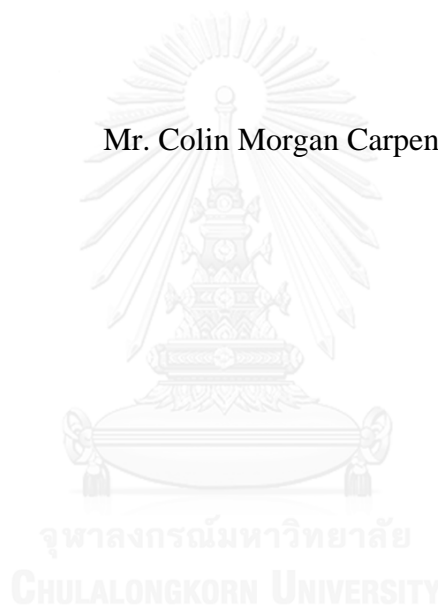


Corporate Social Responsibility in the Sugarcane Industry and Its Implications on Sustainable Development :  
A Case Study of Mitr Phol Sugar Corporation's CSR Policy and Practice in Suphanburi Province, Thailand

Mr. Colin Morgan Carpenter



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# Chapter I

## Introduction

### 1.1 Background and Significance of the Problem

#### 1.1.1 The Corporation and Corporate Social Responsibility

The concept of corporate social responsibility (CSR) certainly isn't new in the world of business. Forms and practices that resemble CSR activity have been traced back to early civilizations. Ancient Chinese, Egyptian and Sumerian writings give evidence that rules were composed for trade and commerce that considered the wider public's interest. It is surmised that public concern about the interaction between business and society has grown in proportion to corporate activity since history's earliest beginnings (Werther & Chandler, 2011).

In the 17<sup>th</sup> century, the mercantile actions of the East India Company were described as excessive and exploitative, and social activism on the part of the public mirrored the legal and commercial development of companies. Quakers and socialists came to the fore in the UK to promote and foster ideas of 'benevolent' capitalism (Henriques, 2003), which could replace the plunder of land and resources that came with colonial and mercantile expansion. The first consumer boycott, during the 1790s, was aimed at the production of slave-harvested sugar from the West Indies (Arndt, 2003), and is seen as a groundbreaking event when the public demanded general public to put a halt to the abusive and immoral practices in the sugar-cane industry, the British House of Commons became the first legislative body to vote for an end to the slave trade (Hochschild, 2005).

This historic example of civic activism and social change tells how business could be held accountable for its actions, and progress towards conducting more ethical activities. As Western Europe's market-based economies grew in geographical size, the wealth accumulated by mercantilists and industrialists put them into positions of power and influence. Being a political creation granted with limited liability, companies accumulated capital for their respective national governments. With their newfound positions of power, corporate leaders could offset social activism with philanthropy. Leaders may be held accountable to a diffuse group of stakeholders, who could delineate on how social obligations could be incorporated. Ultimately, social responsibility must be formed by corporate leaders who see themselves as stewards of resources owned by others – relevant stakeholders and the environment. The fundamental basis of social responsibility springs from the nexus between executive power and its commitments towards the demands of society.

The corporation has a significant impact on the outcomes of a society's employment, consumption, environmental quality and social issues among others aspects (Brammer, Jackson, & Matten, 2012). Corporations today have undoubtedly become the engines of the global market economies. The advent of globalization and international trade has placed new demands on corporations to enhance the transparency of their operations and increase the profile of their corporate citizenship. In a nutshell, the undeniable impact of the corporation's on today's world can be summed up in the words American leader and chairman of Interface Carpets, who stated the following in the 2003 documentary film *The Corporation*;

*“The largest institution on earth, the wealthiest, most powerful, the most pervasive, the most influential, is the institution of the business and industry – the corporation, which also is the current present day instrument of destruction. It must change.”*

(Anderson, 2003)

The concept of corporate social responsibility (CSR) has increasingly gained worldwide attention as it represents a synthesis between the societal demands and self-regulatory practices by corporations to become more sustainable and competitive on the market. It is a critical, yet controversial idea. Critical because the private sector is the largest and most innovative part of a liberal economy, and controversial because it undermines fundamental principle of why the corporate exists – to increase profits (Werther & Chandler, 2011). However, a contemporary ideas of 'strategic' CSR obliges the for-profit sector not only to address profit-maximization or market-share within its core operations, but also to fulfill the needs of a broad set of stakeholders in society and improve its social value. Today, CSR is increasingly seen as bridging the public demands of the non-profit and government sectors with the for-profit sector.

Academics have cited that the pressures of globalization and the neo-liberalization of the market have shrank the role of the state and caused regulatory vacuums, or gaps in governance otherwise known as 'governance deficits' (Levy & Kaplan, 2008). Some argue that the economics of globalization inevitably leads to irresponsibility and the exploitation of weak social and environmental standards, especially in lower-income countries (Lucas, Wheeler, & Hettige, 1992; Strike, Gao, & Bansal, 2006) In a nutshell, globalization has tilted the responsibility of economic management into the hands of MNCs, and as a result, contemporary CSR practice has emerged as a counterbalance to their crude capitalist modus operandi. With greater power comes greater responsibility; the corporation has become the new power broker that stretches its influence beyond the boundaries of nation states. The corporation's sustainability in an increasingly liberal and democratic world requires it to adapt progressive mechanisms to ensure that business operates “in a manner than meets and even exceeds the legal, ethical, commercial and public expectations that society has of business” (BSR, 2001).

CSR has been described as “a change from previously established views of corporations as the enemies, unconscious engines, or ungrateful beneficiaries of development” (Bendell, 2005). Today, executives and managers depend upon a balancing act. They tradeoff between the shareholders that employ them, society that allows them to prosper and the environment that provides the resources and raw materials for products and services (Werther & Chandler, 2011). When some of these issues are inadequately addressed, activism results. CSR is broadly conceptualized as a corporate tool to address deficits in corporate governance and undesirable actions made by the firm, and engage and be responsible to the wider public.

### 1.1.2 Evolution of CSR

CSR has become a popular topic among the academic, business and government bodies in society during a time of technological, environmental and socio-economic change (Virakul, Koonmee, & McLean, 2009). It was only a decade ago that CSR was described by Chief Economic Commentator of *The Financial Times*, Martin Wolf (2002), as “an idea whose time has come”. It has increasingly become a corporate priority -- according to global executive surveys which show that more than half of executives consider CSR as mandatory cost that could positively influence their market position (Economist, 2008). The neo-liberalization of the global economy has increased the scope of social power that companies have today (Tangsupvattana, 2012). It's not until recently that it has become an important concept in many global and regional organizations, who regard CSR as a response to the rising influence of the private sector in transnational governance (Srisuphaolarn, 2013).

Social initiatives by companies became vital due to their power and influence in decision making. The political reach of business became evident during the ‘robber baron era’ of the late 1800s, when the rise of industrial and agricultural monopolies dominated the American political economy. The relationship could be described as mutually beneficial, despite the risk of allowing the state to regulate the private sector. Carroll (2008) examined the period of the industrial revolution in the USA in the mid-1800s; a time when government was weak to regulate big business and its new ‘gilded’ ruling class. Corporations took on social responsibility and philanthropy to counteract any state regulation (Richter, 2001). However, the development of the anti-trust movement and the regulatory measures enacted at the beginning of the twentieth century attempted to control the crude capitalistic and monopolistic tendencies of the corporation.

After witnessing gross and malfeasant practices of the private sector, the idea that social performance should be tied to market performance took root. The corporation was a key player that could provide solutions to social problems, and not only act as a philanthropic institution (Ismail, 2009). Oliver Sheldon, a 1920s executive and business management innovator recognized that businesses had to raise their ethical standards and legitimacy in society (Bithta, 2003). Executives understood that social responsibility had to be integrated into contemporary management practice to appease the growing demand of the American labor movement (Brammer et al., 2012). CSR logic started to become a rational choice for companies.

In the aftermath of the financial crash that caused the economic depression of the 1930s, the legitimacy of unscrupulous profit-orientated business practices were called into question. The New Deal ushered in a period of public spending on social programs that acted to counteract the predictable problems that private business couldn't solve; such as, employment, unemployment insurance, social security pensions, farm prices and fraudulent financial dealings on Wall Street. This new wave of regulation was a true wake-up call for businessmen. Society had provided the playing field for businesses to survive by making their profits; however, society's expectations and standards of morality, ethics, and values began to determine societal obligations that businesses should fulfill.

After the rising tide of government regulation and welfare, it was in 1953 that the first academic concept of CSR emerged with Howard Bowen (Carroll, 2008). The actors of the private sector, businessmen, were responsible to "pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society" (Bowen, 1953). He contended that businessmen should act in line with societal expectations and values, and his publication is remarked as the first definitive book on the subject. This stance was challenged the following decades from such market fundamentalists such as Milton Friedman (1962) who viewed corporate responsibility as "fundamentally subversive". The real purpose of the corporation was to maximize shareholder wealth.

A conceptual shift occurred in the 1970s, when CSR was examined for his potential to enhance financial performance of the firm, instead of focusing on its macro-social effects (Kraisornsuthasinee & Swierczek, 2006). It was seen that corporate activities that promoted the wellbeing of society could be within the economic interest of the firm, and support the long-term interests of shareholders (Wallich & McGowan, 1970). However, the link between social responsibility and financial performance was perceived as weak during a time when society was concerned about the growing social and environmental impact of MNCs (Broomhill, 2007). Developing countries began to be systematically exploited by Western corporations, and most literature focused on how CSR could be integrated without conflicting with business interests.

