



Business Case of Corporate Social Responsibility

The Case of Columbia Garments Limited in Bangladesh

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Abstract

Purpose – This whitepaper provides insight into the business case of corporate social responsibility with special reference to Columbia Garments Limited in Bangladesh. Therefore the study needs to analyse how CSR practices can result in increased financial and non-financial performance of this factory.

Methodology - Qualitative data were collected from primary sources through observation and in-depth interviews with the key person who is directly involved with CSR implementation in the company. Secondary data were collected from the published official statistics, report document, laws, ordinance, books, articles, periodicals of different domestic and international agencies etc. All the data were incorporated in the analysis according to their suitability and needs with due care and acknowledgements.

Findings – The paper provides evidence about the mechanisms, external and internal conditions and model to create a business case for CSR. A CSR impact assessment was developed including qualitative CSR impacts and the development of the monetary CSR value added. The application of the CSR impact assessment systematically identified all relevant CSR business impacts on a company-specific level and that can serve as a basis for rational decision-making concerning a company's CSR strategy and activities. This is a significant contribution to further strengthen the competitiveness in the future not only for this company but also other companies.

Research implications – The research also revealed that through one-time CSR costs and continuous CSR costs overall costs increases. On the other hand, through revenue increases by some variables such as sales increase, employees efficiency, reputation and savings from costs decreases by some factors the overall benefits of the company increases. So, it can be said that for practicing CSR in the factory both costs and benefits increases, but CSR benefits are higher than that of CSR costs.

Practical implications – The overview, the business case of corporate social responsibility in this white paper serves as input for the continuous development of CSR practices in the readymade garment (RMG) industry of Bangladesh.

Preface

This whitepaper provides insight into the business case of corporate social responsibility special reference to Columbia Garments Limited in Bangladesh. Therefore the study needs to analyse how CSR practices can result in increased financial and non-financial performance of this factory.

The Case Study of Columbia Garments Limited

The study was conducted on Columbia Garments Limited, Gazipur, Bangladesh. This garment factory has been selected on the basis of convenience of the researchers to do business case research in light with corporate social responsibility. Nowadays, people are very concern about fashionable readymade garment products. Besides, the customers are also very much aware about the society and environment. For this reason the customers consider the garments factories that give more concentration on the corporate social responsibility. At the time of their buying of RMG products customers consider the factories that are conscious about compliance and CSR. If RMG manufacturers consider corporate social responsibility as their social compliance then there is a great opportunity to capture

the market and sustain for a longer period of time.

The Start of the CSR Journey

The top management of Columbia Garments Limited informed that, they had heard about CSR in the year of 2004 and they were concerned about CSR in 2005 as well as started to implement it in the same year. they practices fire safety, free lunch facilities, social compliance, health & safety, structural safety, environmental safety & awareness, green concept and C-TPAT(Customs-Trade Partnership Against Terrorism) as their CSR activities.

Relationships with Buyers

The factory faces direct pressure from the buyers to execute/implement CSR in the factory. They also mentioned that their major stakeholders of CSR are the buyers, employees, BGMEA, social media, ACCORD, Alliance and WRAP. Because of implementation of CSR they received recognition from ACCORD, Alliance and WRAP and they termed it as their achievement from CSR.

Relationships with Employees

The company organizes training sessions regularly for their employees to enhance the understanding of CSR as well as they mentioned that the overall reputation of

the company has been increased because of CSR implementation.

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Introducing the relevance of Corporate Social Responsibility

The history of human civilization is the history of development. The impact of this development is not always smooth as most

of the development activities come at the expense of huge amount of resources extracted from the nature. With the expression of development an emerging

term “sustainable development” also gains lots of attention. Sustainable development is all about the best uses of the resources to meet current necessity without hampering the future demand (Tietenberg, 1988). It tries to find out ways to do things in an improved manner for both present and future. As the sustainable development is based on three pillars – social, economic and environmental, now-a-days this term is much more correlated with the business and it further encourages the initiatives of sustainable business practices, for example. Conciliation with the continuous compulsions in international development for the survival of the planet, the business world spreads its goals beyond the boundary of profit maximization and adjusts itself with a paradigm of corporate social responsibility (CSR). The term Corporate Social Responsibility has been in existence after 1950’s where the consumers started to generate a view that businesses has a great power to solve the major global problems and can make world habitable and from that view this term generate (Carroll and Shabana, 2010). The concept of CSR make the business perform functions ethically and also made them dedicated to the economic development by the up grading of the quality of life of employees and their families along with the society as a whole (World Business Council for

