there are very few examples of philanthropic activities for EFL, as the CSR activities of EFL are mostly strategic in nature and revolve around farmer development, and other initiatives as discussed in the preceding section on SCE initiatives.

Manager B shed light on the philanthropic activities of the company, in the following words:

*"After the floods of 2010, the company provided medication and education to 1400 farmers for their livestock. We are developing a model village for flood victims in Muzaffargarh. This way, 100 families will be supported. After the earthquake of 2005, we went to those areas which were mostly inaccessible, and distributed food packets and other necessary items among the victims. We were very passionate and we collected money from the general public, from our distributors and from the company and made contribution ourselves to purchase necessary items for the earthquake victims. We chose such regions, which were inaccessible and were not being targeted by*

*the donors because of access issues. We went there and made donations there for the devastated people”.*

Besides developing a model village for the flood victims, the company also made a cash donation of Rs.7.5 million for the immediate relief and rehabilitation of victims, and assistance was also extended in the form of different product donations (Annual Report, 2011, p. 60).

#### **4.10.4 Motives behind SCE Initiatives**

All three managers interviewed at EFL are of the opinion that the SCE initiatives are carried out by the company in order to create goodwill and a better brand image in the market, which translate into consumer trust, and ultimately increased sales and profitability in the long run. Manager B maintains that:

*“The aim of all these activities is to develop goodwill and improve brand image, because you can survive only when you have created goodwill in the market for yourself and have a good reputation and brand image in the eyes of the general public. If you have goodwill only then people will trust you and will come for repeat purchases. Thus, your sales will increase and so will the profitability”.*

Similarly, Manager C contends that:

*“Ultimately, the benefit of all these activities goes to the company. Through these activities, the company wants to create goodwill and a better brand image for itself in the market. Consumer trust is the key in this business. These activities also help in winning the consumer trust, and in the long run, the company’s sales and profitability increase because the consumer has trust in our abilities, in our operations and processes. We are successful because we want to work for the betterment of this country; we want to give something back to this country. That is the basic philosophy of our management”.*

This finding is consistent with the earlier work of Pivato *et al.* (2008), who maintain that improved social performance can result in the creation of

consumer trust, which consequently can lead to improvement in sales and profitability of a company.

#### 4.10.5 Challenges Faced by EFL

The biggest challenge being faced by the company is low milk collections, as there remains a significant difference between average milk per cow of Pakistan and any developed country (Manager A). This significant difference is attributed by the managers interviewed at EFL to the illiteracy and poor farming practices of dairy farmers in Pakistan. Manager B asserts that:

*“The main challenge for us is low milk collections. Pakistan has a lot of potential in the dairy farming sector, but it needs to be developed further. Most of the dairy farmers don’t use modern dairy farming practices because of lack of finances, and illiteracy. Then, the economic condition of the country is very poor and it is getting worse day by day. Most of the consumers cannot afford packaged milk. Inflation is rising day by day, because of the wrong economic policies of the Government. The energy crisis in the country, for which again I will blame the Government, is also a big challenge for us. The law and order situation is not that good as well. So there are many challenges that we are facing in Pakistan”.*

Manager C described poor economic conditions and the energy crisis as the main challenges being faced by the company. He maintains that:

*“Inflation is rising rapidly day by day and because of this the purchasing power of the people is going down. They cannot afford packaged milk. They have to turn to loose milk, which is hazardous for health. In a way, this is hurting our operations badly! Then, the never ending energy crisis is also pushing us to increase the prices of our products. So this is a vicious circle that is going on and the Government is doing nothing to end this and to provide relief to the common man”.*

Despite the odds, the company is doing increasingly well, and the revenue growth for the year 2011 was 42.6% (Annual Report, 2011, p. 38), owing mainly to the company's SCE practices, as discussed above.

## 4.11 Conclusion

In this chapter, the case accounts of all the nine case companies were presented. The chapter, in essence, addressed the first three research questions of the current study, which are:

1. Why is sustainable corporate entrepreneurship becoming so important for corporations in key sectors of the economy in a developing country like Pakistan?
2. How can sustainable corporate entrepreneurship result in the creation of shared value for the corporations as well as society?
3. What are the challenges faced by the case corporations in selected sectors with regards to the practice of sustainable corporate entrepreneurship in Pakistan?

The case narratives discuss in detail the reasons for engaging in SCE, the creation of shared value by the case companies and the challenges faced by the case companies with regards to the creation of shared value. This chapter provided a rich empirical understanding of the phenomenon under investigation, which is SCE, in the context of a developing country. The fourth research question of the current study, which is:

4. What are the differences in sustainable corporate entrepreneurship practices between national and multinational corporations in the context of Pakistan?

and the sub-question of the second research question, which is 'Are there any sectoral differentials?' will be addressed next, in Chapter 5, wherein the comparative case analysis of the case companies will be presented and discussed.

# **Chapter 5: Comparative Case Analysis**

## **5.1 Introduction**

This chapter presents the cross case analysis as guided by the conceptual framework (Atiq and Karatas-Ozkan, 2013) developed for the purposes of the current study. The objective of this chapter is to address the sub-question of the second research question, and the fourth research question set for the study, based on the data collected, and the results obtained from the field work. The chapter begins by discussing sustainability as being at the interface of entrepreneurship and CSR, and giving empirical examples in support thereof, from the data obtained for the purposes of the current study. Building on from this discussion, the differences between the SCE practices of the local and multinational case corporations of Pakistan are discussed, as positioned within their particular sectors. This leads to a consideration of the intra-sector differences as regards to the practice of SCE in each sector concerned. At the end of the chapter, differences between the SCE practices of local and multinational companies across the three sectors analysed in this study are discussed. The discussion of differences between the SCE practices of the case companies leads to the development of conceptual maps of SCE for each sector, then on to the development of a theoretical framework of SCE in the context of a developing country, to be presented in the next chapter.

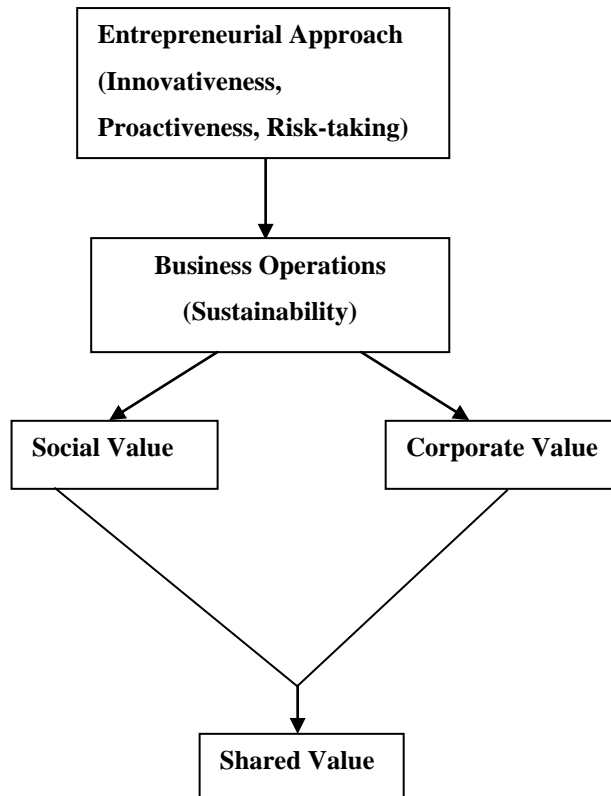
## **5.2 Sustainability at the Interface of Entrepreneurship and CSR: The Case of Pakistan**

As discussed in the preceding chapters of the thesis, today's business environment is very turbulent indeed, with technological changes taking place at breath-taking speed, products quickly becoming obsolete, consumer tastes changing rapidly, legal and regulatory conditions becoming more strict and aggressive and, most important of all, economic uncertainty regarding interest rates, prices and business cycles - all adding to business woes. In such environmental conditions, businesses cannot stand still, celebrating their past successes and carrying on with traditional management concepts. Cost



reductions, customer service improvements and adding new features to products are no longer the basis for achieving competitive advantage (Morris *et al.* 2008). They are the prerequisites of doing business in the 21<sup>st</sup> Century. Businesses are now compelled to innovate continuously, to the extent of making their own products obsolete, as this is an age where innovation is the only key to successful value creation and sustainable competitive advantage.

Increased stakeholder activism and rapid globalization have forced companies to pro-actively manage their brand image and reputation by focusing not only on their profitability, but also on their environmental and social impacts. This is especially true for MNCs, as any bad news about an MNC quickly travels to all parts of the world, thus damaging its reputational capital. Therefore, it has become essential for all companies to embed sustainability in their business operations and drive their sustainable business operations through an entrepreneurial approach in order to create shared value. Sustainability, as outlined by Atiq and Karatas-Ozkan (2013), not only includes environmental and social sustainability, but also the economic sustainability of a company. The goal of making business operations sustainable and driving them through an opportunity-centred approach, is to create shared value, which means the creation of value for society and the business simultaneously. In this regard, sustainable corporate entrepreneurship (SCE) is a timely and dynamic subject domain at the interface of entrepreneurship, CSR and corporate environmental responsibility, and is still at a very nascent stage of its development. The conceptual framework for the purposes of this study was adopted from Atiq and Karatas-Ozkan (2013), and is illustrated in Figure 5.1 below, as presented earlier in Chapter 2.



**Figure 5.1: Conceptual Framework for Sustainable Corporate Entrepreneurship adopted from Atiq and Karatas-Ozkan (2013)**

In this study, the phenomenon of SCE was examined in the context of a developing country, i.e. Pakistan, by adopting the above mentioned conceptual framework. The case accounts presented in the previous chapter provide a compelling story of how SCE is being practised by both multinational and local companies in Pakistan, and the importance of SCE for the case companies. The case accounts describe how all the case companies in Pakistan are combining the entrepreneurial process of value creation with their social and environmental responsibilities, and thus creating shared value. Table 5.1 below exemplifies the SCE initiatives of all the case companies, which have been discussed in detail in the previous chapter.

**Table 5.1: SCE Initiatives of the Case Companies**

<b>Company Name</b>	<b>SCE Initiatives</b>
<b>Pakistan State Oil (PSO)</b>	Additized/green fuels Fuel cards Vehicle identification system (VIS)

<b>Shell Pakistan Limited (SPL)</b>	<p>New Vision Retail Outlets</p> <p>Shell Tameer programme</p> <p>Training of lorry drivers</p> <p>Additized/green fuels</p> <p>Removal of plastic from oil containers</p> <p>Collection and recycling of empty oil containers</p>
<b>TOTAL PARCO Pakistan Limited (TPPL)</b>	<p>Safety training provided to welding mechanics and lorry drivers</p> <p>Up-gradation of existing lorry tankers to contain oil spillage</p> <p>Hi-Super (90 RON)</p> <p>Vapour Recovery Units</p> <p>Long-lasting lubricants</p> <p>SunWash facility at retail outlets</p> <p>Renovation of children's park in Lahore</p>
<b>Abbott Pakistan Limited</b>	<p>High quality medicines</p> <p>Educating doctors within ethical limits</p> <p>Financial donations to employees through Clara Foundation</p> <p>Free medical camps</p> <p>Educating consumers</p>
<b>Sanofi Pakistan Limited</b>	<p>Education and training of employees</p> <p>Education of doctors within the ethical limits</p> <p>Free medical camps and sampling</p> <p>Delivery of insulin to diabetic patients on doorstep at a discounted price</p> <p>Sale of polio vaccines along with donation of cold chain vehicles</p> <p>High quality medicines</p> <p>Financial aid for employees in times of natural disasters</p> <p>Diabetes awareness programmes</p>
<b>Bryon Pharmaceuticals</b>	<p>High quality medicines at lower price</p> <p>Thyrazol Tablet (for thyroid patients)</p> <p>Free medical camps and sampling in rural areas</p> <p>Regular donation of medicine to different hospitals</p> <p>Educating doctors at a national level</p> <p>Food rations to deserving factory employees on</p>

	a monthly basis
<b>Saffron Pharmaceuticals</b>	High quality medicines at lower price Doplet-3 (Vitamin D), Hivate (anti-allergy nasal spray), Lucid (anti-biotic) Free medical camps and sampling Educating doctors at a national level Educating consumers Financial aid for employees in times of natural disasters
<b>Nestle Pakistan Limited</b>	Formal adoption of CSV concept Farmer training and development through company owned training institutes Nestle Pure Life (Bottled Water) Healthy Kids Programme Use of 40 foot containers Powdered milk at a lower price Fortified NIDO Nestle Nesvita for Women
<b>Engro Foods Limited (EFL)</b>	Farmer training and development ATM/Debit cards given to farmers Scholarship scheme for the children of farmers Imports of high breed cattle High quality milk at low cost (Dairy Omung) Empowering rural women by creating income opportunities

The SCE initiatives of the case companies listed in Table 5.1 not only include strategic philanthropic efforts, but also initiatives that range from introducing new products to improving current business operations in order to achieve efficiency gains, profitability, improve brand image, gain consumer trust and create societal value in the form of enhanced standard of living. These initiatives also demonstrate the power of SCSR in creating societal and corporate value at the same time, as opposed to corporate philanthropy, in which the benefit derived is uni-directional and the impact is minimum. Maximum shared value is generated when CSR is combined with an opportunity-centred approach (i.e. innovativeness, pro-activeness, and risk-taking) as in the case of Nestle Nesvita for women, EFL's Dairy Omung, Bryon's

Thyrazol Tablet, Sanofi's sale of polio vaccines along with their donation of cold chain vehicles, TPPL's renovation of a children's park in Lahore to obtain an adjacent site for opening as a retail outlet and PSO's fuel cards and VIS. These initiatives are the best examples of creating shared value, and thus demonstrate the nexus of entrepreneurship and CSR in co-creating shared value. Entrepreneurship is the process of pursuing opportunities (Stevenson and Jarillo, 1990) to produce something of value in the face of uncertainty. CSR, when considered from a strategic point of view, is the process of responding to the needs of society on a pro-active basis (Porter and Kramer, 2006) by aligning the socially responsible initiatives of the company with its core business and capabilities (Carroll and Shabana, 2010). Thus, an opportunity-centred approach combined with a strategic focus on CSR results in the introduction of initiatives highlighted in Table 5.1 above. In essence, these initiatives lend empirical support to the argument that SCE is indeed at the interface of entrepreneurship, CSR and corporate environmental responsibility, and the goal of SCE is the creation of shared value.

Building on from the above discussion, the next section describes the differences in the SCE initiatives of the multinational and local companies studied in the context of Pakistan.

### **5.3 Differences in the SCE Practices of Local and Multinational Companies within Selected Key Sectors of Economy**

One of the research questions that the current study addresses is the differences between the SCE practices of local and multinational companies in the context of Pakistan. As the case accounts in the previous chapter reveal, there are considerable differences in the SCE practices of multinational and local companies, but these differences themselves differ from sector to sector. The subsequent sub-sections highlight and elaborate on the differences between the SCE practices of national and multinational companies in each of the three key sectors of the economy studied in the context of Pakistan.

However, it is pertinent to note here that, as discussed in the previous section, all the case companies, whether local or multinational, were found to be involved in the process of SCE, and creation of shared value. The difference was found to be in their SCE initiatives and approach to SCE, as will be elucidated in the following sections.

### 5.3.1 The Oil Marketing Sector

The products supplied by the oil marketing sector directly add to environmental pollution, and this problem makes the oil marketing sector highly relevant for the current study. Moreover, during the transport of petroleum products, any accident can happen, which can have major environmental and social consequences. Three companies were analysed in the oil marketing sector, namely Pakistan State Oil (PSO), Shell Pakistan Limited (SPL) and TOTAL PARCO Pakistan Limited (TPPL). PSO is the state-owned and biggest oil marketing company of Pakistan, while SPL and TPPL are subsidiaries of world-renowned MNCs working in Pakistan.

The SCE initiatives of all the oil marketing case companies revolve around five themes: green fuels, education of stakeholders, innovation, environmental initiatives and corporate philanthropy. Table 5.2 below demonstrates the differences between the SCE initiatives of local and multinational oil marketing companies.

**Table 5.2: Differences between the SCE Initiatives of Local and Multinational Oil Marketing Companies**

Focus of SCE Initiatives	Multinational Oil Marketing Companies	Local Oil Company
<b>Green Fuels</b>	Followers	Initiator
<b>Innovation</b>	In terms of design of and facilities offered at retail outlets	Product Innovation
<b>Environmental Initiatives</b>	Not ISO 14000 certified but having quite a few environmental initiatives	ISO 14000 certified and also having environmental orientation

### **5.3.1.1 Green Fuels**

Green fuel is an area that is the direct concern of petroleum companies around the world because of the global issue of pollution, and such is the case in Pakistan. To tackle the problem of air pollution, PSO was the first to introduce fuels that contained certain additives back in 2003, at no extra cost to the consumers. The additized fuel cleaned engine parts and helped in reducing carbon emissions. This SCE initiative of PSO was later followed by all the other oil marketing companies, including SPL and TPPL. However, consumers in Pakistan are very price-conscious and do not care much about green fuels. This is especially true for the drivers of heavy duty trucks, who supply most of the goods in Afghanistan and are thus highly valued customers of oil marketing companies, because they refuel with large quantities of gasoline. Illiteracy of this customer segment is the major cause for such a negative attitude to green fuels. However, this segment represents a minority in the total population of customers, and awareness regarding the benefits of green fuels can be created in them. In 2009, PSO launched E10 Gasoline, which combines ethanol and normal gasoline. However, it did not succeed much, because of a lack of interest on the part of government officials. It was Rs.2 per litre cheaper than the regular gasoline, and should have been initiated throughout the country, but the Government did not provide policy support to PSO and did not prioritize and patronize the promotion of E10. This initiative demonstrates that, before implementing an SCE initiative, a company should assess the potential demand and the network support it can get for the proposed SCE idea. This assessment should be done in the opportunity objectification stage of SCSR, as articulated by Atiq and Karatas-Ozkan (2013).