The global restructuring of the 1980s spearheaded by the Bretton Woods Institutions through their Structural Adjustments Programs (SAPs) gave rise to neo-liberalism and the roll back of the state in both developed and developing countries. MNCs could exploit the regulatory differences between states and move their production capabilities where it was economically profitable for the firm. Multilateral agreements made in the 70s through the ILO, UN and OECD could do little to address this rise in corporate power and privatization sweeping the globe (Bendell, 2005). It's at this juncture that the economic and social goals of the private sector became tighter, and more multi-dimensional models of CSR were conceived. Carroll's (1979) CSR pyramid featured economic, legal, ethical and discretionary aspects that should be integrated into strategic goals. Wartick and Cochran (1985) modified Carroll's pyramid to include principles, processes and policies. Here, we can see the engagement of corporations in their own governance. Around the same time, notions that corporations should be managed with stakeholders in mind was posited by

(Freeman, 1984), and further reiterated by Wood (1991) who elaborated CSR models with organizational institutionalism and stakeholder management theory.

Although social activism had been an influential tool in reforming the environment in which business operate, it wasn't until the 1990s that activist criticism of corporate practices increased considerably (Broomhill, 2007). Demands from growing civil action groups for greater responsibility pressured corporations to tackle undesirable practices such as sweatshop and child labor. International trade unions, NGOs, human rights organizations and environmental groups demanded greater transparency and accountability for corporate actions; think the Union Carbide disaster in Bhopal, India or the *Exxon Valdez* oil spill in Alaska, USA. Increased dialogue between civil society and the private sector helped to align corporations to stakeholder models, which have become core to the CSR paradigm (Jones & Wood, 1995). A firm's various stakeholders are identified, and any strategic move made by the corporation are filtered through an impact evaluation to ensure legitimacy not only with laws, but with a wider public (Werther & Chandler, 2011).

Ultimately, the firm aims to accrue a business return from CSR by strategically balancing internal core competencies with external opportunities. It is this latest development in *strategic CSR* that underpins the concept we understand today. It has become an economically viable investment, a component of financial performance and a competitive advantage in today's liberal market place. In other words, CSR should generate benefits for enterprises, and its integration into value chains provides a competitive advantage for firms (Porter & Kramer, 2006). More simplistically, firms should strive to practice socially responsible business as a '*way to do well by doing good*' (Kotler & Lee, 2005). The effect that CSR has on financial performance continues to be researched empirically.

CSR has grown to be intertwined with sustainable development programs as early as the 1990s. The Earth Summit organized by the United Nations in 1992 called for the co-operation between state and private sector to reduce environmental destruction and pursue business growth while addressing environmental impacts (UN, 1992). New 'ecological efficient' commitments from corporations with large manufacturing sectors were given as firms started to realize the natural resource-based nature of their operations. Referred to as Agenda 21, it provided the precedent for corporations and governments to progress towards sustainable development practices in a globalizing world. With the advent of globalization, a plethora of transnational regulations and measures have emerged to evaluate CSR and SD practices. Most noticeable is the new industrial standard of ISO 26000, which went into enforcement in 2010.

### **1.1.3. The Emergence of CSR and Thailand**

Prior to the emergence of CSR terminology in Thailand, the Stock Exchange of Thailand (SET), an important site of policy transfer to businesses, acted as an influential body that steered the drive towards contemporary CSR. In the mid-1990s, it initiated policy measures to ensure transparency within internal operations and protect shareholders. These policies, or Codes of Conduct, were amended and refined in later years, and were designed to address problems of weak governance,

which spurred corporate malpractices leading to the Asian financial crisis of 1997. The SET appointed the National Corporate Governance Committee to open a line of communication between companies and the public, and became a think tank for formulating corporate governance principles. The SET is an essential precursor to the advent of CSR, and influenced numerous companies to comply with global standards and benchmarks for responsible business practice.

Since the turn of the millennium, CSR has become much discussed business topic and is a subject of increasing interest for actors in the private and public sector alike (Kraisornsuthasinee & Swierczek, 2006; Virakul et al., 2009). In the early 2000s, social responsibility went hand in hand with good corporate governance. It has gained notoriety from media, describing it as a new trend for global standardization in 2003 (Srisuphaolarn, 2013). 56-1 forms -- evaluations that measure company performance in the SET -- introduce phrases such as “responsibility to society and the environment” and “carry business to society and the environment” as early as 2004. By 2006, the term “social responsibility” was printed on 56-1 forms, therefore crystalizing the concept of CSR in the Thai business community. This would motivate companies to publish their own CSR reports or sustainability reports to propagate their CSR activities to the public. This was especially evident for Thai companies operating in the mining, petroleum and construction sectors.

CSR ideology became relevant after the destruction caused by the 2004 tsunami that devastated communities and the environment in southern Thailand, inspiring the SET to establish the Corporate Social Responsibility Institute (CSRI) in 2007 (Assawapiriyon, 2007). Executives at the institute -- a driver of CSR standard policies in Thailand -- encouraged companies to implement CSR programs that link community, society and the environment into their operations. Rewards and standardization measurements such as SET-CSR awards and ISO 26000 aim to promote CSR in Thailand to increase the value of products and services. Since signing the UN Global Compact in 2007 which coincided with the establishment of the CSRI, the government wanted more domestic businesses to adhere to transnational standards of sustainable business practices. Public sector actors such as the Thai Industrial Standards Institute (TISI), which is established under the Ministry of Industry, hope to institutionalize CSR practice within the national business system. Moreover, business related non-profit organizations such as the Thaipat Institute and the Kenan Institute of Asia have become more proactive in encouraging companies to operate in more responsible methods towards stakeholder, society and the environment (Shinnaranantana, Dimmitt, & Siengthai, 2013).

However, it is recognized that CSR practice remains in its infancy in Thailand with most domestic companies not having a specific stance on the topic, unlike in Europe and North America where it is more integrated into business operations, such as production processes or employee relations. This so called ‘in-process’ approach to CSR is relatively new, and has proven difficult to incorporate into the business organization’s ‘DNA’, or mainstream life (Rankin, 2006). It is usually utilized as a public relations tool; often being labeled as ‘out-process’, or incorporating philanthropy, donations and community service activities so that a business can improve its image or to compensate for mistakes (Bowman, Jacobs, & Mulchand,

2003). Although CSR has emerged in Thailand and is a popular trend in the media and a profitable scheme at the SET, in reality the understanding of the concept by large domestic companies is various and it remains a vague topic lacking integrity (Kraisornsuthasinee & Swierczek, 2006). Nevertheless, national awards for best practice and regional recognition of Thai companies by organizations like CSR Asia have shown that some Thai companies do excel within their national context.

#### **1.1.4 Agricultural Development in Thailand**

Agriculture provides the economic backbone of Thai society, with about 40% of Thailand's workforce engaged in agriculture (Kasem & Thapa, 2012), and making Thailand the 13<sup>th</sup> largest world exporter of agricultural produce (Poapongsakorn, 2011). Agriculture is widely known to have significantly contributed to the development of Thailand throughout its history (Falvey, 2000; Nishimura, 2000; Poapongsakorn, 2011). Not only has it been an economic mainstay for the Thai populace, it was very much an industry that is embedded in the cultural framework of Thai society.

During the post-World War II development phase, financial aid from the West was used to increase investments in agricultural development. Agriculture was to become the main source of employment and income for rural segments of the population as in most developing countries, and its growth was essential for the expansion of the national economy in the decades to come (Norton, 2004). A combination of cheap labor and suitable biophysical conditions for crop production ensured that rapid growth could be achieved through capital intensive technologies, which would subsequently provide gross returns (Kasem & Thapa, 2012). As new lands opened up to new forms of extensive agriculture utilizing Green Revolution technologies and methods, large unemployed segments of the Thai labor force were available for employment, and the role of the subsistence farmer dwindled. By 1980, 70% of the active work force was employed in agriculture, and rural poverty had decreased from 60% to around 25% (Leturque & Wiggins, 2010). Agricultural development grew when non-agricultural sectors were in their infancy, and its growth was strategically important not only to meet the rising demand of food from an exploding global population, but also as a mechanism for foreign currency earnings (Kasem & Thapa, 2012).

The "first wave" of agricultural intensification in Thailand accompanied the surge of green revolution technologies sweeping the globe in the 1960s. Government policies, embodied in the first and second National Economic and Social Development Plans (NESDP) from 1961-1971, promoted the use of inorganic fertilizers, pesticides, modern farming machinery and improved high-yielding varieties of seed and breeds for livestock. Furthermore, the government subsidized input costs and extended lines of credit through the Bank of Agriculture and Agricultural Cooperatives (BAAC) as to help Thai farmers acquire modern machinery and build facilities to process commodities for export (Kasem & Thapa, 2012). This was especially true for such crops as rice, rubber, maize, sorghum, banana, cotton and oil palm (NESDB, 1967). In essence, agricultural intensification became the engine of national economic growth, giving Thailand a 5.7 percent growth rate from the early



60s to early 70s and transforming the market from being domestic-orientated to export-orientated (Poapongsakorn, Anuchitworawong, & Mathrsuraruk, 2006). Subsistence agriculture had become commercial.

As Thailand's economy grew and rural poverty declined steadily, domestic agro-industries grew further through a "second wave" of diversification in the late 1970s (Christensen, 1992). The successive NESDPs from 1972-1981 continued the drive to an export-led economy based on raw agricultural commodities, and further intensified this aim with the expansion of intensive monoculture agriculture in large commercial farming. Land was cleared for the increased production of rice, cassava, sugarcane and other monoculture crops for export (Kasem & Thapa, 2012). This period was also characterized by a shift to advanced processing technologies to produce value added food goods such as processed fruit, poultry, and prawns. This wave was due in part to capital investment schemes during the 1970s that promoted growth in the food industries. It was during this decade that Thailand's largest agribusiness firm, Charoen Pokphand Foods, formed in 1978 as a subsidiary of the Charoen Pokphand Group. This firm exemplified the marked shift into industries like animal feed production, livestock breeding, and aquaculture.

The first green revolution represented a public initiative geared to national markets, whereas the second agricultural developmental stage featured a private initiative geared to the increasing global markets (McMichael, 2004). The commercialization of Thai agriculture that began with the shift to processed and manufactured food was centrally devised by national planners and members of the Agriculture Ministry to give Thailand a comparative advantage in the international food market. The Thailand Board of Investment (BOI), set up in 1959 to promote investment in country, was instrumental in maximizing the profits of the newly expanding and increasingly privatized agribusiness, and structured their investment incentives to favor manufacturers who produced for the export-orientated market (Jomo, 2001).