Sustainable Development ,2000). Basically, corporate social responsibility is the overall relationship among the stakeholders of the business and it bridges a good relationship among the customers, employees, communities, owners/investors, government, suppliers and competitors (Khoury et. al, 1999).

Bangladesh has emerged as a key player in Readymade Garment (RMG) sector since 1978. Textile and Ready-Made Garments industries are the key contributor of the economic growth of Bangladesh since past two decades. Textiles and clothing account for about 85% of total export earnings of Bangladesh. It is the largest sector of foreign export and it was about 78.97% in the fiscal year of 2010-2011 (BOI, 2012). This sector is a very labor intensive industry and maximum workers are female. Beside, comparing with the other industries the number of firms in the sector is very high, Hence, the corporate sector incorporated with this Textile and RMG sector might take incentives towards their social responsibility and can introduce different incentives to improve the implementation of CSR as a whole. In the competitive field of business environment, many companies had a strategic planning for implementing the CSR practices in their organizations, but still many companies in Bangladesh still termed CSR in a philanthropic point of view and most

of them are investing in such a way that they are contributing in traditional way rather than doing business by CSR.

So, a system must be developed for CSR impact assessment, including qualitative CSR impacts and the development of the monetary CSR value added. The application of the CSR impact assessment systematically identify all relevant CSR business impacts on a company-specific level and that can serve as a basis for rational decision-making concerning a company's CSR strategy and activities.

1. Theoretical background of the business case for CSR

To find out the research gap, it is essential to review the related research works such as articles, books, research reports, PhD research dissertations and many other research publications. The review of literature can help the researchers for building up the conceptual framework about certain topics. So, to assume the research problem and find out the specific research gap, literature reviews are considered an essential assignment (Uddin, 2004). In order to fulfill the above purpose, some selected reviews have been presented below:

The study exhibits that the company who promotes its message by giving emphasis on CSR through advertisement with cause-related marketing can create favorable

attitude of the customers toward the company (Nan &Heo, 2007).

Corporate social responsibility is mostly practiced in developed countries, whereas in developing countries it is still a concept of social initiative. When consumers are buying similar products with same price and quality then they consider the firm that has a socially responsible reputation (Arli & Lasmono, 2010).A research found that conscious consumers have a great influence on their buying behavior that consider corporate social responsibility rather than price of the products (Mohr & Webb, 2005).

Wise & Ali (2008) by examining a case study linked corporate governance with ethical business processes by giving emphasis on corporate social responsibility. It is highly expected to have corporate governance for a sensible use of corporate resources. There is a great control of multi-dimensional cultural factors on a society's corporate governance and corporate reporting processes. For exploring corporate governance, two cases of Bangladesh and one case of an international company were discussed. Their study experienced that corporate governance has a multi flow-on impact on corporate social responsibility. Ahamed (2013) in his article showed that in establishing International Labor Standards has some tumbles and social

compliance can be incorporated into the RMG industry in a large extent. To establish social compliance and to remove labor unrest from the RMG sector an effective monitoring and surveillance system model could be used which is suggested by the author.

The study has been designed to investigate whether Corporate Social Responsibility orientations have shifted in their priority in response to society's changing expectations. For this sample of U.S.-based multinational chemical subsidiaries, it appears that the top priority continues to be economic responsibilities, followed closely by legal responsibilities (Pinkston & Carroll, 1996).