### **5.3.1.2 Education of Stakeholders**

All the case companies have elaborate and detailed programmes that focus on the education of their respective stakeholders through training and networking. SPL, following in the footsteps of its parent company, the Royal Dutch Shell, is administering the 'Shell Tameer' Programme — the Pakistani version of the 'Shell Live Wire' Programme, which is aimed specifically at the youth of the country to give them entrepreneurial training, provide them with necessary resources and act as a networking and mentoring platform for them.

However, this programme is limited to major cities, with few opportunities in other parts of the country. The company could do more by raising awareness about Shell Tameer in the whole of Pakistan, say, through advertising and more active use of social media. In order to minimize the chances of road accidents while transporting the product, SPL invests heavily in the training of its lorry drivers in defensive driving techniques.

TPPL is also involved in giving safe driving training to its lorry drivers in order to prevent road accidents, because any road mishap with a lorry containing petroleum products can have enormous social and environmental consequences, besides maligning the brand image of the company. The company has also been involved in training mechanics on how to empty, de-gas and weld the lorry tankers in order to prevent major accidents that can claim many precious lives. However, this training was limited to mechanics based in Machike where the company's lone storage depot is located. PSO also focuses on the education of its stakeholders, who are mostly company employees. The company arranges awareness sessions for the families of employees, which direct their attention to health and safety issues at home. This awareness is only limited to the employees based at the head office in Karachi, and thus has a limited impact on the generation of shared value. It can be concluded from the above discussion that all three oil marketing case companies are involved in the education of their stakeholders, but only at a limited level, with limited social impact.

The above mentioned initiatives of both SPL and TPPL demonstrate that MNCs, wherever they operate in the world, forge an alliance with the locals in order to have friendly community relations and to 'earn a better brand image'. Earning brand image is more important than earning profitability for MNCs, especially petroleum MNCs, because any negative news, quickly travels to all parts of the world, damaging the reputational capital of the MNC, and sending the share value down, which in turn means a reduction in shareholder wealth. Hence, the above mentioned initiatives of SPL and TPPL, and the motives behind such initiatives lend empirical credence to the premise that shareholder wealth to a large extent depends on the generation of a positive brand image, which can



be gained by doing good for society. Doing good for society, while simultaneously working to generate profitability and create a positive brand image, means the creation of shared value. Therefore, maximizing shared value should be the goal of the firm as an alternative to maximizing shareholder wealth, because the former includes the latter (Atiq, forthcoming).

### **5.3.1.3 Innovation**

Innovation has been a key feature of the oil marketing sector of Pakistan. Both local and multinational companies have been involved in innovating their products and services in order to create value, not only for themselves, but also for their customers. It is pertinent to note here that the MNCs have mostly focused on service innovation, while PSO has mostly focused on product innovation. SPL pioneered the concept of 'New Vision' retail outlets, which was soon imitated by all of its competitors. TPPL, since its inception in the year 2000, has been involved in introducing new and innovative facilities at its retail outlets which include SunWash (a car washing facility using solar energy), Pizza Hut delivery shops, and biker's zone. These facilities have not been introduced by either Shell or PSO at their retail outlets to date. Conversely, PSO has remained focused on introducing new products by making use of technological advances to better service its customers. These include fuel cards and a vehicle identification system (VIS), the advantages of which have been discussed in the previous chapter. These products have not been introduced by any other oil marketing company in Pakistan. All these initiatives of the case companies created shared value by providing service and comfort to customers, and increased revenue to the companies.

### **5.3.1.4 Environmental Initiatives**

The environment is a key concern for all companies around the globe, and especially for petroleum companies, because the petroleum companies are most often blamed in the popular press for air pollution. The environment represents not only a challenge, but also a source of abundant opportunities for the petroleum companies. All the oil marketing case companies have a separate department and dedicated staff for health & safety and environmental

issues, known as the HSE department. Taking care of the environment and taking environmental initiatives on a pro-active basis is a top priority for all oil marketing companies, because an accident during the transportation of petroleum products can have major social and environmental consequences, besides inflicting financial damage to the company. Thus, operating in an eco-friendly way is a strategic imperative for oil marketing companies, not only in Pakistan, but also the world over.

The oil marketing case companies have taken many pro-active environmental initiatives, such as eco-friendly packaging and recycling of empty oil containers (SPL), up-gradation of lorry tankers to prevent any oil spillage in the event of a road accident, vapour recovery units to minimize environmental damage and convert the vapour back into product (TPPL) and importing of 'Low Sulphur' furnace oil (PSO). By collecting and recycling empty oil containers, SPL has not only improved its corporate image, but has also been successful in curtailing the sale of fake oil. Similarly, by containing oil spillage in the case of a road accident, TPPL will be able to save thousands of litres of gasoline, thus averting economic loss, as well as reputational loss. Thus, the environmental initiatives of the oil marketing case companies should be seen as a strategic imperative to contain economic and reputational loss, besides the more apparent objective of protecting the environment. Moreover, shared value is created, because of the above mentioned environmental initiatives of the oil marketing case companies.

Environmental management system (EMS) certification from a third party, such as ISO 14000, is a signal to the general public and relevant stakeholders that the company is making efforts at minimizing its negative environmental impacts. Moreover, an EMS certification also indicates that the company has integrated any relevant environmental issues within its business operations (Arnold and Hockerts, 2011). Among the oil marketing case companies, only PSO is ISO 14000 certified, while SPL and TPPL have not done any EMS certification. Hence, SPL and TPPL serve as negative cases to the prediction of Miles and Russell (1997) that multinational corporations will adopt ISO 14000 standards in order to market their products globally without the constraint of

environmental concerns. A possible explanation for the MNCs not adopting ISO 14000 standards is that these companies have internally developed higher standards of health, safety and environment than those required for ISO 14000 certification, and since they have an established brand name, they do not require certification from a third party. PSO has done ISO 14000 certification, in order to remain competitive in the export market and present itself as an eco-friendly company. These cases demonstrate that, contrary to Miles and Russell (1997)'s prediction, local companies need ISO 14000 certification more than the MNCs, because MNCs operate the world over and people trust their products and processes more than they trust the local companies. In order to compete in the international market, local companies need ISO 14000 certification so as to maintain an equal footing with the MNCs. Local companies also need such certification to engage in international trade without the constraint of 'country of origin effect'.

#### **5.3.1.5 Corporate Philanthropy**

The oil marketing case companies are also involved in corporate philanthropy, besides practising CSR strategically and fulfilling their environmental responsibility (see previous sections). All the oil marketing case companies contributed generously, both in cash and kind, whenever natural calamities struck Pakistan. Besides corporate donations, SPL and PSO also built schools and homes in the earthquake-struck areas of the country, and TPPL built a road and provided clean water to the community near its storage depot in Machike. These initiatives of TPPL had the aim of developing friendly relations with the nearby community and to raise their standard of living. Thus, corporate philanthropy is a useful tool for companies to improve their corporate image (Godfrey, 2005), and, in the case of MNCs, to develop good relations with the community in which the company operates, rather than appearing as strangers and enemies to the community.

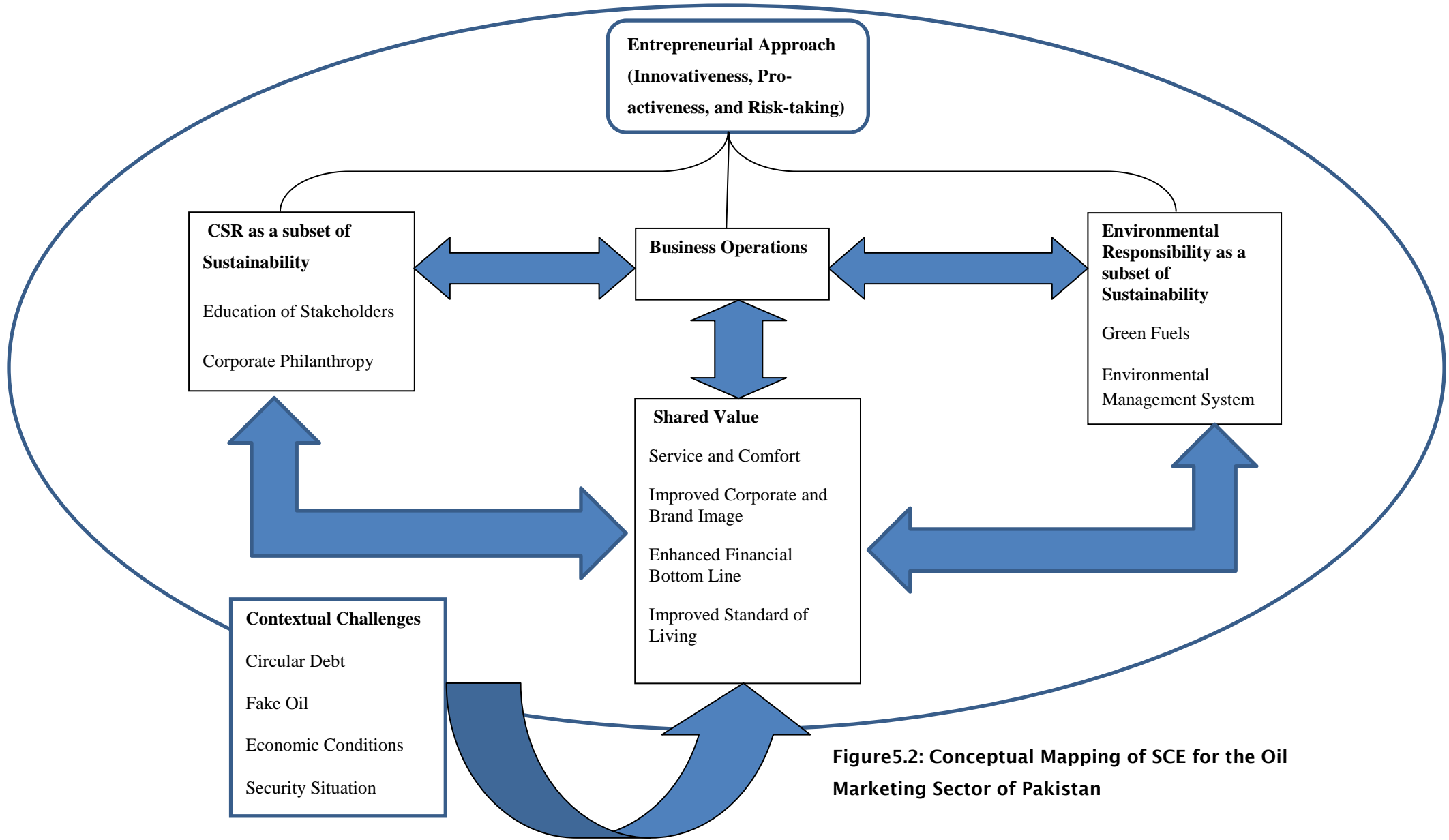
### **5.3.1.6 Challenges Faced by the Oil Marketing Case Companies**

Circular debt, fake oil, poor economic conditions and a worsening security situation are the biggest challenges that the case companies are facing. Circular debt is affecting the liquidity position of PSO in particular, and thus acts as a major impediment to more shared value creation. Fake oil is a major concern for SPL, which is the market leader in the lubricants segment, although its market share is decreasing, due to fake oil producers. The worsening security situation is hampering TPPL's efforts to expand in the northern and western regions of Pakistan. The above mentioned less than favourable contextual conditions represent the biggest challenges that the case companies are facing in the creation of shared value. These factors constrain the maximization of shared value, and thus limit the impact of SCE initiatives of the oil marketing case companies.

### **5.3.1.7 Conceptual Mapping of SCE for the Oil Marketing Sector**

Based on the discussion in the previous sections, Figure 5.2 below presents the conceptual mapping of SCE for the oil marketing sector in Pakistan. By taking an entrepreneurial approach to CSR, business operations and environmental responsibility, as explained in the previous sections, the case companies in the oil marketing sector of Pakistan are creating shared value, which translates in to service and comfort for customers, improved standard of living for the community, improved corporate and brand image, and enhanced financial bottom line for the case companies. Environmental responsibility, together with CSR is a top priority for the case companies, which they are managing through marketing green fuels and strictly adhering to environmental management standards that are internally developed or third party supplied and verified. CSR in the case companies is practised both strategically, as well as in the form of corporate philanthropy, even though shared value created through SCSR outweighs the benefits emanating from corporate philanthropy. In the process of creating shared value by practising SCE, the less than favourable economic and security conditions of the country, and the issues of fake oil and circular debt constrain the maximization of shared value, which could be greater in the absence of such challenges. The opportunity-centred approach (pro-activeness, risk taking, and innovativeness) is the prime driving

force behind the environmentally and socially responsible initiatives of the oil marketing case companies, because it provides them a lens through which the companies can view environmental and social issues as sources of opportunity rather than as unnecessary costs. CSR and environmental responsibility, as subsets of sustainability, are also interrelated with each other and with the economic profitability of the companies. Figure 5.2 below illustrates that CSR and environmental responsibility are embedded in the routine business operations of the oil marketing case companies, as these companies give due consideration to social and environmental issues before introducing any SCE initiatives. Although the motive of such SCE initiatives is to improve the company's corporate image, in the process of creating corporate value, societal value is also generated from such initiatives. Therefore, shared value is deemed to be the outcome of the process of SCE.



**Figure 5.2: Conceptual Mapping of SCE for the Oil Marketing Sector of Pakistan**

### 5.3.2 The Pharmaceutical Sector

The relevance of the pharmaceutical sector for the current study is that the sector primarily deals in products that are directly linked to human health and life, and, as such, the quality of product produced and marketed by a pharmaceutical company has enormous consequences for human health and life. Pharmaceutical companies are not only legally bound, but they are also ethically bound to provide the right quality of medicines to patients in order to cure their diseases, and improve their quality of life (as explained in Chapters 3 and 4). Hence, business ethics play an important role in the sustainable business operations of a pharmaceutical company. Four companies were analysed in the pharmaceutical sector of Pakistan. Abbott Pakistan Limited and Sanofi Pakistan Limited are subsidiaries of world-leading healthcare MNCs, while Bryon Pharmaceuticals and Saffron Pharmaceuticals are local companies chosen as pharmaceutical case companies for the purposes of the current study.

The SCE initiatives of all the case companies in the pharmaceutical sector revolve around five themes: First, quality of product; second, education of stakeholders; third, concern for employees; fourth; trust-building activities and fifth, corporate philanthropy. However, there are significant differences between the practice of SCE by national and multinational companies as revealed in Table 5.3 below.

**Table 5.3: Differences between the SCE Initiatives of Local and Multinational Pharmaceutical Companies**

Focus of SCE Initiatives	Multinational Pharmaceuticals	Local Pharmaceuticals
Quality of Product	More emphasis on producing high quality product	Emphasis on producing high quality with more emphasis on 'low price tag'
Education of Stakeholders	More budget for such activities	Less budget
Concern for Employees	More concern; support from parent company as well	Concern is there but budgetary constraints owing to small size

<b>Trust-Building Activities</b>	Important but already have established brands; done to get the trust of doctors in order to get repeat prescriptions from them	Highly important because few or no established brands and keep on introducing generic drugs; done to get the trust of doctors in order to get repeat prescriptions from them; more emphasis on rural areas and public hospitals
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### 5.3.2.1 Quality of Product

As explained in the previous section, quality of product is integral to the operation of a pharmaceutical company. All the pharmaceutical case companies claim to produce high quality medicines, because if the right quality product is not provided, the patient's health will not improve and he or she will continue to suffer from the disease. Moreover, business practice of not providing the required quality will be considered unethical, and the company will not remain economically and socially sustainable. Thus, quality is imperative for the sustainable business operations of a pharmaceutical company. Nonetheless, the local pharmaceutical companies claim to provide high quality medicines, but at a price much lower than their multinational competitors. The management of the local pharmaceutical companies maintain that in Pakistan, the purchasing power of people is decreasing with the passage of time, and therefore the general public cannot afford expensive medicines and treatment. Considering this factor, the local pharmaceutical companies claim to provide medicines that have the same quality and efficacy as that of the MNCs, but their cost to the patient is much less comparatively. Both Bryon and Saffron Pharmaceuticals introduced products (see Table 5.1) that directly compete with the products of multinational companies, but they are sold at a much lower price. These initiatives of the national pharmaceutical companies are SCE initiatives, as the demand of society has been incorporated in the strategy and operations of the company, thus resulting in the creation of shared value. Thus, an opportunity-centred approach steered the local



pharmaceutical companies towards viewing the social and economic issues of lowering the cost of treatment and decreasing purchasing power as sources of business opportunity. The above mentioned initiatives of local pharmaceutical companies demonstrate that SCE is at the interface of entrepreneurship, and the nexus of entrepreneurship and CSR in co-creating shared value is central for the process of SCE.