### **1.1.5 The Rise of Agribusiness in Thailand**

Thai agribusiness groups would become the engines for economic development. The government of Thailand saw infrastructural development as complementary to the growth of commercial agriculture, and shaped policy that transformed the physical and social landscape of the nation. New roads, irrigation canals, and human resources were needed to support the growth of the burgeoning agro-industrial sector. In addition, the linking of technological innovation in input supply, processing, and marketing made Thailand's economy flourish since the Ayutthaya period (Falvey, 2000), and would continue to aid the prosperity of the country until today.

The state ensured that commercial agribusiness would grow into indispensable economic entities by mandating research and extension of biotechnology, providing provisions of law and order to secure contracts and property rights, and

enforcing grades and standards in traded commodities (Christensen, 1992). New trends allowed for more organizational and structural changes in the food industry such as the emergence of contract farming, vertical integration of agribusiness companies, and concentration of the agribusiness and retail markets. Thai companies in various sectors that successfully consolidated their production systems were able to dominate their respective markets, and become multinational companies engaging on the regional and global scale (Poapongsakorn, 2011).

This shift towards promoting export-based agribusiness was stipulated in the NESDPs of the 1980s and 1990s, which highlighted the increase in intensification. Development policies expounded the importance of production efficiency in order to achieve higher returns per unit of land and labor. Meanwhile, the global neoliberal economic restructuring of the 1980s required the enhancement of market efficiency in order to strengthen the productivity and competitiveness of Thailand's produce on the world market (Kasem & Thapa, 2012). The government aimed to achieve this through the promotion of rural agricultural cooperatives to increase bargaining power among farmers and to support agro-industries for export-led growth (NESDB, 2002). Despite stimulus packages to boost agricultural production, increased liberalized trade caused a global fall in the price of agricultural products throughout the 1980s, and countries like Thailand lost a comparative advantage and agricultural development began to slow down (Poapongsakorn et al., 2006). Even though the agricultural sector still grew due to its dominance in the labor market, its share of Thailand's GDP decreased. For instance, raw agricultural products made up 80 per cent of Thailand's exports in 1980 whereas they represented about 30 per cent by the year 2000 (McMichael, 2004). In a nutshell, the 1980s ushered in a period when Thailand began transitioning from an agricultural dominant society into diversified economy based on industry and services.

Being one of the New Industrialized Economies (NIEs) of Asia, Thailand promoted export-oriented industrialization in the 1980s and was successful in actively exporting their agricultural and industrial goods due to competitive production costs and liberalized trade (Nishimura, 2000). Agribusiness companies generated profits through the supply of higher-value produce for export (Leturque & Wiggins, 2010). As foreign investment booms in the mid-1980s dramatically increased GDP growth for Thailand, industrial agribusiness became important for foreign currency earnings which were used to develop and finance non-agricultural sectors and to pay off foreign debts. Major agribusiness firms benefitted from their integration into value-added production and their position in international supply chains, thus transforming Thailand into the veritable "supermarket of Asia" (McMichael, 2004).

#### **1.1.6. Agribusiness and Its Need for CSR**

As agro-industries emerged, they were steered to be aligned with national government objectives for increased revenue to fund industrialization policies (Falvey, 2000). However, these policies drove the intensification of green revolution technologies, such as the heavy application of inorganic fertilizers and pesticides, which deteriorated the farmland quality and water resources (NESDB, 2002).

Negative environmental externalities are usually the result of inputs such as agrochemicals, along with the controversial use of genetically engineered seed (Jansen & Vellema, 2004). Moreover, the amount of land available for agriculture declined in the 1980s, as the limit of Thailand's agricultural frontier was being reached. Critical problems due to rapid agricultural expansion were deforestation, soil contamination and overgrazing (NESDB, 2002).

Corporations are seen as insensitive to the needs of society by causing much of the environmental degradation on Earth (Utting, 2005), and agribusiness is viewed to be synonymous with environmental degradation. Numerous studies have shown that intensive agricultural policies increase food production, yet attaining high output comes at the expense of depleting the environment and natural resources. This causes agricultural systems to be unsustainable (Conway & Barbier, 1990; Rigg, 1995). Conventional economic practices of production, exchange and consumption make the agribusiness sector incompatible with sustainability; they exacerbate the depletion of 'stock' resources and create a range of pollutants that are detrimental to human health over varying timescales (Hudson, 2005 ).

Thailand drew inspiration from Agenda 21, which rose awareness among agrarian societies about conventional farming methods, and their implication on issues such as mono-culture induced food shortages and the health effects caused by chemical overuse. Agenda 21 culminated in the creation of Chapter 14: Sustainable Agriculture and Rural Development (SARD), which provided solutions in which national and international governments could adjust agricultural, environmental and macroeconomic policies to be conducive to SARD (UN, 1992). In other words, the international community encouraged the adoption of policies that promote crop diversification and the use of organic inputs. Many countries that made commitments to Agenda 21 at the Earth Summit reportedly implemented sustainable practices in the agro-industry sector, and Thailand made policy changes to the NESDPs of the 1990s. At a time when environmental degradation was becoming evident, the seventh NESDP (1991-1996) mentioned sustainable agricultural development (SAD) for the first time as a policy agenda (NESDB, 1992). The government began to espouse ideas of crop diversification, the use of bio-pesticides, organic agriculture and healthy food consumption. International policymakers, academics and institutions had come to a consensus; SAD was an ecologically friendly, socially beneficial and economically sound alternative that could replace the degrading practices of conventional agriculture (Kasem & Thapa, 2012).

Today, the "general discontent with the industrialization of agricultural production and food provision systems has put agribusiness and the food industry at the core of societal debates" (Jansen & Vellema, 2004). A company's sustainability practices can be interpreted as an initiative to remain competitive within the context of environmental responsibility and social stewardship (Sahay, 2004). However, stakeholders' concerns of the ethical practices conducted by corporations arise from the gap between consumers' perceptions and agricultural reality. For example, SAD policies that were introduced to reflect Thailand's commitments to Agenda 21's Earth Summit can be seen as sincere compliance; however, the enforcement of such policies

have been described as unsatisfactory (Marcussen, 2005). Research findings have concluded that SAD policies had been insignificant or had no effect at all, as conventional agricultural development policies remained intact (Kasem & Thapa, 2012). In fact, the state continued to follow growth-led agricultural policies, and the environmental and social costs of agro-industry did not account in policy formation. Furthermore, the current globalized economy is also accountable to the ineffective application of SAD policies. Countries that grow crops with sustainable methods would be uncompetitive on the international market. National businesses supported by conventional growth policies would create economic and social impacts for countries pursuing sustainable growth practices.

Conventional agribusiness has been blamed for increasing rural poverty in some instances. Examples such as industrial scale sugar cane mills, cassava processing plants, large trading houses and middlemen are all outcomes of agricultural modernization, and have been cited as being partly responsible to creating socio-economic inequity (Falvey, 2000). The surge in economic growth did not benefit groups of rural small-holders, who were left as landless peasants during the rapid expansion of crop fields and irrigation. Also, agribusiness growth has been cited as disrupting the supposed egalitarian community of rural Thailand, which is centered on the temple and religious law (Villibhotama, 1989).

Utting (2000) recognized that corporations have obligations to society that extend beyond short run profit maximization, and should be “more responsive to the environmental and social concerns” of the society in which they operate. The effects of agribusiness operations on local communities are criticized for their environmental and social impacts. Whether or not agribusiness corporations can successfully contribute to the sustainable development of the communities in which they operate; and furthermore, address environmental impacts is open to debate. As Thailand pursues a dual policy of agribusiness promotion for economic growth and sustainable agricultural measures, it only perpetuates the status quo (Kasem & Thapa, 2012). For example, inorganic inputs are still subsidized by the state for intensive mono-crop farms. The inability, or complete lack of commitment of the Thai government to address the need for SAD, indicates a deficit of governance, and a need for private sector agro-business to spearhead the way for social responsibility. This can be achieved through a company’s operations, or their adherence to sustainable practices that may be economically unviable, or through the application of CSR agendas that mitigate the impacts on the farming environment and community.

### **1.1.7 The Mitr Phol Sugar Corporation and Social Responsibility**

The Mitr Phol Sugar Corporation positions itself at the nexus between the global sugar market and production capability, making it the largest sugar producer in Asia and the 5<sup>th</sup> largest globally. The company has expanded its operations internationally, acquiring plantation concessions and production bases in China, Laos PDR, Cambodia, Vietnam, and most recently in Australia. As Mitr Phol branches out into international markets, its agribusiness practices will be linked to the economic

development of its partner countries and Thailand alike, and to the sugar mill communities in which they operate.

The production of sugar, or any agricultural produce on an industrial scale, results in impacting the environment and surrounding community with externalities. The industrial cultivation of sugar has been known to cause environmental impacts “through the loss of natural habitat, intensive use of water, heavy use of agro-chemicals, discharge and runoff of polluted effluent and air pollution” (WWF, 2005). These negative externalities on the environment are bound to affect the livelihoods of stakeholders in localities situated near sugar production sites. Numerous case studies have shown extensive negative externalities on the environment due to sugar-cane mono-cropping. The issue of sustainability stands at the heart of this dissertation, and MP’s commitments towards sustainable practice need examination in order to evaluate its effectiveness in rural development.

Overall, MP expresses that one of its guiding philosophies is to be ‘responsible for society’. This responsibility resonates in the simple corporate mantra “Grow Together”, which no less emphasizes commitments to social and environmental development than to business development; all of which are used to measure a firm’s engagement with the triple bottom line. Economically, MP strives to survive in the sugar business by keeping sugarcane farming a sustainable occupation for its numerous community stakeholders and suppliers. The company aims to maximize productivity and profit for farmers in order to strengthen the economic development of rural communities, while at the same time promoting social and environmental projects to secure the company’s longevity in the future.