Nijhof and Jeurissen (2010) clarified that corporate social responsibility (CSR) has come a long way by the prevailing business case approach, but increasingly hits a glass ceiling. The glass ceiling metaphor refers to the inherent limitations created by a business case approach towards CSR. It is especially argued in the paper that a business case approach results in opportunism, leaves institutional blockades intact and drives out the intrinsic motivation for engaging in CSR. Although the paper builds on earlier articles on limitations of a business case approach, it is the first paper to argue for a glass ceiling of CSR created by the inherent limitations of such an approach.

2. Purpose of this Study

The main purpose of the study is to get insight in the effectiveness of business case of CSR in the RMG factories of Bangladesh. Therefore the study needs to analyze how CSR practices can result in increased financial and non-financial performance of these factories. Besides, the researchers have identified some specific objectives and these are as follows:

1. To depict and evaluate the present CSR practices in the readymade garments (RMG) industry of Bangladesh.
2. Explore the best business cases CSR practice which may be the role model for the existing RMG corporations in Bangladesh.

3. The Main Research Questions

Main research question is what mechanisms transform CSR practices into financial and non-financial performance in Bangladeshi RMG factories.

To get the answer of the main question few sub-questions have been raised critically but categorically to reconcile the research objectives. The raised sub-questions are as follows:

1. What are the activities/approaches regarding CSR in the RMG factories?

2. What are the driving factors that initiated the implementation of CSR context?
3. What are the financial and non-financial benefits of CSR initiatives?
4. How to create motivation for implementing CSR in business organizations?

The conceptual framework of any study is a crucial phenomenon that guides the researchers in conducting a systematic research. Construction of a conceptual framework is often necessary for guiding the researchers toward implementation of a study based on set objectives (Uddin, 2004). The conceptual framework of the study is presented below:

5. Value Drivers for CSR

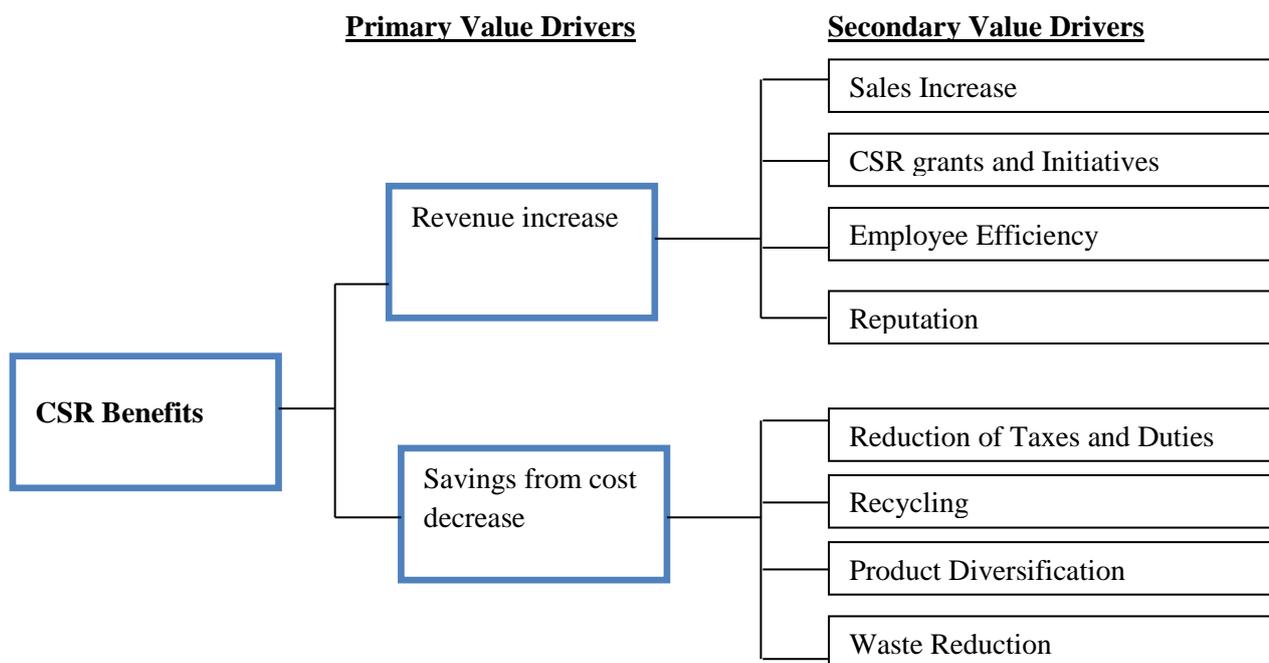


Figure 1: Drivers of CSR Benefits

Source: Adopted based on Weber, M. (2008), P. 254.