The local companies are able to produce low cost medicines, because they are not involved in the manufacturing of genuine research-based products. They manufacture and market generic drugs – genuine research-based products whose patents have expired and whose chemical formula becomes known for anyone to manufacture. Since local companies have no R&D costs, they can produce the same product at a lesser cost and sell them at a lower price, as compared to the MNC, which has done all the hard work of procuring a patent and incurring huge R&D costs, and even after the patent’s expiry, persists with charging a premium price for its product. Another possible explanation for why local pharmaceutical companies have an emphasis on producing low-priced products, is government purchasing. Government agencies purchase medicines based on the lowest price. Therefore, local pharmaceutical companies persist with producing low cost medicines in order to take huge orders from public hospitals and other government agencies. This practice of producing low-priced medicines corresponds to the market penetration strategy discussed in marketing literature, and cost leadership strategy discussed in strategic management literature (cf. Kotler, 2009; Hitt *et al.*, 2011). Hence, low-priced medicine can be thought of as a strategic weapon in the armory of local pharmaceutical companies, which they can use to defeat MNCs.

#### **5.3.2.2 Education of Stakeholders**

The pharmaceutical sector in Pakistan is marred by an ethical issue, and that is the bribes offered to doctors by the pharmaceutical companies in return for prescribing medicines, in the form of clinic renovation, monthly payments, financing foreign trips along with their spouse and children, giving various other personal gifts, etc. Particularly, financing foreign trips of doctors with their families is done in the name of financing the ongoing education of

doctors. The result of these unethical practices is that the cost of patient treatment increases as the doctor prescribes sub-standard or unnecessary medicines that do not cure their diseases. The doctors become richer day by day, and the patients keep suffering from their diseases. When asked about the above mentioned ethical dilemma, managers of all the case companies argued that their company is not involved in such unethical practices, and that they finance doctors' education within the ethical limits. The managers interviewed at Abbott and Sanofi Pakistan maintained that their company has a specific code of conduct for educating doctors, together with a strong focus on business ethics. These companies do not tolerate any employee, whether at the highest level or lower down the scale, who is found to be involved in such unethical practices. Moreover, both companies are also signatory to the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) code of practice (the ethical code of conduct for pharmaceutical companies worldwide), which bars them from indulging in any unethical marketing and selling practices. Thus, both Abbott and Sanofi are also complying with the global code of business conduct in Pakistan, and are striving to create shared value by remaining within the ethical limits of the sector.

IFPMA is a not-for-profit, non-governmental global association of pharmaceutical companies that 'advocates policies that encourage discovery of and access to life-saving and life-enhancing medicines to improve the health of people everywhere' (IFPMA's website). IFPMA was founded in 1968 and is based in Geneva, Switzerland (ibid). Although Bryon and Saffron Pharmaceuticals are not signatories to the IFPMA's code of practice, their management also asserts that their companies are not involved in any unethical practice, and that they are focused on patient-centric activities, such as donating beds, furniture and water coolers for public hospitals, etc. This is a sensitive issue and the interviewees may not have told the whole truth regarding involvement in unethical practices. The local companies may be involved in unethical practices to increase their sales as they cannot compete only on the basis of low prices. Nevertheless, signing the IFPMA's code of practice would enhance their stakeholders' trust (to be discussed in the

ensuing section), which may lead to an improvement in the financial bottom line of these local companies.

For the pharmaceutical companies, customers and consumers comprise two different constituencies. Customers are the doctors whom they try to convince to keep prescribing their medicines, while consumers are the individuals who actually consume their medicines. The pharmaceutical case companies support the ongoing education of customers (doctors) within the ethical limits, by sponsoring them for medical conferences and seminars. Through this initiative, shared value is created, as the knowledge of the sponsored doctor increases and it contributes to a doctor's better medical practice, and hence better treatment of the patients. Additionally, the brand image of the sponsor company also improves, and so do the sales, as the doctor is obliged to give business to the company in return. The MNCs sponsor doctors for international conferences and seminars, while the national companies sponsor doctors for local medical conferences and seminars. Both local and multinational pharmaceutical companies also educate consumers, by placing leaflets and displaying wall mountings in hospitals and clinics, which detail the symptoms of a disease and its preventive measures. Sanofi Pakistan, which is the market leader in diabetes treatment, ran separate TV and radio 13 episode shows in 2010 that raised awareness regarding diabetes, its symptoms, complications, misconceptions and self-management. Moreover, Sanofi Pakistan also delivers insulin to diabetic patients on their doorstep at a 15% discount on its retail price if they call on its toll-free number. The size of local pharmaceutical companies is much smaller compared with their multinational competitors, which may be a possible explanation for the difference in their approach (Stanwick and Stanwick, 1998; Adams and Hardwick, 1998; Aras *et al.*, 2010) to sponsoring the continued medical education of doctors, and creating awareness of different diseases amongst the general public.

### **5.3.2.3 Concern for Employees**

Showing concern for employees and their needs is another strategic way of practising CSR and thus creating value for the employees and the company simultaneously. Size of the firm is also a differentiating factor between the SCE

practices of the multinational and local pharmaceutical case companies when it comes to care for employees. Although all the case companies extended help to their employees who were affected during the natural calamities of 2005 and 2010, the multinational companies, owing to their bigger size and parent company support, are way ahead in caring for their employees. Abbott has set up an international non-profit organization called the 'Clara Foundation' to help employees and their dependents all over the world in times of need, particularly during natural calamities, or when the parents of employees are in a critical condition. The Clara Foundation focuses solely on the financial well-being of Abbott employees, and is managed and funded separately from the Abbott Fund, which focuses on philanthropic activities for community well-being. Sanofi Pakistan has registered 47 of its low level employees for a customized MBA degree with one of Pakistan's leading business schools - the Institute of Business Administration (IBA), Karachi. The focus on employee education and training, and helping them financially in times of need increases the loyalty and motivation of employees (Burke and Logsdon, 1996; Branco and Rodrigues, 2006). Loyal employees are one of the greatest assets for any organization, and contribute to the company's achievement of sustainable competitive advantage (Berman *et al.*, 1999). Thus, shared value is created because of such initiatives, which focus on the well-being of employees.

#### **5.3.2.4 Trust-Building Activities**

Trust-building activities, which include free medical camps and sampling, is another approach through which all the pharmaceutical case companies are practising SCE and creating shared value. Whereas the multinational companies claimed to arrange free medical camps for the general public, local companies claim to arrange free medical camps and sampling in rural areas and public hospitals, for the benefit of poor patients. Rural areas are characterized by poverty and illiteracy, and people have a lower standard of living compared with urban areas. Poor people cannot afford the expensive medicines of MNCs, and hence such areas are targeted by local pharmaceutical companies, as the doctors in these areas need medicines that are cost-effective but have higher efficacy as well. By arranging free medical camps, pharmaceutical companies win the trust of doctors, and it becomes easier for them to convince doctors to prescribe their medicines. Bryon Pharmaceuticals also gives regular donations

of its medicines to different hospitals for the benefit of poor patients. Saffron Pharmaceuticals arranged free medical camps for diabetic patients in different public hospitals every week in the years 2008-2009, and provided them with free prescription medicines. It is well established in the extant literature on CSR that the better the corporate social performance of a company, the more trust customers place in its products, and that trust translates in to brand loyalty (cf. Fombrun *et al.*, 2000; Berger *et al.*, 2007; Pivato *et al.*, 2008). Therefore, the practice of arranging free medical camps and sampling by the pharmaceutical case companies should be considered as attempts by the companies to project themselves as good corporate citizens and to gain the trust of doctors, which may well translate in to improved financial gains in the long run.

Trust building activities are more important for local pharmaceutical companies than the multinationals, because the latter have 'established brands' and are known all over the world for their quality of products, originality of research and business ethics. Local pharmaceutical companies produce and market generic drugs, and they are mostly new in the field, with question marks over the quality and efficacy of their products. Free medical camps and sampling provide a platform for doctors to test the products of local pharmaceuticals for efficacy and effectiveness. Therefore, the local pharmaceutical case companies are more involved in arranging free medical camps and sampling than their multinational competitors. Hence, through these initiatives, shared value is created, as poor patients get their initial doses free of cost, and the pharmaceutical companies win the trust of doctors, which is essential in generating future sales of their products.

#### **5.3.2.5 Corporate Philanthropy**

All four case companies are not only involved in SCSR, but are also actively involved in philanthropic efforts. In the last decade, Pakistan has been hit by two of the most severe, worst ever natural calamities: firstly, the earthquake of 2005, and secondly, the floods of 2010. The multinational and national pharmaceutical companies contributed significantly in cash and kind on both occasions to help those worst affected by the disasters. The case companies

not only helped the general public affected by the earthquake and floods, but also their own employees whose homes had been devastated. These initiatives suggest that corporate philanthropy becomes an imperative when operating in developing countries like Pakistan, as such countries are marred by natural calamities and limited role of government in the welfare of its citizens. The corporate sector has to contribute on such occasions, as people have expectations from them and other non-governmental organizations (NGOs).

#### **5.3.2.6 Environmental Responsibility Initiatives of the Pharmaceutical Case Companies**

The data collected by the researcher suggests that the pharmaceutical case companies are primarily concerned with their CSR initiatives, which have been elaborated above. Thus, the pharmaceutical sector is different from the oil marketing sector, in the sense that the companies within it primarily focus on CSR, with environmental issues taken for granted. None of the four case companies in the pharmaceutical sector is ISO 14000 certified, which is an environmental management system. The management of local companies contends that their factories are built according to the 'current Good Manufacturing Practices' (cGMP) dictated by the Ministry of Health. The cGMP is the code of business operations that every pharmaceutical company needs to follow in order to operate in Pakistan. However, in a developing country like Pakistan where corruption is rampant, license to operate a pharmaceutical factory can be easily obtained by bribing government officials. The MNCs have not done ISO 14000 certification because they have incorporated the standards of their parent companies in their operations, which are much higher and elaborate than those required for ISO 14000 certification. However, this is how managers interviewed in MNC pharmaceuticals construct their social reality regarding exhibiting environmental responsibility. Thus, it can be concluded that well-established MNCs do not require any external environmental management certification, as opposed to the expectation of Miles and Russell (1997), because MNCs have higher standards than those required for any external environmental management certification. Moreover, their subsidiaries in the developing countries leverage the corporate image of their parent companies which is recognized the world over and therefore, they do not opt for third party certifications like ISO 14000.

### **5.3.2.7 Challenges Faced by the Pharmaceutical case Companies**

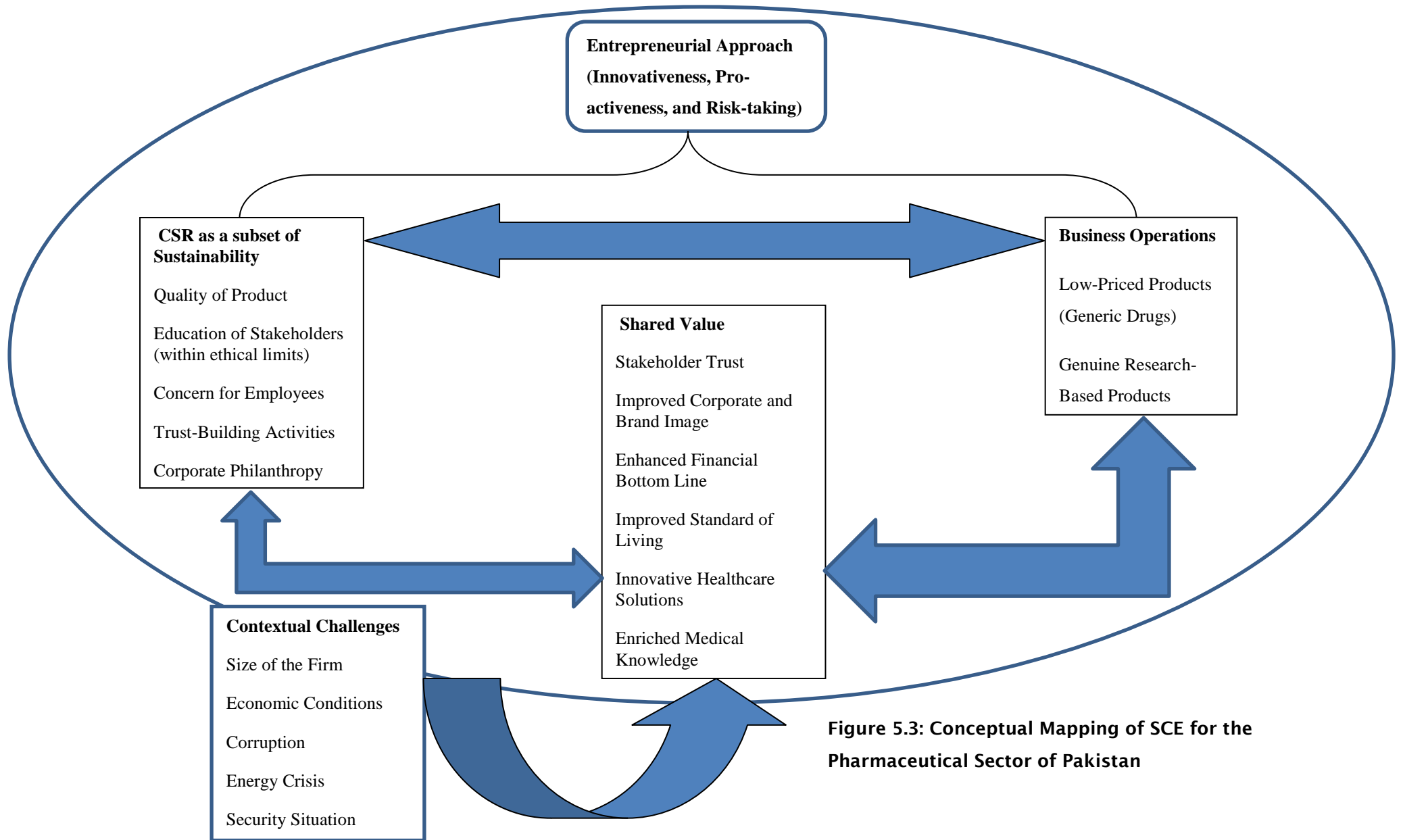
Poor economic conditions, unethical local practices, and the energy crisis are the biggest challenges that the case companies are facing in Pakistan. Managers interviewed were of the opinion that the Health Ministry officials are involved in unethical practices, and ask for kickbacks in order to give price-change approval, or approval for the launch of new products. Continuous depreciation in the value of the Pakistani Rupee, and the decreasing purchasing power of the general public in Pakistan is also badly affecting the profitability of multinationals, as they find it increasingly hard to introduce genuine research-based products in Pakistan, and the profitability that they report to their parent companies is also decreasing each year because of exchange rate fluctuations. The worsening law and order situation is also a matter of concern for the multinational pharmaceutical companies, as they constrain their employees from going to the troubled areas of Khyber Pakhtunkhwa and Balochistan provinces. Thus, the above mentioned less than favourable contextual conditions limit the ability of the pharmaceutical case companies to maximize the creation of shared value, which could be greater in the absence of such conditions.

### **5.3.2.8 Conceptual Mapping of SCE for the Pharmaceutical Sector**

Based on the discussion above, Figure 5.3 below illustrates the conceptual mapping of SCE for the pharmaceutical sector in the context of Pakistan. Both local and multinational pharmaceutical case companies are creating shared value by taking an entrepreneurial approach to CSR and business operations. Figure 5.3 also illustrates that the unique feature of the pharmaceutical sector is that the case companies within it primarily focus on CSR, and have only embedded CSR as a subset of sustainability in their business operations. The case companies are not only practising CSR strategically, but are also actively involved in philanthropic efforts. These initiatives of the case companies are creating shared value, as such initiatives help in winning the trust of doctors, who are most influential in the medicine consumption process. In the pharmaceutical business, winning the trust and confidence of the doctor is very important in order to generate future sales. The multinationals and local

pharmaceutical companies are involved in the above discussed SCE initiatives, to create value not only for society, but also for themselves by winning the trust of doctors, which then translates into improved brand image and subsequently improved sales and profitability in the long-run. Moreover, innovative healthcare solutions in the form of low-priced products and genuine research drugs, and enriched medical knowledge of doctors also form part of shared value created as the pharmaceutical companies engage in the process of SCE. Nevertheless, in the process of creating shared value, the pharmaceutical companies are constrained by the economic conditions of the country, unethical practices of ministry officials, the energy crisis and the security situation of the country, as illustrated in Figure 5.3. Such less than favourable contextual conditions become impediments to the maximization of shared value, rendering the process of SCE complex and difficult to pursue. An opportunity-centred approach is the driving force behind the business operations and CSR initiatives of the pharmaceutical case companies. This opportunity-centred approach enables the practice of SCSR, which is a central component of the SCE initiatives of the pharmaceutical case companies, and enables the creation of shared value.