Three noticeable projects undertaken by MP include:

*Mitr Phol Model – a social innovation management model, arising from the cooperation between community, local administration and Mitr Phol with an aim to increase productivity with effective farm management, particularly the management on irrigation system, work plan, effective costing and bio-technology that are friend to environment [sic]*

*Productivity Development Village – a prototype model for knowledge sharing and real application that allows Mitr Phol to work closely with the community on the effective farm management. Today, the project is expanding to cover an area of over 184,000 rai (73,700 acres) with over 6,000 sugarcane farmers from 175 villages joining the project [sic].*

*Sustainable Development for Community – an extension social works that Mitr Phol volunteers to support local community, aiming to reduce gaps caused from economic disparity and increase social opportunity such as education, occupation, health and well-being. We believe a development in standard of living, economy, society, morality and environment are the ways to a sustainable development for community [sic].*

The project descriptions above give evidence to the corporation’s goal towards fostering sustainable business, and also for involvement in the economic, societal and ecological well-being of stakeholder communities. These established projects

highlight a company philosophy; one which promotes the company as an actor of social responsibility. In essence, the idea of being socially responsible has been a core credo since the company's beginnings, and is explicitly shown in MP's adoption of CSR terminology.

However, CSR has been criticized for being a mere sideshow, or a window-dressing, to garner favorable attention from the media, which can in turn sway popular public opinion. In actuality, companies already contribute to employment, welfare creation and the provision of services; however, CSR is just an additional cost that affects the overall performance and sustainability of the company (Gokulsing, 2011). It has been observed that CSR activities can be superficial in nature and remain unfocused, as if developing a pet project that has no connection to the business (Porter & Claas, 1995). Doing discretionary activities can be part and parcel of practicing explicit CSR projects, and this is evident in the community based activities that MP conducts.

## 1.2 Problem Statement

How the concept of CSR is manifested is various and at times ambiguous. In today's world, multinational corporations (MNCs) and large domestic companies have committed themselves to CSR initiatives as a strategic measure. CSR continues to be at the center of public debate, and how it addresses societal needs within the market-orientated economy will continue to be a topic for public discourse.

Mitr Phol has grown from a small sugar mill family business into a large fully-private company in Thailand, with increasing international operations. MP is a MNC based in a middle-income country that is engaging in imported CSR concepts. Mitr Phol benefits from being a fully private company. Leaders and managers have the discretion to implement CSR policy into the company without being held accountable to public shareholders.

Mitr Phol is an agribusiness giant, standing at the forefront between business and the development of sugar farming communities in Thailand. Being an economic player in the region, MP's operations have a significant effect on the development of rural stakeholders. Farming communities, who act as suppliers and represent the economic backbone of the company, are integral to the sustainability of the firm.

Although the importance of MP to the economic development of rural communities is well documented, there has not been enough research that examines CSR activities of agribusinesses in Thailand. As a growing transnational economic agent, it is important to understand how CSR mechanisms are being adapted to ensure responsible engagement with stakeholders and sustainable development. Moreover, a study of the company's operations and how CSR is integrated into the firm will contribute to the debate over CSR in Thailand. Lastly, the research will shed light on MP's responsibility towards upholding ecological sustainability through its operations, and how CSR can mitigate negative externalities on the environment.

### 1.3 Research Questions

- What are the transnational and domestic ‘push & pull’ factors for MP’s engagement with CSR?
- What are the CSR policies and practices of the Mitr Phol Sugar Corporation?
- How does MP CSR policy improve engagement between the corporation and rural community stakeholders?
- How does MP CSR policy and practice address commitments towards environmental sustainability of the sugar mill community?

### 1.4. Research Objectives

- To determine the transnational and domestic drivers and influences for MP’s CSR policy and practice
- To determine the policy and practice of CSR by the Mitr Phol Sugar Corporation
- To analyze to whether MP’s CSR policy and practice help to strengthen relations with rural stakeholders
- To assess whether MP’s CSR policy and practice uphold the environmental sustainability of the community

### 1.5 Concepts and Theories

#### 1.5.1 CSR Definitions and Arguments

The extensive research on CSR has provided public knowledge with a wide dearth of literature, making it a concept that is difficult to pin down. Similar terms also become encompassed in CSR language such as corporate sustainability, corporate philanthropy, stakeholder responsibility management and social and environmental accounting. Thus, the concept of CSR finds itself situated within a wide array of ideas. The problem is that CSR “can easily be interpreted as including almost everyone and everything” (Carroll, 1999), and the concept constantly evolves due to stakeholder activity (Holme & Watts, 2000).

The attempt to view CSR through an unbiased lens is difficult because there is uncertainty to adequately prove that it is unbiased or not (Dahlsrud, 2006). Different views and theories have been constructed to define the role CSR plays in society, resulting in academics unable to reach a common ground about how the term should be defined. Dahlsrud (2006) has analyzed 37 definitions of CSR and categorized them into 5 separate dimensions; environmental, social, economic, stakeholder, and voluntariness. Carroll (1999), a famous discussant on the topic, identified 25 different definitions for CSR through his research of literature.

The most common definition of CSR cited as comprising Dahlsrud’s five dimensions was defined by the Commission of European Communities (CEC, 2001),

which defined it as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Companies form discretionary measures – setting budgets and choosing activities -- to shape their CSR policies, which results in nuanced CSR policy and practice regimens. This voluntary characteristic of CSR should go beyond legal mandates and regulatory requirements (Sagebien & Whellams, 2010). This perspective underpins the *moral argument* for CSR, which characterizes it as an ‘altruistic venture’. When the subjective values of society mandate that corporations should be compliant to moral expectations, it is best practice for corporations to comply in order to avoid societal sanctions (Werther & Chandler, 2011).

Bowen (1953) set the precedent for the moral argument (intrinsic motivation) for CSR before Handy (2002), who convincingly and logically stated that the purpose of business is not to make profit, but to “make profit so business can do something more or better.” That “something” acts as the moral ends that determine the real justification for business. The argument here is that the companies survive if they are congruent with values and principles expected by the wider society.

Holmes (1976) distinguished three perspectives on business responsibilities: the classical view, managerial view and the public view.

The *classical view* sees CSR beholden to market fundamentalism. Friedman (1970) claimed that intent to engage in CSR is a break away from notions that the only responsibility of business is to increase profits for its shareholders, or, “the only business of business is to do business”. The business with a “social conscience” succumbs to unadulterated socialism and undermines the capitalist free society (Friedman, 1970). His critical and profit-focused definition still holds relevance until recent times because it continues to be one of the most cited sources on CSR (Moon, 2013). While neoliberal reforms swept the globe in the 1980s, the idea that CSR was only an “altruistic” venture was replaced by a new “strategic” role (extrinsic motivation). The irony here is that CSR became a tool to enhance market competitiveness, and shareholder value.

CSR can take on a chameleon like form and transform social responsibility ideology which is grounded on ethics, philanthropy, and industrial paternalism (Carroll, 2008), and turn it into ideology that advertises the business to customers. Commitment to profit-maximization and the market underpin the rational and economic arguments for CSR.

The *rational argument* for CSR seeks to maximize their profit while minimizing restrictions on operations (Werther & Chandler, 2011). All groups that rely on the economic system within society are asked to further the general social welfare out of moral obligation; however, failure to do so can lead to a loss of legitimacy. By rationally reacting to laws, fines, prohibitions, boycotts or social activism, the corporation can learn to anticipate and understand social concerns to minimize risks to its operations and finances.



Social irresponsibility on the part of corporations can lead to mandated solutions to constrain their activities and profitability (Davis, 1973). Conducting business in a rational manner ensures financial gains, and requires business to make concessions to activist organizations that are deemed legitimate. Allan Murray (2006) writing for the Wall Street Journal likens corporations to political institutions that “depend on the goodwill of the public to operate successfully”. Losing it will expose the corporation to attacks from civil society, state actors, and other competitors.

Corporations from the local to global level are utilizing CSR as a tool to advertise differentiation and as a competitive advantage to distinguish itself in the marketplace (Margolis & Walsh, 2003). This is the crux of the *economic argument* for CSR, which claims that CSR activities can add value to their products and services through which the values and expectations of stakeholders can be reflected. The relationship between the corporation and societal values is continuously evolving because the corporation will be influenced by the concerns and needs of stakeholders. This interaction can ensure that businesses can retain legitimacy and economic viability in the long run (Werther & Chandler, 2011).

The *managerial view* of CSR perceives executives and managers hold responsibility not only to increase the wealth of owners and shareholders, but also to fulfill the expectations of customers, communities, and suppliers. Stakeholders are defined as “any group or individual who can affect, or is affected by, the achievement of the organization’s objectives” (Freeman, 1984), or any group that is “vital to the survival and success of the corporation” (Evan & Freeman, 1993). Boatright (2003) postulated that a managerial view is essential in determining and organizing the many obligations to different groups. This view, regarded as the “stakeholder approach”, encapsulates the rational and economic arguments. CSR can be described by the corporation as a form of stakeholder engagement and risk management tool (Sagebien & Whellams, 2010).

Leaders of the corporation approach CSR not as an extra cost or burden on hard-pressed management. “Rather, CSR is increasingly viewed, not only as making good business sense but also contributing to the long-term prosperity of companies and ultimately its survival”, to quote the World Business Council for Sustainable Development (WBCSD, 2000). Ultimately, the stakeholder approach transfers responsibility on the stakeholders to hold the corporation accountable for its actions (Carroll, 1999; Frederick, 2006), and furthermore, to steer the firm towards corporate sustainability. For instance, consumers are essential stakeholders for a firm’s longevity, and they can influence how companies form CSR agendas. A survey carried out by Cone (2007) shows that 69% of Americans are concerned about a company’s business practices when deciding to buy, 72% want employers to address social causes and issues and 85% would consider switching loyalty to another company’s brand if a company conducted irresponsible practices.