CSR Benefits: CSR benefits can be received if revenues increase or savings from costs decrease due to the CSR involvement of a company (see Figure 1).

CSR-induced revenue increases can come from additional sales due to increases in sales quantities, CSR grants and initiatives, employee efficiency, and reputation

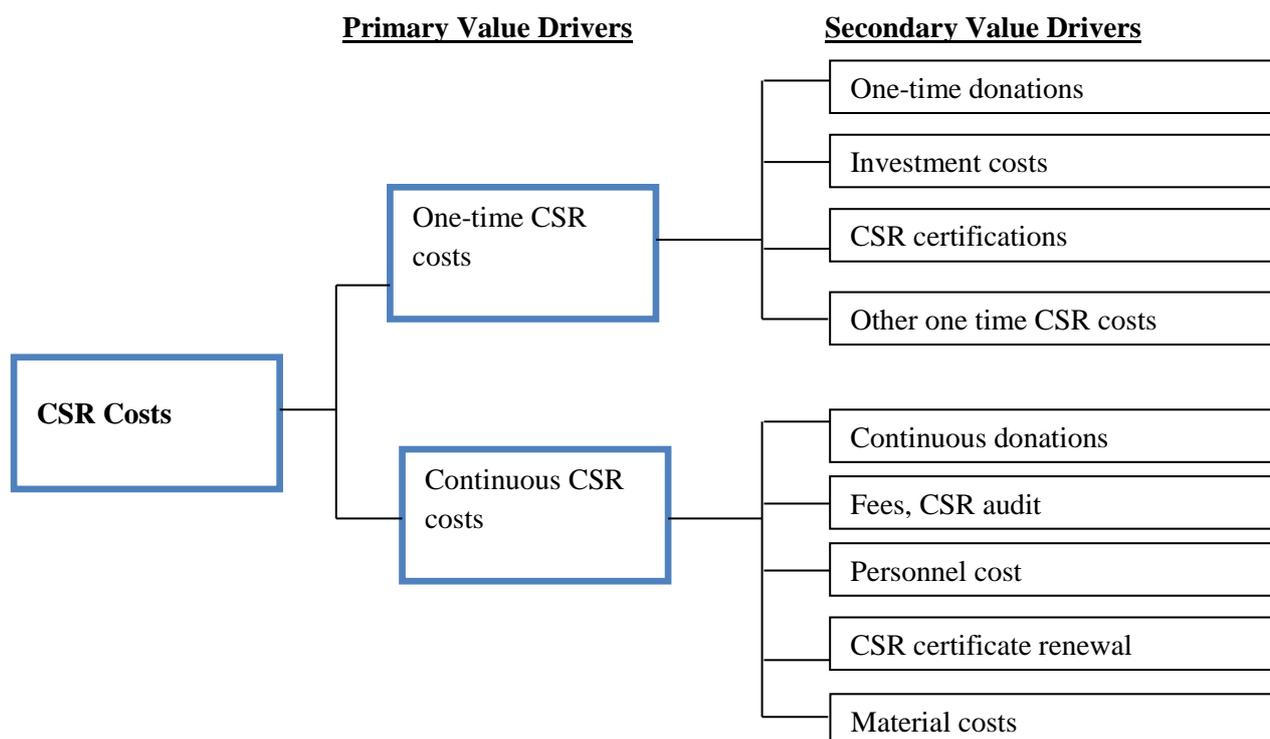


Figure 2: Drivers of CSR Costs

Source: Adopted based on Weber, M. (2008), P. 254.