**Figure 5.3: Conceptual Mapping of SCE for the Pharmaceutical Sector of Pakistan**

### **5.3.3 The Food and Beverages Sector**

Food and beverages have a significant bearing on human health and life, as one needs to consume safe and healthy food in order to remain healthy and maintain a good quality of life. Therefore the food and beverages sector becomes highly relevant for the current study, as explained in Chapter 3. Two companies were purposively selected and analysed in the food and beverages sector of Pakistan. One of them is Nestle Pakistan Limited, which is a subsidiary of the world's leading food and beverages company – Nestle S.A. The second case company is Engro Foods Limited (EFL), which is a subsidiary of Pakistan's leading conglomerate – Engro Corporation. Thus, the case companies represent one multinational and one local company.

The SCE initiatives of both case companies revolve around six themes: education of stakeholders, innovation, concern for employees, quality of product, environmental responsibility initiatives, and corporate philanthropy. The differences in the SCE initiatives of both companies amount to those of initiator and follower, with Nestle Pakistan being the initiator and EFL being the follower. Nestle started operations in Pakistan in 1988, while EFL was established in 2005, and started operations in March 2006. Therefore, the age of the firm is the possible explanation for the initiator-follower notion, with Nestle Pakistan being the benchmark of food and beverages business in Pakistan.

#### **5.3.3.1 Education of Stakeholders**

Education of stakeholders is the dominant theme in the food and beverages sector, with the companies being dependent on the hundreds of thousands of dairy farmers. In the UK, the average milk per cow per annum is 7, 315 litres (DEFRA's website), while in Pakistan the equivalent is 2, 270 litres for the Sahiwal cow (Haq and Tirmizi, 2012), which is one of the popular breeds in Pakistan. Therefore, educating stakeholders, i.e. the dairy farmers, in Pakistan on modern dairy practices is necessary for companies such as Nestle and EFL. The rationale for the education of stakeholders is simple; it is the creation of

shared value. Increase in the milk yield in Pakistan means increased income and improved standard of living for the dairy farmers, and enhanced financial bottom line of the companies, translated in terms of sales and profitability. Keeping this argument in view, Nestle Pakistan has established a fully-fledged Agri Services department for providing assistance to farmers in farm development and animal husbandry, and operates two training institutes for farmers' training and development. EFL, following suit, also educates dairy farmers, its experts visiting farmers and educating them on improving milk yield from their cattle. EFL, in collaboration with USAID, trained 600 women in livestock maintenance and milk collection under the 'Women Empowerment through Livestock Development' (WELD) project. However, EFL should provide training to more rural women, as thousands of families rely on the dairy sector to earn their living in the rural areas of Pakistan. Nevertheless, these initiatives of the case companies are creating shared value by improving the income and lifestyle of dairy farmers and the community, whilst on the other hand, giving the companies access to increased quantities of milk and improving their sales.

### **5.3.3.2 Innovation**

Innovation is an important attribute of the food and beverages sector, with the case companies actively rolling out new products on a regular basis. Many new products have been introduced in the Pakistani market by the case companies, with Nestle Pakistan introducing bottled water, fortified NIDO for children, Nesvita milk for women and special liquid milk for tea, none of which were previously available in the Pakistani market. EFL, though a young company in this sector, does not lag behind when it comes to introducing innovation in the Pakistani market. It recently launched 'Omung Lassi' – a chilled dairy product, which was the first of its kind in the Pakistani market. Thus, innovation is a prominent attribute of the food and beverages sector, and is another way to create shared value, as consumers get safe and healthy products at reasonable prices, and companies enhance their financial bottom line by innovating their product categories.

### **5.3.3.3 Concern for Employees**

In the knowledge economy of the 21<sup>st</sup> Century, employees constitute one of the most important resources for any organization. If an organization is to succeed in the long run, it needs the commitment and loyalty of its employees, which can be gained by showing concern for them and their families in different and novel ways. Nestle Pakistan cares for its employees by sponsoring their children for local conferences, giving them used office equipment free of charge and company used cars at a price below their market price through a balloting process. Similarly, EFL has set up a day-care centre for the children of its female employees, and has also implemented a spouse employment policy to provide its employees with complete peace of mind and a relaxed environment. By showing concern for employees and their families, both case companies are creating shared value by providing a better working place and environment, and earning loyalty and commitment in return (Branco and Rodrigues, 2006), which in turn contributes to the company's achievement of sustainable competitive advantage, as advocated by Berman *et al.* (1999). Thus, shared value is created because of such initiatives, which focus on the well-being of employees.

### **5.3.3.4 Quality of Product**

Quality of product has the same importance in the food and beverages sector as it has in the pharmaceutical sector (see section 5.3.2), because the product of the sector has significant implications for human health and life. Thus, like pharmaceutical companies, the companies in the food and beverages sector are not only legally bound, but also ethically bound to provide a safe, healthy and nutritious product for their customers. Both case companies in the food and beverages sector of Pakistan consider providing safe and better quality milk at affordable prices to consumers their top priority. In its quest to spread the use of packaged milk, EFL introduced 'Dairy Omung' at a comparable price to that of loose milk, and was followed by Nestle Pakistan, which introduced a powdered version of its leading brand 'Milk Pak' at a similar price. Both case companies had the same rationale, which was to increase the use of packaged milk by making it affordable for wider segments of society, and earning profitability on volume. Hence, these initiatives created shared value by

providing people with safe, good quality milk at a comparable price to that of loose milk, and also increasing sales and profitability of the case companies. However, consumers in Pakistan mostly use loose milk, because they think that the packaged milk is not pure, contains powder and is not good for health. Food and beverage companies have spent a lot on advertising and on convincing people that packaged milk is safe and healthy, as compared to loose milk, so that consumers' attitude towards packaged milk in the Pakistani market is gradually changing.

### 5.3.3.5 Environmental Responsibility Initiatives

Nestle Pakistan is way ahead of EFL in terms of its environmental responsibility. Nestle Pakistan has adopted an environmental management system by acquiring ISO 14001 certification. Consequently, Nestle Pakistan is a case that affirms the prediction of Miles and Russell (1997) that multinational corporations will adopt ISO 14000 standards in order to globally market their products without the constraint of environmental concerns. In addition, the company has also started using 40 foot containers, in an effort to minimize its carbon footprint. The use of high volume carrying-capacity vehicles leads to a reduction in costs, improvement in the competitiveness of the greening organization and subsequently enhancing the financial bottom line of the company, as well as greening the supply chain of the corporation (Colicchia *et al.*, 2011; Rao and Holt, 2005). Hence, shared value is created. However, Colicchia *et al.* (2011) conclude that organizations are only adopting such green initiatives that drive the costs down and whose impact can be easily monitored. This argument highlights the importance of business case scenarios for the adoption of sustainability initiatives. EFL, following its biggest competitor – Nestle Pakistan, also acquired ISO 14001 certification in March 2011 in order to position itself as an environmentally responsible company. However, consumers in Pakistan pay less attention to these certifications, and focus more on low prices with an acceptable level of quality and safety, as their purchasing power is decreasing over time.

### **5.3.3.6 Corporate Philanthropy**

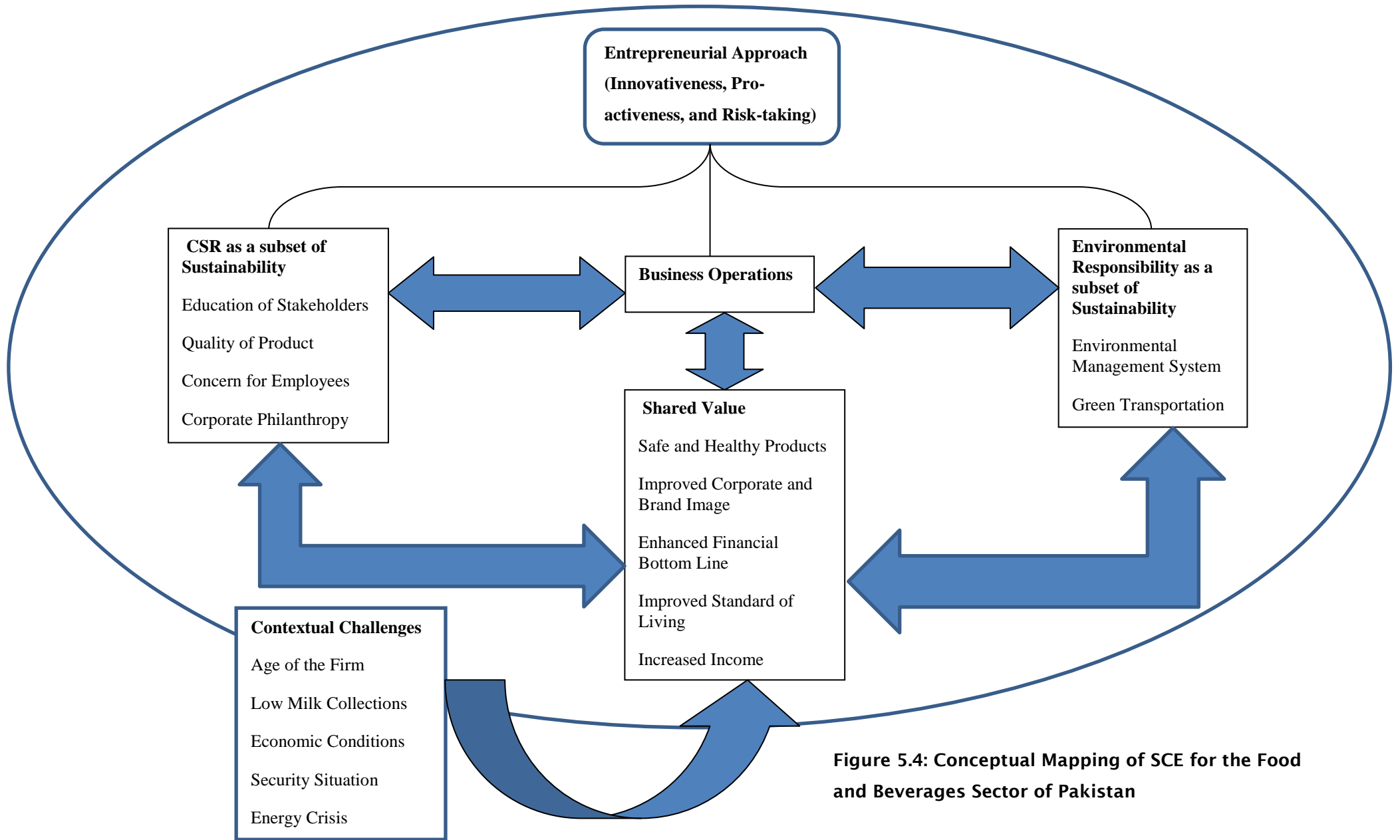
There are very few examples of the case companies' involvement in corporate philanthropy, compared with the oil marketing and pharmaceutical sectors. Both case companies direct most of their resources to education of stakeholders, thus practising and focusing more on SCSR in relation to corporate philanthropy. Nevertheless, there is no indication that the case companies are not involved in philanthropic efforts and practice only SCSR. Nestle Pakistan constructed an SOS village for the earthquake victims, and also contributed significantly in both cash and kind to the flood victims of 2010. EFL is also constructing a model village for the flood victims of 2010, and contributed a significant amount of cash for their rehabilitation. These examples demonstrate that corporate philanthropy becomes an imperative when operating in developing countries like Pakistan, as such countries are often marred by natural calamities and the limited role of government in the welfare of its citizens.

### **5.3.3.7 Challenges Faced by the Food and Beverage Case Companies**

Low milk collections, poor economic conditions, a worsening security situation and the energy crisis are the biggest challenges for the food and beverage case companies in Pakistan. Due to the energy crisis, no company in Pakistan can operate at full capacity, which pushes companies to increase the prices of their respective products. On the other hand, the purchasing power of the people of Pakistan is decreasing day by day, and so is the exchange rate of the Pakistani Rupee, which further gives rise to inflation. Because of illiteracy and poverty, the dairy farmers in Pakistan cannot use modern dairy farming practices, which results in low milk yield and hence, low milk collections for the case companies. All the above mentioned factors combine to make the contextual conditions highly unfavourable for the food and beverage case companies, thus acting as impediments to the creation and maximization of shared value in Pakistan.

### 5.3.3.8 Conceptual Mapping of SCE for the Food and Beverages Sector

Based on the discussion above, Figure 5.4 below presents the conceptual mapping of SCE for the food and beverages sector in Pakistan. The interconnected domains of CSR, business operations and environmental responsibility are driven by an entrepreneurial approach in order to create shared value. CSR is not only practised strategically by the case companies, but they are also involved in philanthropic efforts in order to improve their corporate and brand image. The case companies exhibit their environmental responsibility by adopting an environmental management system, such as the ISO 14000. Innovation is a major feature of business operations that the case companies pursue in order to maximize shared value. Shared value in the context of the food and beverages sector of Pakistan means safe and healthy food products for consumers at affordable prices, improved standard of living and increased income for the dairy farmers, improved corporate and brand image and enhanced financial bottom line in terms of sales and profitability. As Figure 5.4 shows, in the process of creating shared value, the case companies are constrained by the age of the firm, low milk collections, economic conditions, the security situation and the energy crisis, all of which limit the maximization of shared value, and therefore make the process of SCE a difficult and complex process that requires persistence, long-term vision and support and novel approaches on the part of management. Finally, Figure 5.4 also reveals that sustainability encompasses not only CSR, but also environmental responsibilities, which have to be embedded in the business operations of a company in order to create shared value, i.e. value for the business and society simultaneously. The food and beverage case companies have embedded sustainability in their business operations, which are driven by an entrepreneurial approach and thus lead to the creation of shared value.



**Figure 5.4: Conceptual Mapping of SCE for the Food and Beverages Sector of Pakistan**



## 5.4 Sectoral Differentials of SCE Approach

The conceptual maps of SCE for each of the three sectors analysed reveal that there are distinct intra-sector differences as regards to the practice of SCE in each sector. Figure 5.5 below highlights the distinct focus of SCE practices of each of the three sectors.



**Figure 5.5: Sectoral Differentials of SCE Approach**

The companies in the oil marketing sector are investing heavily in environmental initiatives, and thus their emphasis is on being more environmentally friendly. The launch of green fuels, recycling of oil containers, establishment of elaborate and high standards for health & safety and the environment, initiation of SunWash facility on select retail outlets, installation of vapour recovery units, and upgrading of existing lorry tankers to contain oil spillage demonstrate that the case companies in the oil marketing sector are much more focused on environmental initiatives, which can be termed as the ‘green bottom line’ approach to SCE. The nature of the product which these companies deal with, as explained in section 5.3.1, requires them to proactively manage their environmental responsibility. In contrast, the case companies in the pharmaceutical sector are much more focused on CSR

initiatives, as revealed by Figure 5.3. The underlying reason for this distinct approach towards SCE is the nature of their business. This is because, as illuminated in section 5.3.2, providing the right quality of product, education of stakeholders and trust-building activities are integral for the sustainable economic development of a pharmaceutical company. In the pharmaceutical business, doctors, as customers, must be convinced to prescribe products for their patients, who are the consumers. Therefore, facilitating doctors in their continued medical education, and arranging free medical camps and sampling to win their trust, are pre-requisites to generating sales, and are considered as SCSR initiatives in this study. Hence the case companies in the pharmaceutical sector give significantly more importance to their CSR initiatives than their environmental responsibility initiatives, because such activities are an important source of revenue generation for them. Therefore, the approach of pharmaceutical companies to SCE can be termed as a 'social bottom line' approach.

The approach of the case companies in the food and beverages sector towards SCE can be described as a 'balanced approach', because they focus on both CSR and the green bottom line. This balanced approach represents the right approach to SCE, as social bottom line and green bottom line receive due weightage in the business strategy and operations of the corporations. Miles *et al.* (2009) contend that each component of sustainability 'is equally important and managers must constantly balance or trade-off the components against one another' (p. 69). Use of high volume carrying-capacity vehicles (green transportation), ISO 14001 certification, education of stakeholders, and providing the right quality of product demonstrate that the case companies in the food and beverages sector care equally about their social and environmental responsibilities in order to increase their profitability. Thus it can be concluded that the companies in the food and beverage sector of Pakistan are more sustainability oriented with regards to the management of their triple bottom line, as they engage in the creation of shared value by managing the triple bottom line in an entrepreneurial way.