The *public view* recognizes that the corporation has a role to play in society that considers the interests and well-being of society, and should operate in harmony with public interests. In fact, this approach deems CSR as significant to the

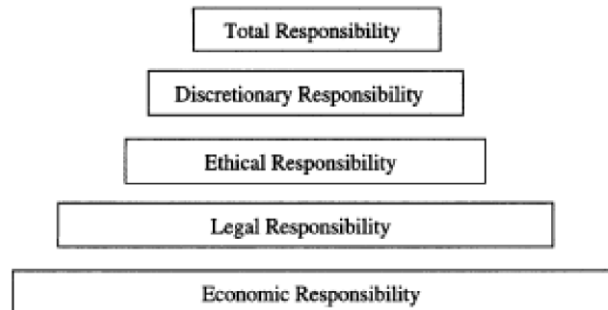
development and sustainability of society. Former UN Secretary General, Kofi Annan, speaking at an event organized by Business Action for Sustainable Development, remarked “And more and more we are realizing that it is only by mobilizing the corporate sector that we can make significant progress. The corporate sector has the finances, the technology and the management to make this happen” (Wade, 2005). Evidently, to meet the UN development goals of sustainable growth, it is essential that corporations play a major role.

It must be noted that one of most popular definitions of CSR is provided by the WBCSD: “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, 1998). It is inevitable that the corporate sector will always be tied to the development of local communities, nations, regions, and the globe. An economically rational corporation seeks sustainability in its practices, and aims to gain potential competitiveness in the future by creating positive externalities. (M. van Marrewijk & Werre, 2003) assessed that many see corporate sustainability and social corporate responsibility as synonymous. In order for a corporation to stay competitive and contribute to economic development in the long-run, it means that businesses’ strategy is “not only fulfilling legal expectations, but also going beyond compliance and investing more in human capital, the environment and the relations with stakeholders” (CEC, 2001).

### **1.5.2 Types of CSR Activities**

Carroll conceptualized a four-part model representing the responsibilities of CSR through a pyramid; the foundation comprised of economic responsibility followed by legal responsibility (fundamental) and ethical and discretionary responsibility on top (voluntary) (Carroll, 1991). Business provides the base of the pyramid, and all other roles of the corporation are predicated on its economic responsibilities to shareholders, employees, products, etc. Legal compliance ensures that the firm is playing by the “rules of the game”, and abiding by rules and regulations. However, laws do not define ethics nor “legislate morality” (Solomon, 1994).

### Carrol's Conceptualization of CSR Activities (Carrol, 1991)



Voluntary activities comprise of ethical commitments. These are designed to overcome the limitations of law, and form an ethical philosophy by which the company lives (Solomon, 1994). Ethical responsibility may be expected by members of society or stakeholders, and can be rooted in religious beliefs, humanitarian principles or human rights commitments (Lantos, 2001). The fine line between ethics and legal commitment may be blurred, and can be difficult for business to deal with. Discretionary responsibility involves businesses deciding on specific activities or philanthropic contributions that give back to society. This sort of commitment is controversial, since the limits are broad and it can interfere with the economic profit-orientation of the firm.

Windsor (2001) commented on Carrol's conceptualization, and concluded that economic and legal responsibilities are socially required, ethical responsibility is socially expected and discretionary responsibility is socially desired. From this perspective, the pyramid is aggregative; a corporation that wants to practice ethical CSR must be economically and legally responsible.

Wood (1991) revisited the CSR pyramid and made some important refinements. In order to contextualize how responsibility is manifested in a firm, she adapted a corporate social performance (CSP) model. CSR is more concerned with the role that corporations play in society, and tends to focus on the philosophical principle of social responsibility. However, a CSP model is more focused on the structural principles, such as inputs, processes and outcomes. CSP models illustrate how a business organization is a locus of action that has subsequent consequences for stakeholders and society. "The conceptualization is distinctly sociological – not managerial, economic or philosophical – and it is explicitly based on organic open-systems assumptions, not mechanistic and closed-systems views" (Wood, 2010).

An assessment of a corporation would examine the principles that motivate it to engage in CSR activities. The principles are listed as: institutional, commitment to legitimacy and credibility; organizational, commitment to the wider public; or individual, managerial preferences and inclinations.

## The Corporate Social Performance Model (Wood, 1991)

<b>PRINCIPLES OF SOCIAL RESPONSIBILITY</b>	<b>PROCESS OF SOCIAL RESPONSIVENESS</b>	<b>OUTCOMES AND IMPACT PERFORMANCE</b>
<b>Legitimacy</b> businesses that abuse the power society grants them will lose their power	<b>Environmental scanning</b> gather the information needed to understand and analyze the firm's social, political, legal and ethical environments	Effects on people and organizations
<b>Public Responsibility</b> businesses are responsible for outcomes related to their primary and secondary areas of involvement with society	<b>Stakeholder management</b> active and constructive engagement in relationships with stakeholders	Effects on the natural and physical environments
<b>Managerial discretion</b> Managers and other employees are moral actors and have a duty to exercise discretion toward socially responsible, ethical outcomes	<b>Issues/public affairs management</b> a set of processes that allow a company to identify, analyze, and act on the social or political issues that may affect it significantly	Effects on social systems and institutions

Responsiveness adds an action-based dimension to CSR. It is shown here as: environmental assessment, analysis and knowledge of the external environment; stakeholder management, integration of devices that involve stakeholders; and issues management, examining the approach to implementing and monitoring responses to social issues. The outcomes aim to assess CSR efforts by gauging its social impact, the programs used to apply CSR and the policies made to address social issues and stakeholder expectations.

Siltaoja (2013) re-conceptualization of Wood's CSR model reflects contemporary societal changes and the emergence of CSR and SD literature. Changes were made to the principles section, lumping public responsibility and legitimacy with institutional context. This considers how institutional environments encourage CSR practice, why CSR development provides a competitive edge in certain societal contexts, and why CSR practice reflects a nation's institutional environment. Issues of public responsibility and legitimacy are encapsulated within an institutional context, and help to understand how CSR practice by one organization relates to the wider institutional environment.

Legitimacy has been replaced by sustainable development due to the fact that Wood's model does not recognize the latter as a guiding CSR principle. Sustainability has become significant in measuring corporate responsibility outcomes, and this principle needs to be found in the working processes of a company. This indicator measures how a corporation balances its economic activities and its acknowledgement of operating in a world of limited resources. The role of sustainable development and its relation to CSR has become an increasingly salient issue.

Siltaoja (2013) adaptations of Wood's CSP model are based upon the premise of knowledge creation for sustainable practices. In the case of social responsiveness processes, a more sustainable development focus was adopted, replacing a broad environmental assessment of a firm's changing environment with social and environmental learning. This is due to that fact that systematic knowledge creation and learning can develop environmentally and socially sustainable outcomes. In other words, intellectual capital and innovation can be associated with the CSR process, especially to address sustainability.

Furthermore, a change has been made to issues/public affairs management. In the reconceptualization, it has been replaced with corporate citizenship activities. CSR activities are no longer mere responses to societal expectations and or philosophical principles, but rather create and construct expectations through active participation. So, in other words, businesses can influence public policy, or participate in creating institutional norms.

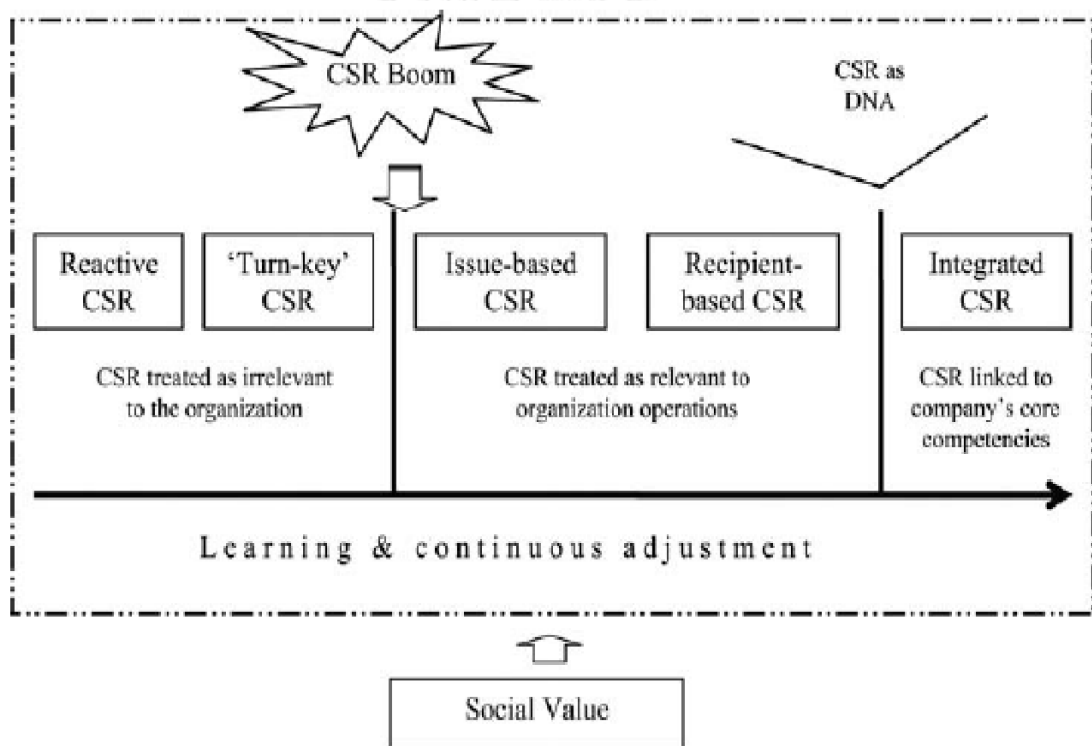
#### Siltaoja's (2013) reconceptualization of Wood's CSP model

<b>PRINCIPLE OF SOCIAL RESPONSIBILITY</b>	<b>PROCESS OF SOCIAL RESPONSIVENESS</b>	<b>OUTCOMES AND IMPACT PERFORMANCE</b>
<p><b>Sustainable development</b> Business are responsible for managing their processes and activities in a manner in which they recognize the importance of preserving and sustaining the natural environment and biodiversity for future generations</p>	<p><b>Corporate citizenship activities</b> The way corporations play an active role in citizenship activities and democratic regulation</p>	<p>Effects on people and organizations</p>
<p><b>Institutional context</b> Contextual effects depending on what is required and what is expected from a responsible business when evaluating the legitimacy of business activities</p>	<p><b>Stakeholder management</b> Active and constructive engagement in relationships with stakeholders</p>	<p>Effects on the natural and physical environments</p>
<p><b>Managerial discretion</b> Managers and other employees are moral actors and have a duty to exercise discretion toward socially responsible, ethical outcomes</p>	<p><b>Environmental and social Learning</b> The focus on developing and learning about practices and products that meet the demand of a more ecological and sustainable future</p>	<p>Effects on social systems and institutions</p>

In this study, to specifically contextualize MP's CSR activities, a framework that represents the development and direction of Thai CSR characteristics will be adopted from Srisuphaolarn (2013). Figure 2 shows the five types of CSR patterns that Thai companies have incorporated and developed prior to the CSR boom until now. They are as follows, in order of increasing social engagement: reactive, 'turn-key', issue-based, recipient-based and integrated CSR.