CSR Costs: CSR costs can be increased due to two kinds of CSR costs, such as one-time CSR costs and continuous CSR costs (see Figure 2). One-time CSR costs include one-time donations, investment costs, CSR certifications, and other one-time CSR costs. Whereas, continuous CSR costs include continuous donations, CSR audit fees, CSR certificate renewal, personnel cost, and material costs.

6. The Case Study of Columbia Garments Limited

The study was conducted on Columbia

Garments Limited, Gazipur, Bangladesh. This garment factory has been selected on the basis of convenience of the researchers to do business case research in light with corporate social responsibility. Nowadays, people are very concern about fashionable readymade garment products. Besides, the customers are also very much aware about the society and environment. For this reason the customers consider the garments factories that give more concentration on the corporate social responsibility. At the time of their buying of RMG products customers consider the

factories that are conscious about compliance and CSR. If RMG manufacturers consider corporate social responsibility as their social compliance then there is a great opportunity to capture the market and sustain for a longer period of time. For the study qualitative data were collected from primary sources through observation and in-depth interview with the key person who is directly involved with CSR implementation in the company. Secondary data were collected from the published official statistics, report document, laws, ordinance, books, articles, periodicals of different domestic and international agencies etc. All the data were incorporated in the analysis according to their suitability and needs with due care and acknowledgements.

- **The Start of the CSR Journey at Columbia Garments Limited**

A question was raised to Columbia garments that when they heard about CSR. They informed that they heard about CSR

in the year of 2004 and they were concerned about CSR in 2005 as well as started to implement it in the same year. In discussing with the questionnaire, they informed that they have implemented CSR in full swim in the factory. According to their opinion they practices fire safety, free lunch facilities, social compliance, health & safety, structural safety, environmental safety & awareness, green concept and C-TPAT(Customs-Trade Partnership Against Terrorism) as their CSR activities. The driving factor that motivating them to implement CSR is to produce a quality product by creating a sound working environment.

- **Value Drivers at Columbia Garments Limited**

Based on the interviews and documents studied at Columbia Garments Limited, estimation is made for the impact of CSR on the different value drivers. This is presented in Table 1.

Table 1: Outcomes of CSR Implementation

Criteria	Before CSR implementation	After CSR implementation
Production unit	-	-
Labor turnover rate	5-10%	4-5%
Total number of labor	-	-
Workers efficiency rate	60%	80%
Audit quality	50%	100%
Productivity	50%	80%
Employee motivation	50%	80%

From table 1, it was found that regarding “labor turnover rate” they have given their

opinion that before CSR implementation labor turnover rate was 5-10%, whereas

after implementing CSR, they received comparatively a good result in labor turnover rate, which is 4-5%.

In case of “efficiency rate” they have given their opinion that before CSR implementing their workers efficiency rate was 60% on other hand after implementing CSR their workers efficiency rate increased in a tremendous way and that was 80%.

Regarding “Audit quality” a surprised (may be surprising) development was found, (which is) remarkable to others. The audit quality was 50% before CSR implementation whereas it was 100% after executing CSR. In view of “Productivity” their opinion was that their productivity increase from 50% to 80%, which was remarkable.

It is found that there were no reduction of taxes and duties because of implementing CSR in their factory. As well as they do not have any mechanism of recycling, product diversification and waste reduction that can positively affect on savings through cost reduction.

In case of “Employee Motivation” after practicing CSR the employee motivation increased up to 30%. They have not provided any information about the changes before and after CSR implementation in their factory, regarding

‘production unit’ and ‘total number of labor’.

They have no one-time CSR costs regarding one-time donations and investment costs that can impact on overall CSR costs increases.

During practicing CSR their overall cost was increased 10–20% and they accepted this cost. They don’t think it as their liability but it is their responsibility towards the society. They argued that increase of productivity ultimately emphasize on overall cost reduction which is profitable to the company and thus it was considered as their “CSR profit”.