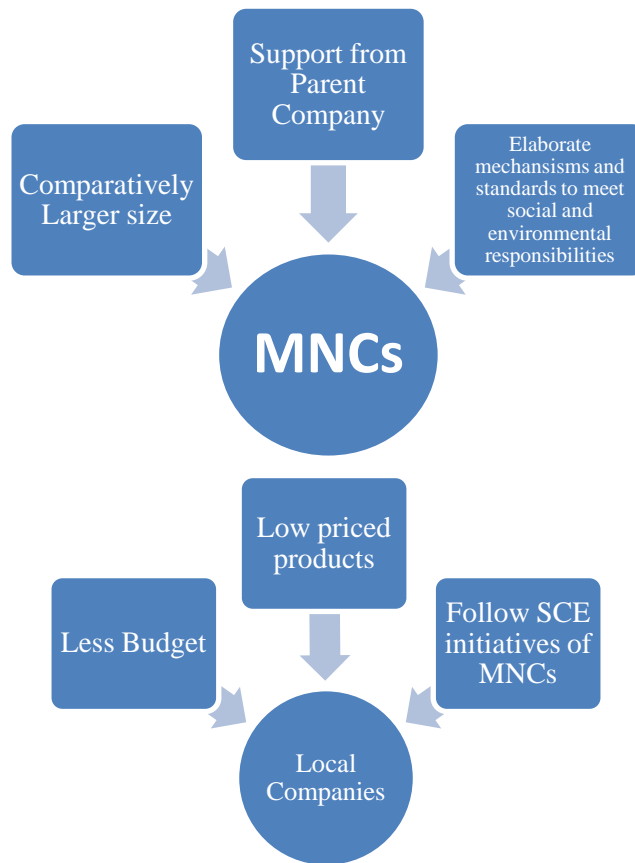
## 5.5 Locals versus Multinationals: Differentiating Aspects of SCE

As elaborated in section 5.2, all case companies, irrespective of their size and country of origin, are involved in the process of SCE to create shared value. Nevertheless, there are differences between the way MNCs approach SCE, and the approach of local companies. However, except for PSO, the local companies mostly follow the SCE practices of their multinational competitors. As an example, multinational pharmaceuticals focus more on the education of stakeholders and trust-building activities to create shared value, which means generation of revenue, enriched medical knowledge and improved standard of living simultaneously (see Figure 5.3 for a more detailed explanation of shared value in the context of the pharmaceutical sector). MNCs in the pharmaceutical sector of Pakistan have standard policies, procedures and specific, but huge budgets for such activities, and, moreover, their practices also conform to IFPMA's code of practice. This means that, comparatively, MNCs are larger in size than their local competitors and their SCSR activities fall within the global code of ethics, which has been developed particularly for the ethical conduct of pharmaceutical corporations on a global level. The local case companies, despite their comparatively smaller size, are also involved in the above mentioned SCSR activities, in an effort to generate revenue for themselves and contribute to society simultaneously. However, in this domain, the local companies are in a relatively disadvantageous position, as they have less budget for such activities and their contribution to society is thus limited. They try to compensate for this disadvantageous position by focusing on producing low-priced products, and in this way are able to seize the market share from the MNCs, because the economic conditions of the country warrant the prescription and sale of low-priced medicines, as the purchasing power of the people of Pakistan is decreasing over time. Thus, local companies follow the SCE practices of MNCs who have elaborate mechanisms and ethical business standards in place for engaging in the process of SCE.

A similar pattern can be observed in the case of the food and beverage companies, as elaborated in section 5.3.3, where EFL is mostly following in the footsteps of Nestle Pakistan to create shared value through focusing on

education of stakeholders and producing the right quality of product. Unlike local case companies in the pharmaceutical sector of Pakistan, EFL is backed by a large national conglomerate, and has grown significantly since its inception. Yet, EFL has been following the SCSR initiatives of Nestle Pakistan to create shared value. EFL, like the local pharmaceutical companies, also introduced low-priced dairy product to increase its market share and generate more revenue. Hence, it can be concluded from the above discussion that the local case companies, apart from PSO, follow the SCE initiatives of the MNCs, who have imported mechanisms, policies, procedures and standards from their parent companies, to create shared value. Additionally, the MNCs also have financial support from their parent companies when it comes to caring for employees and making corporate donations to help the nation in a time of crisis. In an effort to increase their revenue, the local companies keep on introducing low-priced products in the market to adjust to the local economic conditions of the country, and achieve a competitive advantage over their multinational rivals.

PSO serves as an exception to the local case companies of this study. Although SPL, which is a subsidiary of the Royal Dutch Shell Petroleum Company, is the oldest oil marketing company of Pakistan, PSO is still the biggest oil marketing company of Pakistan and has vast resources. PSO is a blend of public-private partnership with added governmental control and support. As explained in Chapter 4 and section 5.3.1, PSO was the first company to launch green fuels in Pakistan, and it also introduced fuel cards, ethanol blended fuel and VIS technology ahead of its multinational competitors in Pakistan. Thus, PSO has been a very innovative organization, and its practices of creating shared value are quite different and superior compared with its multinational rivals. Moreover, PSO is also an ISO 14001 certified company, while the case MNCs in the oil marketing sector have not acquired any third party certified environmental management certification. The reasons elaborated above make PSO distinct from other local case companies of the study. Figure 5.6 below highlights the differentiating aspects of SCE practices between local and multinational companies.



**Figure 5.6: Differentiating Aspects of SCE Practices of Local and Multinational Case Companies**

As illuminated by Figure 5.6 above, the local case companies follow the SCE initiatives of their multinational competitors, have comparatively less budget for SCE initiatives, and, in an effort to generate revenue and seize the market share from MNCs, produce and market low-priced products. The case MNCs, in contrast, are comparatively larger in size, and are supported by their parent companies in their philanthropic and employee-centred CSR activities. Moreover, they have elaborate mechanisms, standards, policies and procedures in place to meet their social and environmental responsibilities, which they have imported from their parent companies although adjusted to align with the requirements of local culture and context. However, Figure 5.6 does not apply to PSO, which is a local oil marketing company, because it has vast resources, is the biggest oil marketing company of Pakistan with added governmental control and support, and is involved in SCE initiatives that are unique and superior to the SCE initiatives of its multinational competitors.

## 5.6 Conclusion

Building on from the previous chapter, where case narratives of each of the nine case companies were illustrated, this chapter has presented a comparative case analysis of the case companies. The differences in approach to SCE between multinational and local companies across the three sectors of oil marketing, pharmaceuticals, and food and beverages was analysed and interpreted. The major contribution of this chapter was the development of conceptual maps of SCE for each sector. These conceptual maps are grounded in the field work and data collected by the researcher. The conceptual maps are not only useful for the existing companies in these sectors, but they are also particularly beneficial for new entrants, or those aspiring to enter these sectors in Pakistan.

The different sectoral approaches to the practice of SCE, namely green bottom line, social bottom line and balanced approach to SCE were elaborated. In general, the balanced approach to SCE adopted by case companies in the food and beverages sector is the right approach, because it accords equal importance to both green and social bottom lines. Moreover, the differences between the local companies' approach to SCE and the MNCs' approach were also highlighted. With the exception of PSO, the local case companies follow the SCE initiatives of the case MNCs, which are comparatively larger in size than their local competitors, have elaborate mechanisms and standards in place to fulfill their social and environmental responsibilities and have support from their parent companies for philanthropic activities.

Another contribution of this chapter is the clarification of the concepts of shared value, CSR and environmental responsibility as grounded in, and stemming from the rich empirical data. This empirical clarification of the above mentioned concepts in the context of a developing country will pave the way for future research and further development in the field of SCE. In essence, this chapter addressed the sub-question of the second research question, and the fourth research question set for the current study, by analyzing the sectoral differentials to SCE based on sectoral maps developed for each of the three

sectors analyzed, and highlighting the differences between the local companies' approach to SCE and the approach of MNCs to SCE.

The empirical development of the conceptual maps of SCE in each of the three sectors studied will provide a basis for the development of a theoretical framework of SCE in the context of a developing country, namely Pakistan, which will be presented and discussed in the next chapter.

# **Chapter 6: Sustainable Corporate Entrepreneurship in a Developing Country's Context**

## **6.1 Introduction**

The purpose of this chapter is to present a theoretical framework of sustainable corporate entrepreneurship (SCE) in the context of a developing country, namely Pakistan. This chapter builds on the previous chapter, wherein the conceptual maps of SCE were presented for the oil marketing sector, pharmaceutical sector, and food and beverages sector of Pakistan. Based on those sectoral maps, which are grounded in the empirical data collected and analysed by the researcher, this chapter moves the discussion forward by presenting the theoretical framework of SCE in the context of Pakistan. The aim is not to generalize, but to put forward a theory of SCE in the context of a developing country that is transferrable to other developing country contexts, as illuminated in Chapter 3.

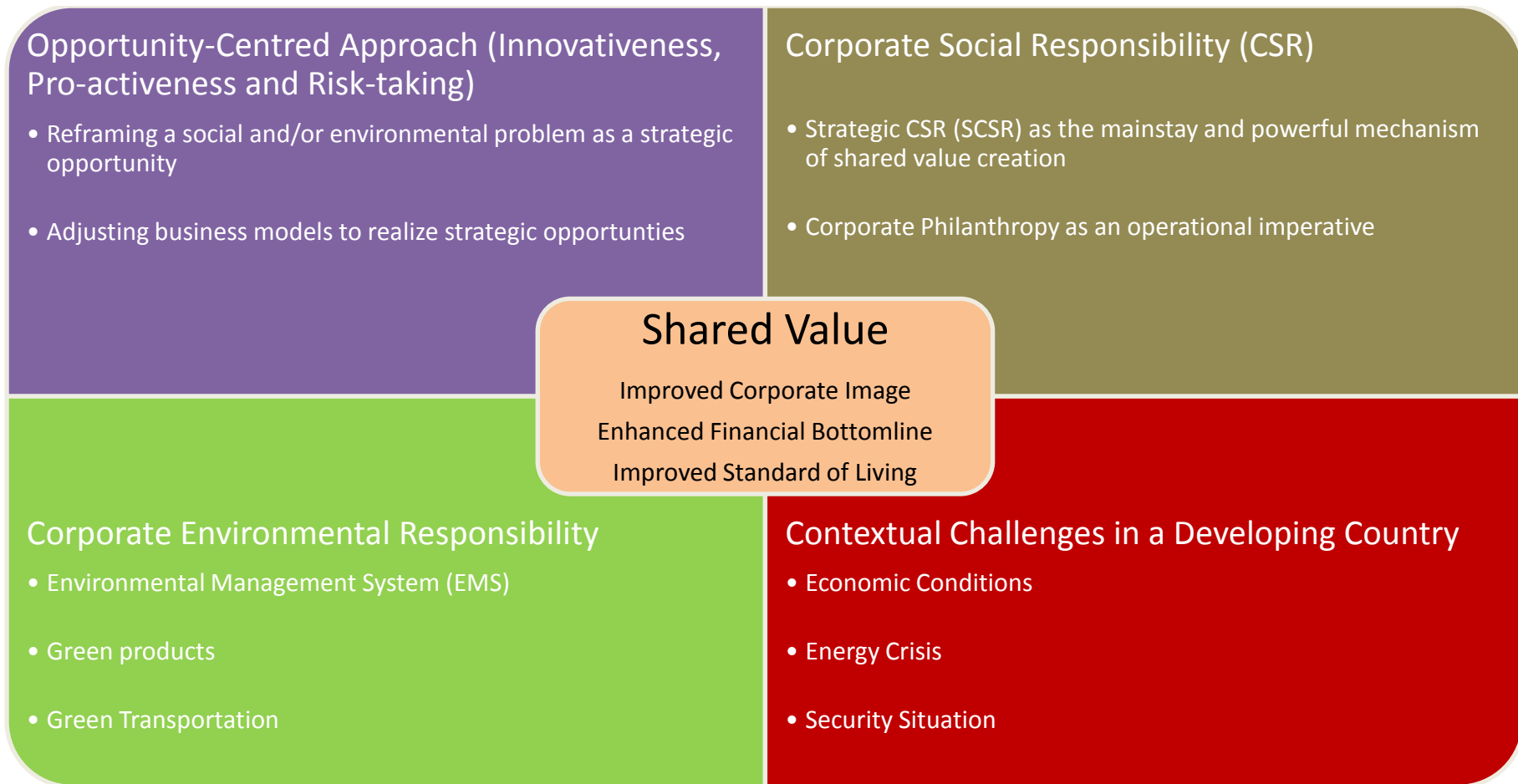
## **6.2 Sustainable Corporate Entrepreneurship (SCE) in Pakistan**

Based on the discussions in Chapters 4 and 5, the following definition of SCE is offered in the context of Pakistan, a developing country:

“Sustainable corporate entrepreneurship (SCE) is the process of combining an opportunity-centred approach (innovation, pro-activeness and risk-taking) with the social and environmental responsibilities of a company to create shared value. However, less than favourable macro-contextual conditions of a developing country constrain the maximization of shared value and thus hamper the SCE initiatives”.



SCE stems from the entrepreneurial process of opportunity production and exploitation, and is at the interface of entrepreneurship, CSR and corporate environmental responsibility. By taking an entrepreneurial approach, which is opportunity-centred, to CSR and environmental responsibility, companies can view these as opportunities rather than unnecessary costs and challenges to business operations. Figure 6.1 below presents the theoretical framework of SCE in the context of Pakistan. The different components of the theoretical framework are then discussed and elaborated in the ensuing sections.



**Figure 6.1: Theoretical Framework of SCE in the Context of Pakistan as a Developing Country**

### 6.2.1 Opportunity-Centred Approach

The emphasis of an opportunity-centred approach is on being innovative, pro-active and taking risks in order to create value for a firm. Opportunity-centred approach is concerned with the production and exploitation of opportunities (Gartner *et al.*, 2003; Stokes *et al.*, 2010) to create and enhance economic value of the firm. The purpose of an opportunity-centred approach is not only to create value, but also to improve a firm's competitive position relative to its competitors (Webb *et al.*, 2010). The case companies in this study have utilized an opportunity-centred approach to reframe a social and/or environmental problem as a strategic opportunity in order to create value for themselves, and to improve their competitive positioning. Moreover, the case companies have also utilized an opportunity-centred approach in adjusting their business models to realize the business opportunities presented by latent and manifest social and environmental problems.

As elaborated in section 5.5 of Chapter 5, the local case companies, except for PSO, have focused mainly on the production and marketing of low-priced products. This is because they regarded the social issue of declining purchasing power of individuals as an opportunity in itself to sell low-priced products in a developing country. By reframing a social problem as a strategic opportunity, the local case companies created substantial social value and enormous financial value simultaneously. This strategy of the local case companies directly equates with the concept of 'bottom of pyramid' approach, advocated by Prahalad and Hart (2002), which requires companies to sell their products to low income groups in developing countries, in socially and economically sustainable ways. In developing countries, the major issue that companies face is not the identification of new customers, but the affordability of the products that companies produce and market there (Anderson and Markides, 2007). Developing countries are characterized by the presence of large numbers of individuals who have low disposable income (Prahalad and Hart, 2002), and they cannot afford the expensive products often marketed by large MNCs (Webb *et al.*, 2010). The above mentioned strategy of the local case companies to produce and market products with low price tags has resulted in improving their competitive positioning relative to their multinational competitors, which is depicted by the increasing market share of the former. This was especially the case in the pharmaceutical sector, where local case companies have generated

enormous value for themselves by focusing on selling low-priced medicines, especially in the rural areas of Pakistan.

Another social problem as regards the food and beverages sector of Pakistan is the lack of modern dairy farming techniques, which result in lower output of milk and consequently less income opportunities for small farmers. The case companies in the food and beverages sector of Pakistan, namely Nestle Pakistan Limited and EFL, have re-framed the social problem of lack of modern dairy farming techniques by considering it as a strategic opportunity to create shared value (there will be more on shared value in section 6.2.4). The representatives of these companies visit farmers on a periodic basis, and introduce them to modern dairy farming techniques, and how such techniques can increase their income and improve their living standards. In many cases, financing is also offered to farmers who have a shortage of finances. The use of modern techniques helped improve the income of dairy farmers, and also created value for both companies in the form of increased output of raw milk to be processed and sold. Porter and Kramer (2006) also report similar findings from their case study on Nestle India Limited where the Nestle Company was able to create shared value by focusing on an opportunity-centred approach, rather than considering the unfavourable contextual conditions as an impediment to value creation. Among all the case companies, Nestle Pakistan, in particular, focused on launching products to fulfil unmet social needs, as illuminated by Table 5.1 in Chapter 5. Producing products in response to unmet social and/or environmental needs leads to improved corporate reputation and increased profits (Atiq and Karatas-Ozkan, 2013). The case companies in the oil marketing sector of Pakistan also re-framed the environmental problem of air pollution as a strategic opportunity to introduce and market green fuels, thus creating substantial economic value for themselves.