*Reactive CSR* consists of the idea of discretionary spending in the form of donations and contributions to fulfill the requests of stakeholder communities. Main activities are centered on donations and societal marketing. *'Turn-key' CSR* utilizes company competencies to increase CSR engagement and increase the efficiency of projects, instead of merely giving away discretionary budgets. For example, non-profit sector actors may lack the necessary management skills or operational efficiency to conduct projects, so business may fill this gap.

The Development and Direction of Thai CSR Patterns (Srisuphaolarn, 2013)

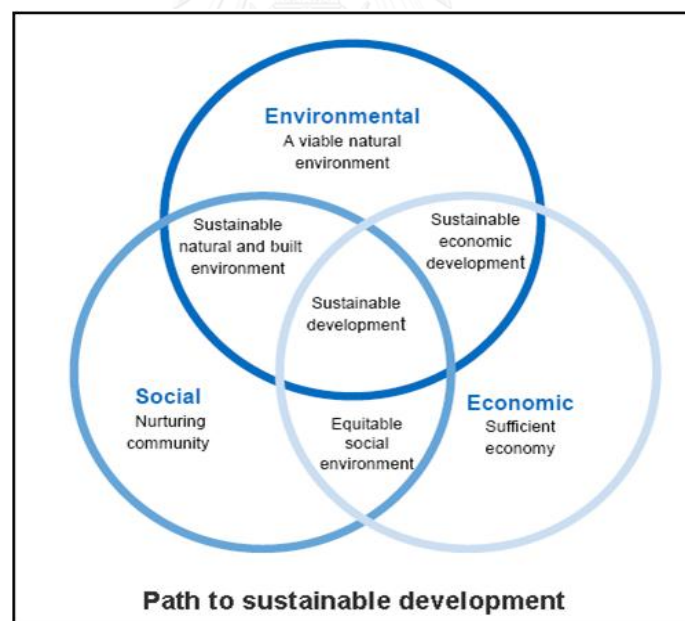


*Issue-based CSR* implicates that the business takes on the role of a non-profit actor, and fully dedicates itself to help or solve a specific issue in the external environment – whether it be social or ecological. Here, firm uses its business competencies to solve an issue directly, whereas in *recipient-based CSR*, the firm will help communities to initiate projects to solve problems or contribute to human capital. The corporation will assist with development tools and coach communities to drive and steer community projects.

*Integrated CSR* is the final stage for Thai companies. Here, CSR is intertwined with the DNA of the company, and enhances the competitiveness of the firm. CSR is integrated into the multi-faceted operations of the business as the company pursues international standards to boost the differentiation of their product or service. At this stage, the company aligns itself with the public view of the firm, and its commitment to the sustainability and well-being of society as a whole.

### 1.5.3 Sustainable Development

Sustainable development (SD) is usually understood as a three-fold concept of economic, social, and environmental sustainability. These aspects make up the tripartite core of SD, or sometimes referred to as ‘pillars’ (Holme & Watts, 2000). The goal of achieving economic and social growth, while not jeopardizing the environment, continues to present challenges to development stakeholders (Adams, 2001). It has been contended that ‘sustainable growth’ is an oxymoron; SD generally aims to promote economic growth and diverts attention away from imminent environmental limits (Daly, 1996). The three main cores of SD are interrelated and interdependent as shown in the figure below.



The basic ideas underlying the concept of SD are not new. In the 17<sup>th</sup> century timber industry in Germany, legal obligations controlled the rate of cuttings to ensure that forests could renew themselves in the future (Steurer, Langer, Konrad, & Martinuzzi, 2005). Notions about the ‘limits of growth’ have been raised and have posed challenges for ecologists and economists (Meadows, Randers, & Behrens, 1972), and have helped to frame further debate and dialogue on how to sustain resources while continuing on the path of economic development.

Not until the mid-1980s was the concept of SD known beyond circles of academics and development practitioners (Steurer et al., 2005). Given the wide spectrum of definitions of SD, the most prominent definition was formulated in a report, *Our Common Future*, by former Norwegian president, Gro Harlem Brundtland, who chaired the World Commission on Environment and Development (WCED). Also known as the *Brundtland Report*, it proffered that sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987). This contemporary understanding of SD is the most commonly cited, and was a landmark definition that brought SD into human conversation (Castro, 2004; Jensen, 2007; Porter & Kramer, 2006). Development must essentially have long-term goals, and in regards to CSR, future generations are considered as new stakeholders (M. van Marrewijk, 2006). New interest groups have arisen to advocate for future stakeholders such as NGOs defending environmental issues and or social activists defending their traditional livelihoods.

Global acceptance of SD was realized at the United Nations Conference for Environment and Development (Rio Conference) in 1992. Referred to as the Earth Summit, a document called ‘Agenda 21’ laid down the groundwork and action plans for implementing SD measures globally. The concept of eco-efficiency was introduced and stressed the importance of efficiently using natural resources by integrating economy and ecology, especially in regards to business. The social dimension gained more attention after the turn of the century as expressed at the World Summit on Sustainable Development in Johannesburg in 2002. This conference confirmed the importance of creating strong partnerships between businesses, societal stakeholders and the state (WSSD, 2002). The concept of SD was further clarified at the United Nations World Summit in 2005 which identified its three components: economic development, social development and environmental protection. All three elements are “interdependent and mutually reinforcing”. Jensen (2007) professed that SD is just as important as commitments to democracy and freedom, and a necessary idea that must be practiced in order to pursue economic development.

The *Brundtland Report* expresses that a strong economy is a pre-requisite to a healthy environment (Brundtland, 1987). This view correlates with widely accepted ideas during the 1980s; poverty contributes significantly to environmental degradation. In order to reach strong ecological sustainability, national economies need to move beyond industrial stages of development.

Steurer (2001) gives a macroeconomic categorization which demonstrates a brief comparison of three paradigms of SD. These bring together the aspects of economic growth and capital substitution as key components of SD through a macroeconomic lens. While the descriptions here may be too general and lack specific or empirical analysis of SD criteria, the synthesis of the below three dimensions are only measured as being weak, strong or balanced.



*Weak Sustainability*

- Assumes manmade or human capital can compensate for deficits in natural capital
- Focus on economic aspect of SD
- Rejects physical limits of economic growth

*Strong Sustainability*

- Natural capital is non-substitutable by other forms of capital
- Assumes there are strict limits to economic growth
- Promotes a qualitative, not quantitative, concept of development

*Balanced Sustainability*

- Assumes partial substitutability of non-critical natural capital
- Acknowledges physical limits of economic growth
- Raises awareness of critical limits of natural capital

Steurer et al. (2005) developed a framework which acts like a reference for pinpointing SD on a more microeconomic level. Through empirical analysis, a concise, yet broad, framework was devised to be universally used so different SD agendas can fit into it.



Framework of Sustainable Development on the microeconomic level (Steurer et al., 2005)

Aspects	Outline of dimensions and issues
<b>Environmental Responsibilities</b>	<b>Maintain natural capital to a certain degree</b>
<ul style="list-style-type: none"> <li>Resources</li> </ul>	<ul style="list-style-type: none"> <li>Use non-renewable and renewable (energy) resources responsibly</li> </ul>
<ul style="list-style-type: none"> <li>Emissions</li> </ul>	<ul style="list-style-type: none"> <li>Avoid emissions into water, air, soil and neighborhoods (noise) to a certain degree</li> </ul>
<ul style="list-style-type: none"> <li>Environmental damages and risks</li> </ul>	<ul style="list-style-type: none"> <li>Avoid environmental damages and risks to a certain degree</li> </ul>
<b>Second-order requirements</b>	<b>By advancing economic, social and environmental issues, SD has to obey some general process and concept requirements</b>
<ul style="list-style-type: none"> <li>Transparency and participation</li> </ul>	<ul style="list-style-type: none"> <li>“Corporate Openness” toward stakeholders via communication, reporting, SRM, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Reflectivity</li> </ul>	<ul style="list-style-type: none"> <li>Continuous learning through monitoring and evaluation</li> </ul>
<ul style="list-style-type: none"> <li>Integration</li> </ul>	<ul style="list-style-type: none"> <li>Progress in one dimension of SD should not come at the expense of other dimensions (“triple bottom line commitment”)</li> </ul>
<ul style="list-style-type: none"> <li>Intergenerational equity/foresight</li> </ul>	<ul style="list-style-type: none"> <li>Satisfy the needs of an enterprise and its stakeholders today and in the indefinite future</li> </ul>