- **Relationships with Buyers**

The factory faces direct pressure from the buyers to execute/implement CSR in the factory. They also mentioned that their major stakeholders of CSR are the buyers, employees, BGMEA, social media, ACCORD, Alliance and WRAP. Regarding “sales increase” the factory personnel noticed that their sale has been increased up to 30% after implementation of CSR. Because of implementation of CSR they received recognition from ACCORD, Alliance and WRAP and they termed it as their achievement from CSR. The main buyers for the products of Columbia Garments Limited are presented in Table 2.

Table 2: Major Buyers and Their Countries

Buyer	Country
GAP	USA
Target	USA
Target	Australia
Uniqlo	Japan
Silver Moon	Canada

They were asked that whether they get any subsidies and reduction in taxes & duties due to CSR practices and they replied negative. So, some initiatives can be taken in this regards to accelerate CSR practices in the RMG sector of our country.

They are practicing CSR not only internally but also with some of their suppliers such and C&F agent and transport providing company and they mentioned that it is monitored regularly. It was also noticed that they have lots of compliance certifications, but they don't have any idea regarding CSR certification like "ISO-26000".

- **Relationships with Employees**

The company organizes training sessions regularly for their employees to enhance the understanding of CSR as well as they mentioned that the overall reputation of the company has been increased because of CSR implementation.

The person whom the team interviewed had expressed his comments about CSR as, "we have also lots of best practice in our factory. We provide free food during

lunch to all employees. We provide free treatment to poor workers, we provide seasonal fruits and we organize yearly picnic for the employees in each year. The whole company has a positive outlook towards the CSR activities whatever the cost involvement is".

From the overall findings and conceptual framework, this study shows that through one-time CSR costs and continuous CSR costs overall CSR costs increases. On the other hand, through revenue increases by some variables such as sales increase, employees efficiency, reputation and savings from costs decreases by some factors the overall CSR benefits of the company increases. So, it can be said that for practicing CSR in the factory both costs and benefits increases, but CSR benefits are higher than that of CSR costs.

- **Conclusion of the Case Study at Columbia Garments Limited**

As the Columbia Garments Limited, Gazipur, Bangladesh is practicing CSR; this study discussed the motivational

factors of CSR practice of the factory. From the investigation, it was possible to know about the mechanism, external and internal conditions and model to create a business case for CSR. A CSR impact assessment was developed including qualitative CSR impacts and the development of the monetary CSR value added. The application of the CSR impact assessment systematically identify all relevant CSR business impacts on a company-specific level and that can serve as a basis for rational decision-making concerning a company's CSR strategy and activities. This is a significant contribution to further strengthen the competitiveness in the future not only for this company but also other companies.

- **Recommendations based on this Case Study**

It is found that after implementing labor turnover rate was remarkably reduced in the factory. So, it is recommended that if the RMG factories of Bangladesh want to reduce labor turnover rate they should practice CSR.

It is observed that through CSR implementation workers efficiency rate is increased. For this reason the RMG industry should give priority toward their CSR activities.

It is seen that after successfully practicing CSR activities in the company, audit quality dramatically increases up to the mark. So, we can suggest that each and every organization might need to give more concentration on CSR performance.

Productivity is the key factor, which can play a vital role in profit maximization of the factory that can be enhanced through proper CSR implementation.

To motivate the employees of the organization, it is recommended to give concentration on CSR.

Though the overall cost of the organization increases because of CSR implementation, but in the long run the company is financially benefited.

7. Conclusion& Follow-up

The garment industry is the key export-earning sector and striking force in the field of industrialization for Bangladesh, as a developing country. This sector opened up employment opportunities to millions of unemployed, especially uneducated rural women (Rashid, 2006). At present, the Bangladesh garment industry is the largest industrial sector of the country. Most likely consumer expectations related to CSR have increased over the past five to ten years as: (1) the number of firms with social responsibility programs grew, (2) more firms communicated their efforts with the

public, and (3) consumer groups promoted firm wrongdoings and called for large-scale boycotts (Snider et al., 2003). Most of the time buyers expect companies to be involved in social initiatives and the buyers will reward them through their purchase behavior (Becker et al., 2006). The study will try to benefit the

stakeholders, such as buying houses, governments, factory owners, trade associations, Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) etc. through the outcomes.

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