Opportunity-centred approach also requires companies to adjust their business models in order to realize a strategic opportunity. This is, essentially, because a business model is a method of designing business to generate profitability

(McGrath and McMillan, 2000). Chesbrough and Rosenbloom (2002) take a more comprehensive approach to defining a business model, and contend that the 'business model provides a coherent framework that takes technological characteristics and potentials as inputs, and converts them through customers and markets into economic outputs' (p. 532). In order to realize a strategic opportunity that initially presents itself as a social and/or environmental problem, companies need to adjust their business models and focus on creating alternative ways to generate financial value (Miles *et al.*, 2009). PSO introduced a card system for obtaining payments from customers who demanded transparency and efficiency in fuel billing, as the drivers of their vehicles were involved in fraudulent transactions. In order to address this social problem, PSO adjusted its business model of earning revenue by introducing technological innovation in the form of a card system, which made fuel transactions efficient and transparent. This adjustment to the business model by utilizing an opportunity-centred approach generated enormous value for PSO, giving it a competitive edge over its rivals and increased market share of the oil marketing sector. Adjusting business models to capture an opportunity often leads to the reshaping of an entire industry, and brings enormous financial gains by fulfilling customer needs through an innovative approach (Johnson *et al.*, 2008). Thus, by focusing on an opportunity-centred approach, corporations are able to adjust their business models in order to fulfil unmet customer needs in a value-enhancing way.

### **6.2.2 Corporate Social Responsibility (CSR)**

Corporate social responsibility (CSR) is one of the vital components of SCE. One of the leading CSR scholars, Archie B. Carroll, defines CSR as: ‘The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time’ (Carroll, 1979, p. 500). In the context of Pakistan, CSR, as viewed from the perspective of corporate managers who are involved in the design and implementation of such complex and context-oriented CSR initiatives, encompasses education of stakeholders, quality of product, concern for employees and corporate philanthropy. Thus, in the context of a developing country, CSR can be defined as:

“Such corporate initiatives that educate stakeholders on important aspects of personal and business well-being, focus on the quality of product, provide relief and assistance to employees in time of need and contribute towards the development and uplift of society in general, can be termed as CSR”.

The proposed definition of CSR above highlights that in a developing country, strategic CSR (SCSR) is the mainstay and powerful mechanism of shared value creation, while corporate philanthropy is practised as part of operational requirements. Education of stakeholders, providing the right quality of product and concern for employees are important SCSR initiatives that lead to the creation of shared value. These initiatives have the capacity to transform society by bringing positive social change, in addition to creating value for the practising corporations. The paragraphs below discuss the potential of the above mentioned SCSR initiatives, and also illustrate the rationale for engaging in corporate philanthropy.

Education of stakeholders is important from the perspective of a developing country, because the citizens of a developing country may lag behind in the different skills and expertise (Visser, 2006) that are required for effective

personal and business development. Take, for example, the case of doctors in Pakistan. Doctors in Pakistan are greatly dependent on the medical knowledge being produced in western developed countries, because medical professionals in developed countries are engaged in scientific research that can lead to the discovery of new medicines for previously untreatable diseases, such as cancer and AIDS. If multinationals, such as Abbott and Sanofi do not sponsor Pakistani doctors for attending foreign conferences and seminars, they will not be able to gain new knowledge, which will significantly affect their medical practice, and hence treatment of patients. MNCs, such as Abbott and Sanofi are taking the financial burden off the Government by providing new medical knowledge to doctors and sponsoring them in their continued medical education.

Similarly, the farmers of Pakistan lag behind in the knowledge of modern dairy practices. They are provided training and education about modern dairy farming practices by the personnel of Nestle Pakistan Limited and EFL. Lorry drivers of oil tankers, and welding mechanics of such tankers need to be trained in safe driving and welding techniques, respectively. They are being trained, although in limited numbers, in such techniques, by SPL and TPPL. Such CSR initiatives not only help develop the expertise of local individuals in a developing country, but also help in the smooth running of business operations of companies, besides helping to create a favourable reputation and increased revenues (Husted and Salazar, 2006; Glover, 2007), because such companies are held in high esteem by the local community. As Jamali and Mirshak (2007) argue, 'it is precisely in a developing country context that the need for CSR type initiatives is most acute' (p. 260). Therefore, educating stakeholders as part of a wider CSR programme in a developing country becomes a necessary CSR initiative, and can be rightly termed as a strategic CSR (SCSR) initiative.

Providing the right quality of product is another CSR initiative that can bring favourable reputation and increased revenues. It is an ethical responsibility of the company to provide the right quality of product, and in effect, it is an SCSR act as well (Burke and Logsdon, 1996; Berger *et al.*, 2007). For example, unlike consumers in developed countries, the majority of Pakistan's population use loose milk, which is not scientifically processed and is obtained in hazardous ways, such as injecting the animals, keeping the milk in unhygienic utensils

and unhealthy conditions, etc. The companies in the food and beverages sector of Pakistan are playing a vital role in the uplift of Pakistani society by providing safe, healthy and nutritious milk to consumers. By providing the right quality of product, such companies are creating demand for their products, and improving their reputation and consequently their revenues, whilst also playing an important role in improving the health standards of Pakistani consumers. Therefore quality of product should not be understood simply as a core component of business operations, but rather as an SCSR act in the context of a developing country, because this initiative is helping in the advancement of society. Jamali (2007) provides a similar account of Tetra Pak East Med Company, in the context of Lebanon. The company strived to create awareness among the Lebanese people about the consumption of safe and healthy milk, thus creating demand for its products, as well as contributing to a healthy lifestyle of Lebanese consumers. Providing the right quality of product is at the nexus of business operations and CSR, and is thus considered in this study as an SCSR initiative that leads to the creation of shared value.

Concern for employees is another SCSR initiative that helps gain the loyalty and commitment of employees, increases their motivation and productivity, and, consequently, the revenues of the company, besides solving the problems of employees, who are the internal customers of the company. All the case companies extended financial help to their employees who lost their homes, either wholly or partially, in the floods of 2010. Sanofi Pakistan Limited paid for the educational expenses of 47 of its employees who were studying for their Masters in Business Administration (MBA) at a leading national business school. The benefits of focusing on the development and training of employees, and helping them financially in times of need are well documented in the literature (Burke and Logsdon, 1996; Branco and Rodrigues, 2006; Berman *et al.*, 1999), which are cited above. Moreover, Bird *et al.* (2007) assert that those firms which are proactive in managing their employee relations are highly valued by market participants (investors). On the basis of the reasons elucidated above, this study considers concern for employees to be an SCSR initiative, which leads to the creation of shared value.



Corporate philanthropy is an imperative for corporations, whether local or multinational, operating in a developing country. Corporate philanthropy is a useful tool for companies to improve their corporate image, and, in the case of MNCs, to develop good relations with the community in which the company operates, rather than appearing as strangers and enemies to the community (Mitra, 2012). Corporate philanthropy became necessary in Pakistan, especially in the past decade, when the country was badly affected by two natural disasters: firstly, the earthquake of 2005, and then the floods of 2010, that saw many families devastated, with no home, food and clothing, and totally dependent on donations – both national and international. Such a situation warranted corporate contributions to help the needy, and to stand with the nation in its time of need, as the country had become reliant on domestic and foreign aid. Visser (2006) argues that corporate philanthropy is essential in developing countries, because such countries are reliant on foreign aid and ‘philanthropy is seen as the most direct way to improve the prospects of the communities in which business operates’ (p. 40). The same applies particularly to Pakistan, because the Government of Pakistan had to make appeals for both domestic and international donations during the above mentioned catastrophes. Although corporate philanthropy improves the reputation and image of companies, it has limited impact compared with SCSR initiatives, which have been discussed above. Corporate philanthropy is a useful defensive strategy of practising CSR (Porter and Kramer, 2006) that renders the company to become reactive to society’s demands, unlike an SCSR approach to CSR, which emphasizes a pro-active approach to solving the societal problems by aligning the CSR initiatives with the core competencies and capabilities of the corporation (Carroll and Shabana, 2010).

From the above discussion, it can be concluded that CSR in a developing country context means practising both SCSR and corporate philanthropy, although the benefits obtained from SCSR outweigh the benefits emanating from philanthropic contributions. SCSR can be conceived as the mainstay and powerful mechanism of creating shared value. Nonetheless, corporate philanthropy is practised by companies, because it becomes an imperative for operating in developing countries like Pakistan, as such countries are characterized by natural calamities and the limited role of the Government in

the welfare of their citizens. This finding, that CSR in the context of Pakistan means the practice of both SCSR and corporate philanthropy, is in stark contrast to the findings reported in Lebanese and African contexts (Jamali and Mirshak, 2007; Visser, 2006), where CSR is mostly practised and conceived as corporate philanthropy only. The possible explanation for this difference may be that in terms of SCSR, education of stakeholders and quality of product are integral to the economically sustainable business operations of the case companies in this study. This is because, through education of stakeholders, oil marketing companies minimize the risk of accidents and injuries that can malign the image and reputation of the company; pharmaceutical companies win the trust of doctors, which can lead to increased sales; and food and beverages companies can expect increased output of milk that can be processed, leading to increased sales. Quality of product is also important for the case companies, because by providing the right quality of product, they are improving the living standards of their customers, as well as improving their financial bottom line in a country where most people rely on traditional foods and medical treatments. Jamali and Sidani (2011) maintain that 'CSR is not just about philanthropy or adhering to international codes of conduct or disseminating them across supply chains. It is essentially about making a visible difference in people's lives and livelihoods, building local capacity and meeting local needs and aspirations' (p. 71). The case studies presented in Chapter 4, and the discussion about CSR in this section detail in depth how the case companies in Pakistan are meeting local needs and aspirations, and bringing a positive change in people's lives by practising CSR in a strategic, as well as in a philanthropic way.

### 6.2.3 Corporate Environmental Responsibility

Fulfilling environmental responsibility includes not only reducing the negative impacts of business on the natural environment, but also the responsibility of protecting and improving it. The debate around sustainability started due to a wide-spread belief that businesses are having a negative impact on the natural environment, and that they must be held accountable for this. Indeed, many previous studies have examined sustainable entrepreneurship through the lens of environmental responsibility (cf. Arnold and Hockerts, 2011; Dean and McMullen, 2007; Menguc and Ozanne, 2005; Keogh and Polonsky, 1998). Therefore, environmental responsibility is a key component of sustainability, and hence SCE.

In this study, corporate environmental responsibility was found to be significantly exhibited by the oil marketing and food and beverages firms, while the pharmaceutical case firms remain preoccupied with their CSR initiatives (see section 5.4 in Chapter 5, on sectoral differentials). These case companies have demonstrated their commitment to fulfilling their environmental responsibility through the adoption of an environmental management system (EMS), marketing of green fuels and through the use of green transportation. Arnold and Hockerts (2011) maintain that the implementation of an EMS is 'often the first step to integrate environmental or social issues' (p. 402) in the business operations of a company. Implementation of an EMS, like ISO 14001, demonstrates a company's commitment to recognizing and reducing the negative impacts of its operations on the natural environment (Miles *et al.*, 1999; Massoud *et al.*, 2010). PSO, which is Pakistan's largest oil marketing company, has acquired ISO 14001 certification for five of its sites, while the managers at SPL and TPPL contend that their standards are far higher than those required for ISO 14001. This suggests that having strong environmental policies and standards in-house is the first step towards environmental sustainability, which can later be put to the test before an independent certification agency to get external accreditation for a company's environmental sustainability efforts.

All the oil marketing case companies sell green fuels to reduce the growing problem of air pollution in Pakistan, which seems to be increasing with the passage of time. Policy efforts are needed on the part of the Government to introduce hybrid vehicles and to strictly enforce environmental regulations in the country, to reduce the problem of air pollution. The food and beverage companies are involved in green transportation (Colicchia *et al.*, 2011; Rao and Holt, 2005) and have also acquired ISO 14001 certification as part of their efforts at limiting their negative impacts on the natural environment. No evidence was found regarding the engagement of the pharmaceutical case companies in environmental responsibility initiatives. As explained in section 5.4, Chapter 5, the nature of the business of pharmaceutical companies is chiefly responsible for their preoccupation with the social bottom line approach to SCE in an effort to create shared value.

Nestle Pakistan Limited is the only MNC amongst the five case MNCs in this study which has acquired ISO 14001 certification as part of its efforts to publicly portray an image of an environmentally responsible organization. PSO and EFL are the only two local companies, amongst a sample of four local case companies, which have acquired ISO 14001 certification. The remaining two local case companies are in the pharmaceutical sector, and they focus more on their CSR initiatives, as explained above. SPL, TPPL, Abbott Pakistan and Sanofi Pakistan serve as negative cases to Miles and Russell (1997)'s prediction that multinational corporations will adopt ISO 14000 standards in order to globally market their products without the constraint of environmental concerns. A plausible explanation for this finding is that these big multinationals have internally developed elaborate mechanisms, standards, policies and procedures for fulfilling their environmental responsibilities that are much superior to those required for acquiring ISO 14000 certification. This is because MNCs were amongst those organizations that were formally requested by the UN in 1992 to take action for sustainable development (Escobar and Vredenburg, 2011). Therefore, it seems plausible to expect that these MNCs have developed in-house capability to meet their environmental responsibility on a proactive basis.

A possible explanation for why the local case companies have adopted ISO 14001 certification is that these case companies (both PSO and EFL) are engaged in international trade, and to enhance their international trade, they have positioned themselves as having environmental orientation, and showing commitment to environmental protection by adopting ISO 14001. Bansal and Bogner (2002) contend that, as companies transcend national borders to engage in international trade, 'they will also experience incentives for ISO 14001 certification. Even though domestic standards and customers may not be making demands, firms may discover that their international customers require ISO 14001 certification to ensure that environmental risks are minimal' (p. 279). In the context of Pakistan, customers of these local case companies have never demanded third party certification for EMS. The major issues facing the general public in Pakistan are primarily social and economic in nature, such as poverty, inflation and illiteracy. Therefore, it is plausible to conclude that these local case companies have done ISO 14001 certification in order to remain competitive in the global markets and to compete with the MNCs on an equal footing.

From the above discussion, it can be concluded that environmental responsibility in the context of a developing country means the existence of EMS inside the company, sale and marketing of green products and the use of green transportation to minimize the corporate ecological footprint. Nevertheless, the introduction of an EMS is the first step towards environmental consciousness and exhibiting environmental responsibility on the part of a corporation. Certifying an EMS through a third party independent audit, such as ISO 14000, sends a positive signal to a company's stakeholders regarding its commitment to fulfilling environmental responsibility (Bansal and Hunter, 2003). Such certification helps strengthen the competitive position of a local company in international markets by bringing them onto an equal footing with the MNCs. By undertaking the eco-friendly initiatives that have been discussed above, companies create shared value in the form of cost savings, improved corporate image, increased sales and reduction in the corporate ecological footprint.

#### 6.2.4 Shared Value

Shared value arises from such business endeavours that create value for the business and society simultaneously. Such business endeavours can be undertaken by combining an opportunity-centred approach with the social and environmental responsibilities of a company. Shared value, in essence, is the outcome of the SCE process. Porter and Kramer (2011) define shared value as 'policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.' (p. 66). Consistent with the literature (Husted and Salazar, 2006; Atiq and Karatas-Ozkan, 2013), the results of this study reveal that creation of shared value means improved corporate and brand image, enhanced financial bottom line and improved standard of living of the members of society in which the company operates. Atiq and Karatas-Ozkan (2013) suggest that shared value can be generated by launching green products, conserving the use of natural resources, conserving the use of energy and investing in the competitive context of the business (especially the community). In addition to these initiatives, the current study reveals that launching products in response to unmet societal needs, concern for employees and trust-building activities with the stakeholders also lead to the creation of shared value. The case accounts, especially those of the pharmaceutical companies, as discussed in Chapter 4, lend credence to the above finding, which is also consistent with the extant literature on concern for employees and trust-building activities (cf. Branco and Rodrigues, 2006; Berger *et al.*, 2007; Pivato *et al.*, 2008).

The current study reveals that all the case companies, irrespective of their sectors and size, are engaged in the process of SCE and, as a result, are generating shared value in different ways. Figure 5.2, 5.3 and 5.4 in Chapter 5 clarify the meaning of shared value in the context of each of the sectors analysed in this study. The main motive of all the case companies for engaging in the process of SCE and the creation of shared value is to improve corporate and brand image, which will consequently lead to improved financial bottom line. Considered from this perspective, the case companies may be perceived to be self-centred in the way they approach SCE. This finding highlights the

importance of a business case scenario for SCE initiatives (Carroll and Shabana, 2010). However, besides creating corporate value, the SCE initiatives of the case companies also lead to the creation of societal value, mostly in the form of improved standard of living of the people of Pakistan by providing them increased opportunities for income generation and skills transfer. Although the case companies may seem to be self-centred in their approach to SCE, shared value is nevertheless being created because of their SCE initiatives.

As illuminated in section 5.4 of Chapter 5, the three sectors analysed in this study pursue different approaches to SCE in order to create shared value. The case companies in the oil marketing sector have generated shared value mostly by focusing on their environmental responsibility initiatives. Thus, their approach to SCE can be labelled as a green bottom line approach, which has been referred to in the literature as 'environmental entrepreneurship' (cf. Lober, 1998; Dean and McMullen, 2007). The pharmaceutical case companies have created shared value through their CSR initiatives. Accordingly, their approach to CSR has been labelled as a social bottom line approach, which has also been referred to in the literature as 'social bottom line' (cf. Norman and MacDonald, 2004; Jamali, 2006; Pava, 2007). Lastly, the food and beverage case companies have undertaken a balanced approach to SCE by focusing on both green and social bottom lines, so their approach to SCE can be termed a balanced approach, as these companies are involved in balancing the often conflicting environmental, social and economic objectives (Miles *et al.*, 2009). These three approaches to SCE illustrate the context sensitivity of the process of SCE, and highlight that what may work well in one sector in terms of SCE approach may not work the same way in another sector. Therefore, context should be given due consideration when studying and describing the phenomenon of SCE, because SCE may mean different things to different people, and even within a country the approach to SCE varies among different sectors.