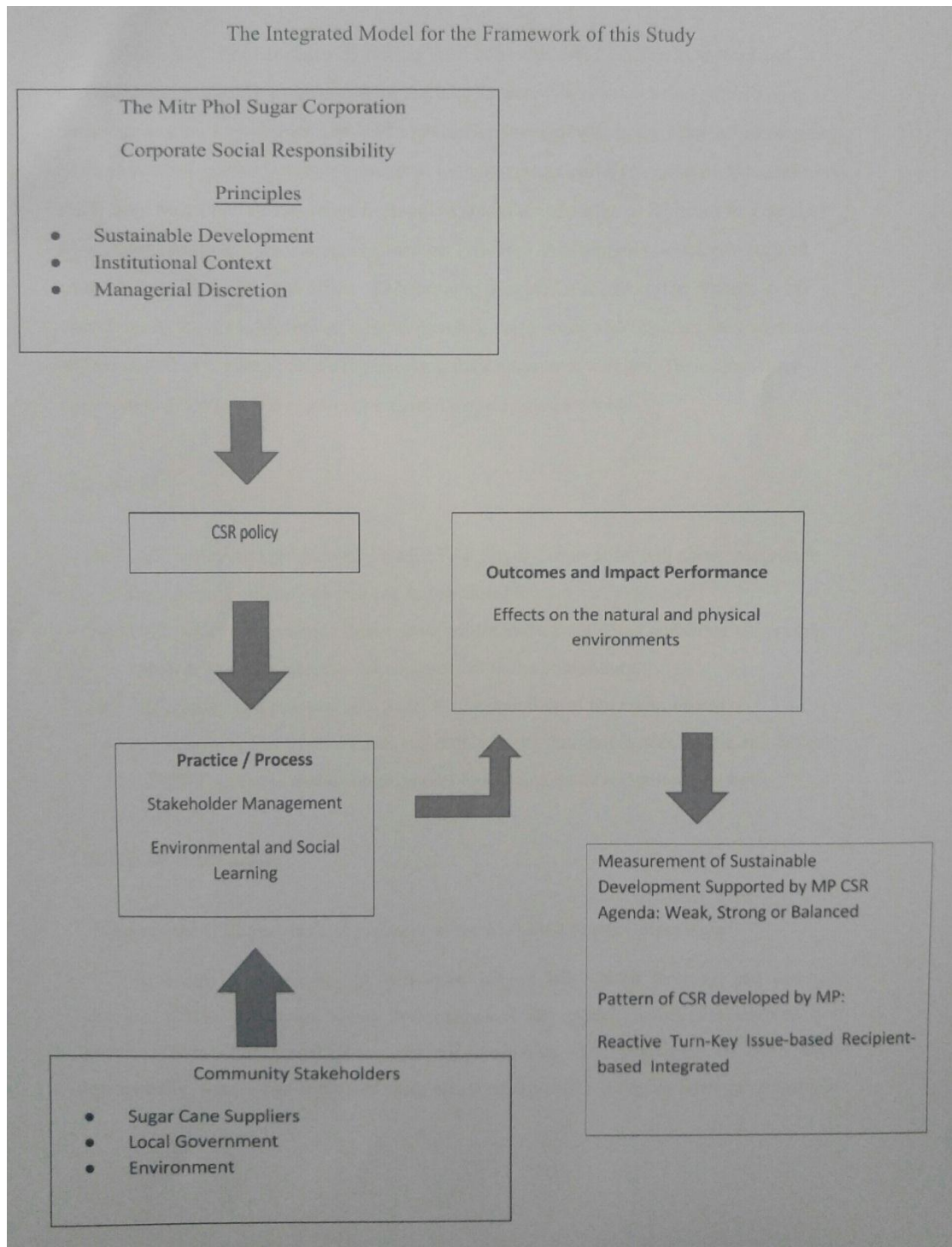
## 1.6. Conceptual Framework

The framework conceptualizes the engagement of Mitr Phol's CSR agenda and community stakeholders, which synthesizes into sustainable development practices in the sugarcane farming community. Mitr Phol's CSR practice is developed from the corporate principles as contextualized in Siltaoja (2013) adaptation of Wood's (1991) CSP model. Relevant elements from this adaptation are used in this framework. The corporation's principles on sustainable development, level of managerial discretion and institutional context are considered.

Actual practice of CSR is affected by stakeholder and future stakeholder commitment by managers, global/domestic CSR influences and transnational/national commitments towards sustainable development. This is encapsulated in the CSP model. Knowledge creation from stakeholder engagement and social/environmental learning describe the process of CSR activities.

Outcome and impact performance can be gleaned from actual CSR practice in the community. Sustainable development in the community can be measured from the effects CSR has on the environment, which has direct influence on social and economic sustainability. These outcomes are key for determining the level of sustainability that Mitr Phol's CSR has in the community. Steurer et al. (2005) frameworks of environmental sustainable development will be used to give an assessment of MP's CSR operations. Moreover, using a framework of Srisuphaolarn (2013) Thai CSR patterns and characteristics, MP's CSR performance will be gauged in relation to a domestic and global context.

## The Integrated Model for the Framework of this Study



### 1.7 Hypothesis

- A convergence of transnational and domestic factors define and develop MP CSR policy to make commitments to sustainable development practices
- CSR policy and practice of the Mitr Phol Sugar Corporation will show integration throughout company operations and is linked to core competencies
- CSR policy and practice of the Mitr Phol Sugar Corporation follow stakeholder management and corporate citizenship ideals to improve stakeholder engagement in the community
- CSR policy and practice help address sustainability of the environment as to strategically ensure CS

### 1.8. Research Methodology

A qualitative research methodology is adopted to give detailed descriptions of activities, situations and interactions on the subject of study. Qualitative methods provide an in-depth and holistic approach to collect data because of its open-ended style and subjectivity (Barbour, 2007). Semi-structured interviews with key actors, focus groups with participants and documentary research are the main research tool to collect data.

The research is contextualized in a case study, which allows researchers to explore individuals or organizations, sample through complex interventions, relationships, communities, or programs (Yin, 2014), and supports the deconstruction and the subsequent reconstruction of various phenomena (Baxter & Jack, 2008).

According to Yin (2014) a case study should be applied to the study which investigates answers of “how” and “why” questions and when the researcher is not able to observe the behavior of those who related to the study. Since a main objective of this research focuses on the question, “How does MP CSR policy and practice address commitments towards environmental sustainability of the sugar mill community?” Hence, the case study approach is suitable for this study.

### 1.9 Significance of Research

In the case of Mitr Phol, this study will allow for a better understanding of the agribusiness sector’s engagement with CSR policy and practice within the national context of Thailand. Research into MP’s CSR initiatives will contribute to public knowledge, linking patterns in CSR activities to sustainable development, and the environmental management of the sugar cane farming community. To what extent the firm’s operations and CSR activities of have on mitigating environmental impacts is key for future sustainable growth.

Additionally, as MP increases its international business profile, this study will shed light on transnational and domestic drivers which push and pull the firm to explicitly engage in CSR. As MP is now engaged with global stakeholders, it is important to study the corporation's relationship with stakeholders that are vital to the firm's survival; suppliers in the farming community that provide the raw material for MP's products. Understanding how they grow together sustainably, and ultimately contribute to the development sugarcane communities is beneficial.

At the instrumental level, companies that are engaged with CSR mechanisms would find the results of this study useful, especially in regards to maintaining corporate sustainability and the development of stakeholder communities. Agribusiness companies and agricultural suppliers could benefit from this study pertaining to ecological sustainability, which is crucial for future generations of farmers and the business.



## Chapter II

### Literature Review

#### 2.1 Agribusiness and CSR

There are relatively few publications about CSR and stakeholder management in agribusiness towards general society (Bremmers, Omta, & Haverkamp, 2004), although linking the societal demands to hold agro-industry responsible to legal, ethical, and discretionary practices is increasingly relevant (Boston, Ondersteijn, & Geisen, 2004).

Agribusiness corporations and how they respond to the demands of state regulations and civil society has been analyzed by (Jansen & Vellema, 2004). Overall, the nature of agribusiness firms is driven by profit motive and efficiency gains, rather than complying with the social and environmental concerns of stakeholders. A gap exists between the stakeholder perceptions of agribusiness food production and the operational reality on the ground. The legitimacy problem has caused “general discontent with the industrialization of agriculture production and food provision systems [that have] put agribusiness and the food industry at the core of societal debates” (Jansen & Vellema, 2004). This is especially true of negative environmental externalities caused by mono-cropping and agrochemical use, plus the moral concern on issues such as genetically modified organisms (GMOs) and animal welfare. The question is whether CSR commitments are addressing the impact agribusiness operations have on the environment and concerns of societal stakeholders.

Heyder and Theuvsen (2012) conducted a study on 170 German agribusiness firms and their relationship with society through CSR. They discovered that agribusiness tend to use CSR to enhance company competitiveness and image. External pressure from the public is significant factor in compelling firms to acknowledge CSR initiatives, especially in the slaughter and meat processing industry, and public demands focus mostly on GMOs, environmental externalities and the composition of food products, i.e., fat and sugar content. However, external pressure did not have a large effect on the way companies formulate and show their CSR policy. This may be due to a lack of institutional pressure on larger agribusiness firms that have their own industry culture, which isolates them societal discourse.

An analysis of empirical findings showed that altruism and market differentiation are the determining factors for German firms to initiate CSR. Transnational standardization has no influence on firms, as public concern about agribusiness operations in other countries may be low, and allow them not to practice CSR. The enhancement of company reputations through CSR runs the risk of

becoming a “green-washing” application; a way for companies to clean up their image without actually doing anything (Shultz & Holbrook, 1999). It is claimed that CSR in agribusiness needs further improvement and professionalization, especially for firms that practice GMO production. More importantly, altruistic or market-based CSR is insufficient for mitigating conflicts between agro-industry and the public. Instead, CSR policy and practice should be embedded into production and managerial processes, or be interrelated with the nature of the firm (Heyder & Theuvsen, 2012).

Most stakeholder management in agribusiness is geared towards business actors within the supply chain, such as input suppliers and customers (Torres, Akridge, Gray, Boehlje, & Widdows, 2007), and usually react to societal and environmental demands stemming from negative externalities. This is done primarily to lower social and political resistance by pressure groups or to respond to state regulations and restrictions (Jansen & Vellema, 2004). Agribusiness corporations may be integrating CSR into production processes to engage more with societal concerns in hopes to rebrand their image as being sustainable or as recognizing the “ecological paradigm”. Incorporating terms like environmentalism into their business practices may be a green card for increasing their market share in hopes of capturing more green conscious consciousness (Jansen, 2004).