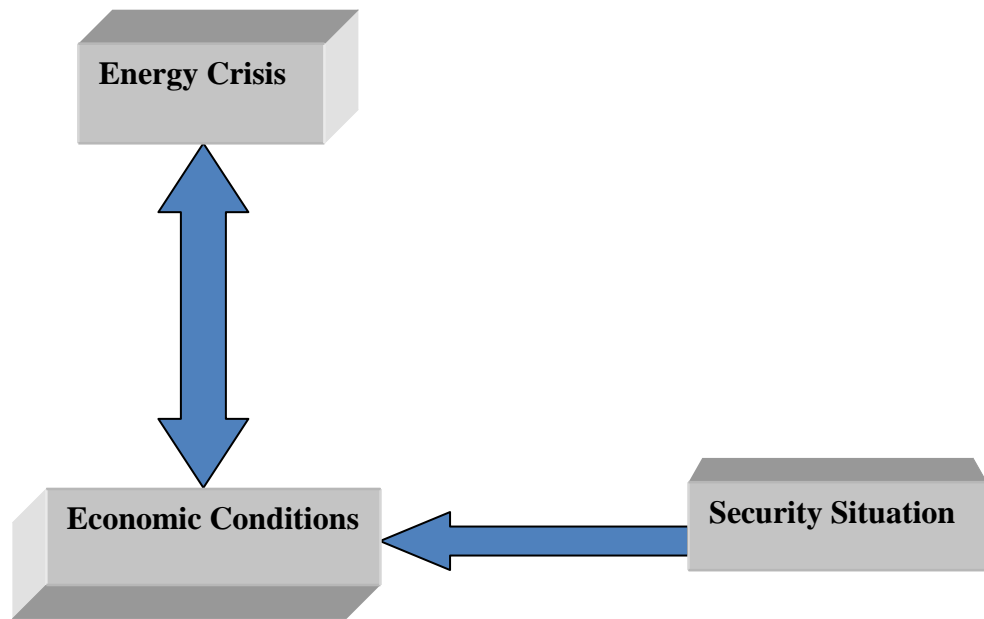
By adopting the above discussed approaches to SCE, the case companies have generated enormous financial gains for themselves, improved their corporate and brand image and improved the standard of living of the people of

Pakistan, by engaging in the process of SCE to create shared value (see Chapters 4 and 5 for a detailed discussion on shared value created by the case companies). The CSR initiatives, in particular, have touched upon the lives of the local people, and have created knowledge and income opportunities for Pakistani citizens. However, maximum shared value is generated when SCE practising companies launch products in response to unmet social needs, or to solve some societal problems. Indeed, maximization of shared value should be the goal of every company rather than maximization of shareholder wealth, because working to maximize shared value will eventually lead to a maximization of shareholder wealth (Atiq, forthcoming).

### **6.2.5 Contextual Challenges in a Developing Country**

Shared value creation and maximization is a challenging task in the context of a developing country. The contextual challenges faced by the case companies in Pakistan are: the economic conditions, the energy crisis, and the security situation. Deteriorating economic conditions are typical of developing countries as reported in similar studies on Nigeria and Lebanon (cf. Ite, 2004; Jamali and Mirshak, 2007). To some extent, the above mentioned contextual challenges are interrelated contextual challenges, in that they form a vicious circle, as depicted in Figure 6.2 below. These macro-contextual challenges hamper the maximization of shared value in Pakistan and have serious business and policy implications, which are discussed below.





**Figure 6.2: Interrelated Contextual Challenges Faced by Case Companies in Pakistan**

As discussed in previous chapters, the economic condition of Pakistan has deteriorated over the course of the past five years, due to a number of factors. One significant factor responsible for the deteriorating economic conditions of the country is the energy crisis. The Government has not been able to solve the energy crisis, despite the fact that Pakistan is gifted with abundant water and coal reserves. Pakistan is dependent on expensive furnace oil for electricity generation, as most of the power plants are thermal power plants. According to an estimate, Pakistan needs at least 28,000 tonnes of furnace oil per day to meet the electricity demand in the country, which is slightly above 18,000 MW (Kiani, 2013). PSO, which is Pakistan's major fuel supplier, needs to be paid Rs.37 billion per month for the period May-July 2013 in order to supply 28,000 tonnes of furnace oil per day during this peak demand period (ibid).

Businesses need electricity and gas to produce products, which are not being supplied for the larger part of the day, due to the ongoing energy crisis in the country. Since businesses cannot operate at 100% capacity, their cost of production rises, causing them to increase prices, leading to rising inflation and calls for increasing interest rates. Since interest rates have generally been high during the past five years, they also add to the rising cost of doing business in Pakistan, which again leads to inflation and depreciation of the country's exchange rate. Businesses are not flourishing, and unemployment rates are rising, which leads to a decline in the purchasing power of the people

of Pakistan. This demonstrates how the energy crisis and deteriorating economic conditions are interrelated.

In recent years, the security situation in the country has worsened to a great extent, with terrorists targeting military and police personnel, resulting in the loss of many precious lives, including those of ordinary citizens. Moreover, the country has a history of ethnic and sectarian violence, which dates back to 1994 when, for the first time, Shia and Sunni sects of Muslims clashed violently with each other in Peshawar. Karachi, which is Pakistan's biggest business hub, has a history of ethnic violence, besides sectarian violence. Recently, the killing of the members of the Hazara community (belonging to a Shia sect) in Quetta has fuelled more ethnic and sectarian violence in the country with calls for the Government to resign. Consequently, foreign direct investment (FDI) in the country has been decreasing with the passage of time. The period July 2011 to April 2012, FDI stood at \$ 666.7 million, as against \$ 1292.9 million the previous year, which reflects a decline of 48.4% (Pakistan Economic Survey, 2012). The reasons for such a massive decline in FDI in Pakistan are the worsening security situation, coupled with the energy crisis and the consequent high cost of doing business there. Thus the deteriorating security situation, together with the energy crisis can be seen to lead to the poor economic condition of the country. All three contextual challenges are interrelated, and businesses engaged in the process of SCE in Pakistan operate in this context, which has significant implications on their practices, as discussed in Chapters 4 and 5.

### 6.3 Conclusion

This chapter discussed the overall research findings of the study in the light of the extant literature, and presented the theoretical framework of SCE in the context of a developing country, namely Pakistan. Although the aim is not of generalizability, the findings are transferable to other developing countries, as discussed in Chapter 3. By combining an opportunity-centred approach with corporate social responsibility and corporate environmental responsibility, companies engage in the process of sustainable entrepreneurship to create shared value. An opportunity-centred approach provides a lens through which latent and manifest social and environmental problems can be viewed as strategic opportunities, requiring identification and successful exploitation.

Shared value is considered to be the outcome of engaging in the process of SCE, although companies show self-interest in pursuing SCE initiatives. Maximizing shared value should be a goal of the firm, as it leads to the maximization of shareholder wealth, even in a developing country context. However, engaging in the process of SCE within a developing country is not without macro-contextual challenges. In the case of Pakistan, poor economic conditions, together with the energy crisis and deteriorating security situation, are hampering the efforts of the corporate sector to generate maximum shared value. The main contribution of this chapter was the development of a theoretical framework for SCE, which has significant business and policy implications. The conclusion, implications, and future research agenda of this study are discussed in the next chapter.

# Chapter 7: Conclusions

## 7.1 Introduction

The purpose of this chapter is to present the conclusions of this research. The chapter builds on the discussions in the preceding chapters, drawing conclusions from the current research. The current study's contributions and also its limitations will be highlighted in this chapter, which is divided into five sections. Conclusions from the research will be drawn by revisiting the research aim and questions, followed by an explanation of how the current study contributes to the field of sustainable entrepreneurship. Following this discussion, limitations of the current study will be highlighted by focusing on the weaker aspects in a reflexive manner. The discussion on limitations of the study will lead to an elaboration of future research agenda by suggesting opportunities for future research work regarding sustainable corporate entrepreneurship (SCE). Finally, a summary of the chapter will be presented in the last section.

## 7.2 Revisiting Research Aim, Questions, and Methodology of the Study

The overall research aim of the study, as elucidated in Chapter 1, is to generate insights into sustainable corporate entrepreneurial activities as exercised by multinational and local companies in Pakistan, within selected key sectors of the economy. Based on this overall aim, the study seeks to address the following research questions:

1. Why is sustainable corporate entrepreneurship becoming so important for corporations in key sectors of the economy in a developing country like Pakistan?
2. How can sustainable corporate entrepreneurship result in the creation of shared value for the corporations as well as society? Are there any sectoral differentials?

3. What are the challenges faced by the case corporations in the selected sectors with regards to the practice of sustainable corporate entrepreneurship in Pakistan?
4. What are the differences in sustainable corporate entrepreneurship practices between national and multinational corporations in the context of Pakistan?

To address the above research questions, social constructionism was chosen as the research paradigm of the study (see Chapter 3 for a discussion of the research methodology), because it allows the researcher to explore the phenomenon of SCE and answer the research questions from the perspective of corporate managers who are involved in the design and implementation of such complex and socially-oriented projects. Managing relationships with constituent groups of society is of high importance for corporations and their managers, because this ensures the long-term sustainable economic development of corporations. SCE is a social process, as it is the product of human imagination and, as such, needs to be understood from the perspective of those social actors (corporate managers) who enact this social process by taking into account the multiple and competing perspectives of different constituent groups.

Multiple case study design (Stake, 2006) was adopted, and a proper mix of local companies and subsidiaries of leading multinational companies was purposively selected in three key sectors of the economy, i.e. oil marketing, pharmaceuticals, and food and beverages, as explained in Chapter 3. Managers of nine case companies were interviewed to collect primary data, and publicly available documents and websites of the companies were analysed to collect secondary data for answering the research questions of the study. The companies chosen for the purposes of this study are rich cases (Patton, 2002) that exemplify the phenomenon under investigation. The ensuing sections detail the answers to each research question and the conclusion, drawn in the light of extant literature, and data collected and analysed.

### 7.2.1 First Research Question

Why is sustainable corporate entrepreneurship becoming so important for corporations in key sectors of the economy in a developing country like Pakistan?

Sustainable corporate entrepreneurship (SCE) is the process of combining an opportunity-centred approach (innovation, pro-activeness and risk-taking) with the social and environmental responsibilities of a company to create shared value. SCE is a timely and dynamic subject domain, which is at the interface of CSR, corporate environmental responsibility and entrepreneurship. Due to increased stakeholder activism (Klassen and Whybark, 1999; Miles and Covin, 2000) and rapid technological advancement and globalization, businesses have to accept their responsibility for the social and environmental impacts that they create. The recent financial crisis of 2008 and its aftermath have had negative effects on the reputation of businesses, and the corporate sector was accused of being greedy and selfish (Atiq and Karatas-Ozkan, 2013). Recently, the uproar amongst investors over huge pay rise of corporate directors, the LIBOR scandal and allegations of tax fraud committed by major companies have further let the corporate sector down by putting its credibility at stake. In order to respond to different social and environmental issues in a proactive and innovative way, businesses have no choice but to adopt the process of SCE, which calls for shared value creation – value creation for both the company and society simultaneously. By engaging in the process of SCE, large corporations can remove the stigma of greed and selfishness. Reputation and image management have become a major issue for businesses in the global economy, especially MNCs, as any bad news regarding an MNC quickly travels to all parts of the world, thus having a negative impact on its image and reputation. SCE has gained immense importance for companies because it is a new way of doing business, based on the premise that working in the interests of the environment and society leads to creation of shared value, i.e. creation of value for the business and society simultaneously. The concept of shared value was given prominence by Porter and Kramer (2006), and was considered as an outcome and objective of the process of SCE by Atiq and Karatas-Ozkan (2013).

The above discussion about the process of SCE and its outcome is based on an extensive review of the literature (see Chapter 2). In this study, the focus was on the importance of SCE for companies in selected key sectors of economy in a developing country context, namely Pakistan, from the perspective of corporate managers. The managers' construction of reality is that the case companies are involved in the process of SCE to improve corporate and brand image, which subsequently leads to increased sales and profitability in the long run. This finding was consistent with the literature, as CSR scholars contend that a company can expect improved reputation and brand image, and consequently improved financial bottom line, if the company aligns its CSR initiatives with its business operations and core competencies (Husted and Salazar, 2006; Carroll and Shabana, 2010). Moreover, improved environmental performance is looked towards favourably by all stakeholders, and enhances the reputation and image of an organization (Miles *et al.*, 1999; Menguc and Ozanne, 2005). Thus, the current study concludes that the case companies in Pakistan are self-centred in their approach to SCE, as SCE is a business approach for them to create value for themselves in the form of improved corporate image and increased profitability. This finding for the first research question also highlights the importance of the business case scenario for the development of the field of SCE. Both the data collected and analysed, and the extant literature on the components of SCE support the above mentioned conclusion.

### **7.2.2 Second Research Question**

How can sustainable corporate entrepreneurship result in the creation of shared value for the corporations as well as society? Are there any sectoral differentials?

As explained in Chapter 6, shared value emanates from those corporate initiatives that create value for the business and society at the same time. Such corporate initiatives can be undertaken by combining an opportunity-centred approach with the social and environmental responsibilities of a company. Atiq and Karatas-Ozkan (2013) suggest that shared value can be generated by launching green products, conserving the use of natural resources, conserving

the use of energy and investing in the competitive context of the business (especially the community). Porter and Kramer (2011) contend that shared value can be created 'by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations' (p. 67). In practical terms, Porter and Kramer (2011)'s conception of shared value implies producing products in response to societal needs, working to reduce a company's ecological footprint and conserve the use of natural resources, education of stakeholders, concern for employees and working to provide income opportunities for the members of the community in which the company operates in collaboration with external partners.

The current study reveals that the case companies are creating shared value by adopting strategic CSR (SCSR) approach and undertaking environmental responsibility initiatives. The case companies focus on the education of stakeholders, providing the right quality of product, concern for employees, environmental management systems (EMS), green products and green transportation. Thus the finding of this study as regards the second research question corresponds to the extant literature on shared value. However, one significant finding of this study concerning the creation of shared value, is that each sector analysed pursued a different approach to SCE in order to create shared value. In other words, the approach to create shared value differs from sector to sector, as revealed by the current study. As discussed in Chapters 5 and 6, the oil marketing sector pursues a green bottom line approach to the creation of shared value; the pharmaceutical sector has adopted a social bottom line approach, and the food and beverages sector has adopted a balanced approach to create shared value. The difference in approach to SCE, and hence shared value creation highlights the context sensitivity of the phenomenon of SCE. This study finds that the case companies are creating shared value in Pakistan by engaging in the process of SCE. Maximum shared value is generated when companies launch products in response to societal needs. However, there are significant sectoral differentials in their approach to SCE and the creation of shared value, which lead the researcher to conclude that the practice of SCE varies from sector to sector. Therefore, the process of



SCE is highly context sensitive and one must pay close attention to the context when studying or describing the phenomenon of SCE.

### 7.2.3 Third Research Question

What are the challenges faced by the case corporations in the selected sectors with regards to the practice of sustainable corporate entrepreneurship in Pakistan?

Challenges are inevitable in any process. Challenges constrain the happening of an optimal condition, which, in the current study, is the creation of shared value. As stated in the previous section, the phenomenon of SCE is highly context sensitive, with the practice of SCE varying from sector to sector, even within a single country. Therefore context assumes a significant importance in the study of SCE and the challenges surrounding its practice. This study was conducted in the context of a developing country, namely Pakistan. In a developing country, there is a pressing need for environmentally and socially responsible business initiatives (Prahalad and Hart, 2002; Jamali and Sidani, 2011). Developing countries are characterized by deteriorating economic conditions (Ite, 2004; Visser, 2006), lack of infrastructure (Porter and Kramer, 2006), weak institutional environments and corruption (Dobers and Halme, 2009), and are often war-torn (Jamali and Mirshak, 2010). Thus businesses in developing countries have to deal with the above mentioned less than favourable contextual conditions in the process of creating shared value.

The current study finds that the biggest challenges faced by the case companies in Pakistan are deteriorating economic conditions, the energy crisis and the worsening security situation. The economic issues of declining purchasing power, high inflation and depreciation in the value of local currency within the economic context are having a significant impact on the demand for the products of the case companies in Pakistan. The energy crisis and worsening security situation are having a negative impact on the operations and expansion plans of the case companies. The current study finds that no company can operate at full capacity, because of the energy crisis, which

further leads to a rise in the prices of products, thus causing inflation. Therefore, in Pakistan, inflation is more or less supply-side driven. The security situation is worsening because of sectarian and ethnic violence, and terrorism. The current study concludes that the less than favourable contextual conditions constrain the maximization of shared value, and hence negatively affect the process of SCE. These contextual challenges were mentioned to some degree by every research participant, and support was also found in the extant literature on CSR in developing countries, which has been cited above. Thus, this conclusion about contextual conditions is supported both by the literature and the empirical data collected and analysed by the researcher.

#### **7.2.4 Fourth Research Question**

What are the differences in sustainable corporate entrepreneurship practices between national and multinational corporations in the context of Pakistan?

Based on an understanding of the wider economic and social dynamics of the research context, the researcher expected that there would be differences between the SCE practices of national and multinational companies. This is because SCE is a highly westernized concept. The discourse on SCE and its components (CSR, environmental responsibility) emerged in western developed countries (cf. Carroll, 1979; Freeman, 1984; Fombrun and Shanley, 1990; Miles and Covin, 2000; Porter and Kramer, 2006; Dean and McMullen, 2007). This discourse on SCE and its components had profound effects on the SCE practices of big multinational companies, such as the Royal Dutch Shell, Nestle S.A, Wal-Mart, BP, Unilever, Johnson & Johnson, etc. Nestle S.A, in particular has formally adopted the 'Creating Shared Value' (CSV) concept suggested by Porter and Kramer (2006), in all the countries where it operates. In addition to the discourse on SCE and its components, increased stakeholder activism (Klassen and Whybark, 1999) and stakeholder demands for socially and environmentally sustainable products (Porter and Kramer, 2011) also compelled multinational companies to change their approach to business worldwide, by incorporating green and social bottom lines in their evaluation of business operations. Therefore, it was expected, from the beginning of the

study, that there would be differences between the SCE practices of multinational and local companies.

The current study finds that there are significant differences between the SCE practices of local and multinational companies, as discussed in section 5.5 of Chapter 5. In general, the study finds that the subsidiaries of MNCs operating in Pakistan are comparatively larger in size than their local competitors, have huge budgets for their SCE initiatives, have support from parent companies for their CSR efforts and have imported elaborate mechanisms and standards from their parent companies to meet their environmental and social responsibilities. Local companies, apart from PSO, tend to follow the SCE initiatives of their multinational counterparts, even though they are comparatively smaller in size and have less budget for their SCE initiatives. To compensate for their smaller size, they produce and market low-priced products to generate revenue and capture the market share from their multinational competitors. Thus, on the basis of these findings, the current study concludes that the dominant SCE model in Pakistan has been defined by the subsidiaries of MNCs who import the inherent characteristics of that model from their parent companies, which is followed by the local companies, except for PSO. PSO has more governmental control and support, has vast resources and has been very innovative from the onset. Therefore the SCE initiatives of PSO are quite distinct, superior and innovative compared with its multinational competitors (SPL and TPPL) in particular, and with the local companies in general (see section 5.3.1 for a discussion of SCE initiatives of the oil marketing sector).

### 7.3 Contributions Made by this Thesis

The current study contributes to knowledge in a number of ways, as it combines perspectives from the fields of entrepreneurship, CSR and environmental responsibility. Firstly, this research moves the discourse on sustainable entrepreneurship forward by empirically exploring the process of sustainable entrepreneurship in the context of large corporations in a developing country. As discussed in Chapter 2 that with the exception of few studies (cf. Miles *et al.*, 2009; Schaltegger and Wagner, 2011), a majority of previous studies approach sustainable entrepreneurship from the perspective of natural environment while ignoring the social responsibility of businesses (see Table 2.2 in Chapter 2). Moreover, those studies which incorporate social responsibility alongside environmental responsibility, as key components of sustainable entrepreneurship, are conceptual in nature and tend to be prescriptive (cf. Shepherd and Patzelt, 2011). Extant research on sustainable entrepreneurship has focused on small firms and individual entrepreneurs in the context of developed countries and disregards the role of large corporations in leading to sustainability. Thus, the current study is the first study which addresses these gaps in knowledge by exploring the SCE initiatives of large companies and moves the field forward by bringing in a developing country perspective to the debate surrounding sustainability.

Secondly, another important contribution of this research is the clarification and empirical operationalization of the concepts of SCE and shared value as grounded in, and stemming from the rich empirical data in the context of a developing country. These concepts have been conceptually described in the previous studies (cf. Porter and Kramer, 2006; Atiq and Karatas-Ozkan, 2013), but have not been empirically operationalized so far. A developing country perspective is important mainly because the dynamics of a developing country differ from those of a developed country. For instance, a developing country is characterized by lack of skills and expertise (Visser, 2006), reliance on foreign aid (ibid), limited role of the Government in the welfare of its citizens, low disposable income (Prahalad and Hart, 2002), weak institutional environment (Dobers and Halme, 2009) and corruption (Jamali and Mirshak, 2010). The

presence of such characteristics gives a new meaning to the western operationalization of the concepts of SCE and shared value. Therefore, my thesis makes a significant contribution to the existing knowledge on SCE by empirically operationalizing the concepts of SCE and shared value in the context of Pakistan. This empirical application and further theorising, based on rich empirical data, has paved the way for future research and further development of the field of SCE by providing an empirically grounded theory of SCE.

Thirdly, my research reveals that SCE is highly context sensitive. I find significant differences, not only in the SCE practices of multinational and local companies, but also in the SCE approach of each sector. Thus, this study adds to the existing knowledge on SCE by highlighting the context sensitivity of the process of SCE. The sectoral differences regarding the SCE approach is an important finding of this thesis and contributes immensely to the existing scholarly understanding and knowledge about the process of SCE. This research shows that indeed, SCE is a social process which is shaped by specific socio-cultural (Steyaert and Katz, 2004; Anderson and Warren, 2011) as well as sectoral context. This is an important contribution of my thesis because previous studies have not discussed and viewed SCE as being context-sensitive.

Fourthly, the current study also contributes to the theory of CSR by highlighting the strategic use of CSR to create value not only for society, but also for the company simultaneously. Indeed, this research reveals how case companies in Pakistan are utilizing the power of SCSR in creating shared value. Some conceptualizations of SCSR limit it to strategic philanthropy only (cf. Jamali and Mirshak, 2006; Jamali, 2007) while others conceptually describe the theory of SCSR as a means to creating shared value (cf. Lantos, 2001; Porter and Kramer, 2006; 2011). This study advances the discourse on SCSR forward, by empirically demonstrating that SCSR is much more than just strategic philanthropy; it is equally about creating products in response to unmet societal needs, educating stakeholders, engaging in trust-building activities and showing concern for employees to create shared value. This is only possible when an opportunity-centred approach is combined with CSR in the

quest to create shared value. Thus, my thesis contributes to the evolving literature on SCSR by showing what SCSR means and how it is practiced by large companies in the context of Pakistan.

The fifth contribution made by this thesis is the adoption of social constructionist approach as the underpinning research paradigm to reveal the complexities of the process of SCE. As discussed in Chapter 3, previous entrepreneurship studies have utilised social constructionist approach to reveal the 'social construction' of the process of entrepreneurship but their focus has been on individual entrepreneurs and small firms (see Table 3.2 in Chapter 3). This study makes a methodological contribution by applying a social constructionist lens to explore the sustainable entrepreneurial practices of large corporations in the socio-cultural context of Pakistan. Social constructionist approach has not been applied in previous studies to explore SCE (cf. Cohen and Winn, 2007; Morrish *et al.*, 2011) and thus, the current research moves the field of SCE forward by revealing how the corporate managers construct their reality regarding what SCE means to them, and how and why they enact this socially constructed reality in their social world.

The sixth contribution of this thesis is that it highlights the contextual challenges faced by both multinational and local corporations in the process of creating shared value. Previous studies on sustainable entrepreneurship have only presented SCE as a process of creating win-win situation for both the business and society (cf. Menguc and Ozanne, 2005; Dean and McMullen, 2007) and have overlooked the challenges faced by businesses with regards to the execution and implementation of sustainable entrepreneurial initiatives in the context of a developing country. This research significantly contributes to the field of SCE by presenting a theoretical framework of SCE which presents SCE as not only a process of creating shared value but a process, the value of which is constrained by contextual challenges of economic conditions, the energy crisis and the security situation of Pakistan.

Despite the contributions of the thesis, the study is not without its limitations which are discussed in the ensuing section.

## **7.4 Limitations and Suggestions for Future Research**

The current study was only conducted in three sectors of Pakistan, and therefore the findings of this study may not extend to the whole of Pakistan's corporate sector. Moreover, this research was carried out only to gain an understanding of how corporate managers, who are involved in the design and implementation of SCE initiatives understand and construct the meaning of SCE. The consumers' or general public's views about the SCE initiatives of the case companies were not taken in to consideration. Hence this thesis does not present the entire picture of how SCE is practised by companies and perceived by consumers. The thesis is only confined to how corporate managers construct their reality regarding the process of SCE, as their respective organizations aim to create wealth for their shareholders by combining an opportunity-centred approach with CSR and environmental responsibility. Additionally, the heavy reliance on interviews as the source of primary data is also a limitation in itself. This is because interviewees, as representatives of their respective organizations, may engage in impression representation, i.e. making big claims regarding the sustainable entrepreneurial initiatives of the case companies.

The limitations of the current study, highlighted above, open up new avenues for further research. Future research should explore the perceptions of the general public towards the SCE initiatives of the case companies in the current study. Such future work could immensely contribute to the knowledge, amongst academics and practitioners alike, of how the SCE initiatives of the corporate sector are perceived by the general public in the context of a developing country, and whether the public is knowledgeable about such complex, contextual and value-creating initiatives.

Another future avenue for research on the process of SCE in the context of Pakistan is to expand this notion of SCE to small and medium-sized enterprises (SMEs). Such future research could explore the phenomenon of sustainable entrepreneurship in different sectors of Pakistan, focusing exclusively on SMEs and the challenges that they face in creating shared value.

Future research could also take the form of a theory-testing positivist research, that could test the theory generated in the current research on a large sample of multinational and local companies, to validate the findings of the current study and generalize them to the whole corporate sector of Pakistan. Such future work could significantly contribute to the growing field of SCE, and add to the developing country literature. The insights gained from such future work could then be generalized in other developing country contexts. Another research opportunity lies in a comparative study of cross-country SCE practices. In particular, studies comparing and contrasting the SCE practices across a developing and a developed country would significantly add to the existing knowledge on SCE.

## **7.5 Conclusion**

This chapter presented the conclusions of the current study by building on the previous chapters. Specifically, the research aim, questions and methodology were revisited to assist in drawing conclusions of the study. Extant literature and findings of the current study were compared, which led to the development of plausible conclusions of the current research. The contributions of this study and how this study moves the field of SCE forward, were discussed. Limitations of the study, which included mostly the issue of generalizability and limited scope, were highlighted. The discussion about limitations of the current study led to a discussion of future research avenues. The main contribution of this chapter was the drawing of conclusions, together with suggestions on future research agenda regarding SCE.





# Appendices

## Appendix A

### Interview Questions (Broad questions)

Q-1 What is entrepreneurship in your opinion?

Q-2 What is CSR in your opinion?

Q- 3 How is your organization contributing to society? (specific examples)

Q-4 How can an organization create value for itself and the society simultaneously?

Q-5 What are the opportunities and constraints for doing good in Pakistan?

Q-6 Can you recall some instances of entrepreneurial behaviour from your company in terms of business operations, CSR, and environmental responsibility?

Q-7 What are the benefits of behaving in environmentally and socially responsible manner?

Q-8 What were the reasons for doing/not doing ISO 14000 certification?

Q-9 How your organization differs from other organizations in your sector with regards to CSR and environmental responsibility?

Q-10 How do you assess the success of eco-friendly and CSR initiatives?

Q-11 What is the response of Pakistani consumers towards your eco-friendly products?

Q-12 How would you describe the culture of your organization? What values drive this company?

Q-13 What are the challenges that your company is facing in the Pakistan?

**An Additional Question for Pharmaceutical companies**

Q-14 People complain a lot about the quality of medicines that right quality medicines are not available and they are all fake. Second issue is that of bribes offered to doctors by various pharmaceutical companies. How is your company playing its role with regards to these two major issues?

## **Appendix B**

### **Consent and Introductory Letter**

Dear Sir/Madam

I am a PhD student at the University of Southampton, UK and I am also working as a lecturer at IM|Sciences, Peshawar. My research topic for PhD is “Sustainable Entrepreneurship in Pakistan’s Corporate Setting”. Sustainable entrepreneurship refers to the creation of value for the business and the society simultaneously by taking entrepreneurial and sustainability approaches towards business operations. In essence, sustainable entrepreneurship refers to such business practices that create shared value. The objective of my research is to examine how sustainable entrepreneurship is being practiced by companies in Pakistan. I aim to know why sustainable entrepreneurship is important for the companies in Pakistan and how they are creating shared value by attending to CSR, environmental responsibility, and business operations at the same time. The results of this research will be significant in highlighting the role of companies that are playing important role in improving the standard of living of the people of Pakistan.

This research will be carried out by interviewing the executives of both companies. An interview will normally take 40-50 minutes. The interview will be centred around CSR, entrepreneurship, shared value, sustainable development, corporate culture and history, company operations, and eco-friendly products.

The interviewee will have a right of not being named in any part of the research report without permission. Please select one of the options given below.

I hope that you will extend me your kind co-operation. I am grateful for giving me your time and participating in this research.

**Name:** \_\_\_\_\_ **Designation:** \_\_\_\_\_

- My name and designation can be used in any part of the research report
  
- My name and designation cannot be used in any part of the research report

**Signature:** \_\_\_\_\_

## Appendix C

### An Example of Contact Summary Sheet

#### Contact Summary Form

**Interviewee:** Mr. XYZ

**Site:** Engro's Office, University Road,  
Peshawar.

**Contact Date:** November 14, 2011

**1- Which main issues/themes were discussed?**

CSR initiatives of Engro, shared value creation, opportunities and constraints for SE in Pakistan, entrepreneurial initiatives of Engro, SE initiatives of Engro, future plans and current market position of Engro, rationalizing investment in SE initiatives, corporate culture of Engro, waste created by the sector, differences between the SE initiatives of Engro and its competitors, challenges faced by Engro, lack of awareness in public regarding good corporate deeds

**2- What information and/or documents were obtained?**

No document was collected.

**3- How well did the interview go?**

The interviewee was very friendly and open and gave a tape recorded interview. He discussed the above mentioned issues openly and in detail. It can be regarded as a high quality interview. However, due to unknown reason he is not giving me access to first line managers working under him. Repeated contacts have yielded no result.

**4- What new questions do you have or the questions you want to focus on during next wave of data collection?**

The SE initiatives and shared value creation by Engro. Market share of Engro in dairy sector and in ice cream sector, entrepreneurial initiatives of Engro in terms of business operations, CSR and ER, and ISO 14000 certification.

## Appendix D

### List of Codes

Theme	Code
Certification	CERT
Certification - Benefits	CERT-BEN
Challenges	CHALL
Challenge - Circular Debt	CHALL-CD
Challenge - Country of origin Effect	CHALL-COE
Challenge - Competition	CHALL-COM
Challenge - Energy Crisis	CHALL-EC
Challenge - Fake Oil	CHALL-FO
Challenge - Infrastructure	CHALL-INF
Challenge - Less Awareness	CHALL-LAWR
Challenge - Low Literacy Level	CHALL-LLL
Challenge - Law and Order	CHALL-LO
Challenge - Poor Economic Conditions	CHALL-PEC
Challenge - Poor Economic Conditions - High Cost of Business	CHALL-PEC-HCB
Challenge - Poor Economic Conditions - High Interest Rate	CHALL-PEC-HIR
Challenge - Poor Economic Conditions - Low Profit Margin	CHALL-PEC-LPM
Challenge - Poor Economic Conditions - Less Purchasing Power	CHALL-PEC-LPP
Challenge - Poor Economic Conditions - More Governmental Regulation	CHALL-PEC-MGR
Challenge - Poor Economic Conditions - Rupee Depreciation	CHALL-PEC-RD
Challenge - Poor Economic Conditions - Rising Inflation	CHALL-PEC-RIN
Challenge - Unethical Practices	CHALL-UP
Challenge - Unstable Political	CHALL-UPC

Conditions	
Corporate Social Responsibility	CSR
Corporate Social Responsibility - Corporate Philanthropy	CSR-CPHL
Corporate Social Responsibility - Context Sensitivity	CSR-CS
Corporate Social Responsibility - Programmes	CSR-PROG
Corporate Social Responsibility - Strategic	CSR-STR
Corporate Social Responsibility - Employee Centred	CSR-EMP
Corporate Social Responsibility - Ethical Practices	CSR-EP
Entrepreneurial Initiatives	ENI
Entrepreneurial Initiatives - Product Innovation	ENI-PDI
Entrepreneurial Initiatives - Innovation in Business Operations	ENI-IBO
Entrepreneurial Initiatives - Entrepreneurial Culture	ENI-ECUL
Shared Value	SHV
Shared Value - Benefits	SHV-BEN
Shared Value - Constraints	SHV-CON
Shared Value - Opportunities	SHV-OPP



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