The drive for agribusiness towards sustainable development practices can be interpreted as an attempt to address ecological issues. As industrial scale agribusiness is commonly known to have adverse effects on the environment by externalizing pollution costs onto community stakeholders. CSR activities can be a reflection of the growing affluence and societal expectations that are being shaped by a concern for the environment (Werther & Chandler, 2011).

## 2.2 CSR and Thailand

Social, political and economic conditions within a national context establish to what extent businesses adopt CSR practices and how they are publically legitimized (Chapple & Moon, 2005; Kimber & Lipton, 2005). Comparisons between Eastern and Western firms often sheds a less favorable light on Asian CSR policy and practice (Baughn, Bodie, & McIntosh, 2007), where the performance of CSR initiatives addressing issues of human rights, labor rights, bribery and corruption is regarded as poor (Welford, 2004). Although there are some recognized problems with the interpretation and adaptation of CSR in Asia, it has been recognized that philanthropy and community development are not foreign ideas and are understood. In addition, even though superficial out-process activities are widely used in Asia, there has been significant progress in developing socially responsible products, processes and employee management (Chapple & Moon, 2005).

In the case of Thailand, CSR has proactively been promoted by different organizations both in the public and private sectors. Kraisornsuthasinee and Swierczek (2009) broadly position Thailand at an “embryonic-yet-growing” stage that includes a wide array of business enthusiasts. There are beginners who aspire to understand the concept, altruists who concentrate on creating new and superficial



philanthropic activities, and leaders who strive to implement a world-class level of CSR. Yet, many of these advanced practitioners are limited to few large organizations.

The general perception of Thai CSR practice is that it's generally associated with philanthropic activities and community involvement, otherwise known as peripheral activities, more than the production process (Chapple & Moon, 2005; Kraisornsuthasinee & Swierczek, 2006). However, research has pointed to a trend among the Thai firms to integrate CSR into managerial processes, and use it as a strategic tool for competitive advantages. In 2006, a report conducted by the Thailand Research Fund described how Thai companies were developing CSR into their management processes; either in activities that were geared to generate profit or in ways to manage profit for the greater good of society (Yodprutikarn, 2006). Furthermore, according to a study by Kraisornsuthasinee and Swierczek (2009), corporate leaders are integrating CSR more in their core business practices than before. In their 2009 study, six selected companies were evaluated using a classification system to categorize stages of CSR practice: compliant, altruistic, holistic and strategic. Their conclusion shows that strategic CSR has gradually emerged in Thailand, and leading companies have reached a strategic level of CSR as corporate leaders have learned to integrate CSR into company operations. This is consistent with the global direction of CSR principles and practice.

Virakul's et al. (2009) in depth study of CSR activities by prominent Thai companies that won the SET's CSR awards reveals the specifications put forward by the SET as best CSR practice. It was concluded that Thai companies conduct CSR activities due to moral or altruistic reasons, and these engagements are focused on production process and philanthropic outcomes. Managerial leadership, company performance and stakeholder expectations were the driving forces behind CSR agendas. By using a framework with includes a stakeholders' model and issue management components, the researchers deduced that a combination of international and local knowledge synthesized with stakeholder expectations laid the groundwork for CSR engagement. In order for a CSR to be effective, commitment is needed from corporate leadership and management who dictate a clear policy at the strategic level. Findings concluded that resources such as people, facilities and funds are essential to fulfilling CSR activities, which are categorized into five main areas: education, arts and culture, sports, environment and public welfare.

Srisuphaolarn (2013) selected Thailand as a multiple-case study for analyzing CSR patterns due to it emerging markets that give a presence to Thai-based MNCs. The research aimed to testify if western standards influence or indigenous forces lay the groundwork and mechanisms for CSR patterns. Extensive research of 14 companies show that CSR development in Thailand is issue-based, addressing social and environmental problems relatively more than core business activities. Also, Thai social and religious values are important determiners for the implementation of CSR agendas, and are antecedents for creating implicit forms of CSR that highly value ethical commitments from businesses. Thai companies are committed to social innovation through their products and services. Although Thai companies accept western methods of strategic CSR practice to gain competitive advantages, explicit

forms of CSR are neglected as being a western approach. Sincerity from companies is displayed by long-term engagement with stakeholders, and substantial and sustainable projects that obviously provide beneficial outcomes. Companies involved in the research state that their commitment to CSR policies is inspired by their willingness to contribute to society.

Research conducted with Deutsch Post DHL by Ferguson (2011) shows how CSR characteristics and components from home countries become internalized within a national business context. Local initiatives can help and contribute to global CSR initiatives, therefore adding elements of 'glocality' (global-local balance) to social responsibility. Buddhism and agrarian social values encourage a culture of charity, volunteerism and merit-seeking, and these aspects can be operationalized into CSR management. Kraisonsuthasinee (2012) also highlights the effect of Buddhist teachings (particularly the Four Noble Truths) on corporate behavior, and how they can mitigate problems that arise from pursuing crude profits and greed. The author proposes that Buddhist forms of CSR should advocate for stakeholder responsibility, especially among consumers and investors, and address issues of over-consumption with conscious consumption. It has been observed that cultural mechanisms like philosophy and ethical principles form a base on which Asian firms stand, whereas American social relations are often formally codified as explicit policy (Weaver, 2001).

Welford (2004) found that locally based issues and cultural traditions form the springboard for national CSR principles and practice. This observation has been reaffirmed by the Thaipat Institute (TI, 2007), which examined how local folk wisdom and international corporate knowledge relate to domestic CSR activities. By adhering to local traditions and values, the direction of CSR would become more strategic and correspond with the vision and values of domestic corporations. Senanpan (2012) corroborates this with research conducted on Toyota Motor Thailand and how CSR policy and practice can either be managed towards global standardization (convergence), tailored and localized to local institutional factors and national business systems (divergence) or combined to be responsive to issues in Thai society and incline to global integration (hybridization). CSR management is affected by convergent and divergent factors, whereas social contribution activities are inspired by embedded customs of merit making and volunteering that are prevalent in a collectivist and religious society.

### **2.3 CSR and Sustainable Development**

Due to pressing concerns of the environmental constraints caused by a globalized market capitalism and corporate competition, there has been growing pressure for companies to integrate sustainability principles into their business operations (Hart, 1995; Porter & Kramer, 2006). Pursuing economic, social and environmental goals have become prioritized for large and influential enterprises, and literature has shown that implementing these strategic aims helps the long-term economic performance and sustained competitive advantage of the firm. This

intersection of economic, environmental and social performance defines what is referred to as the 'triple bottom line' (Elkington, 1994), or the three 'Ps': people, planet and profits, of business. Adhering to these goals is thought to contribute to the sustainable development (SD) of society, however sustainability of the planet and its resources is seen to be incompatible with economic development, therefore making CSR policy and practice unable to encompass full social responsibility (Moon, 2007). Although the terms CSR and SD are contested ideas and seem to contradict each other, there is a growing consensus that both concepts mean more or less the same thing.

Moon (2007) recognizes that CSR and SD are very broad terms that can be vague and interchangeable, and their meaning and relationship can be understood by studying the market, social, governmental and global forces that drive CSR engagement. A combination of these factors can form the groundwork on which CSR principles and practice can stand, and provide a premise for sustainable development agendas. The driving forces are listed as follows: market (consumers, employees, business suppliers, investors and customers), social (NGO pressure, media attention and general public expectations and business associations), governmental (governments and politicians) and globalization (transnational organizations and standardization). These driving aspects of CSR creates a 'socialization of markets', and has turned companies into components of societal governance, filling in institutional deficits of democratic, capitalist or welfare systems that are unable to meet societal expectations. Governments are increasingly helping corporations in the task of governing, or helping weak governments that lack capacity to deliver services.

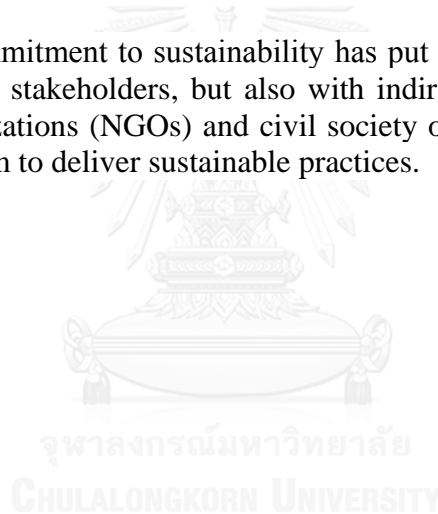
Corporations can address SD issues with increased empowerment and responsibility, which stem from strong partnerships with stakeholders and ideological influences. Moon (2007) contextualizes CSR's contribution to SD by considering Hart's (1995) 'natural-resource-based view of the firm, who recognized that competitive advantage is determined by dominating low production costs and market differentiation. However, this view has shifted to highlight the importance of the natural environment as the indispensable driver in developing the resources and capabilities of companies. In a nutshell, "strategy and competitive advantage will be rooted in capabilities that facilitate environmentally sustainable economic activity" (Hart, 1995). Such a theoretical approach can be seen as an investment in social legitimacy and reputation. Pollution prevention activities can reduce costs and raise efficiency and productivity. Increased stakeholder engagement develops product stewardship, which in turn can assist companies to cease hazardous practices, reduce liability and produce greener products with lower life-cycle costs.

Since the socialization of markets, corporations have grown more responsive to the market, societal, governmental and global demands for SD measures. Hart (1995) claims that corporations that once had internally focused competitive strategies on SD can now share a wider vision it. Following a natural-resource-based view of the firm constructs a platform from which CSR practices can be developed, however Moon (2007) states that companies that want to remain competitive in this context need to align themselves with of new governance, transparency, stakeholder

engagement and partnerships. Additionally, since corporations are prominent actors in international development, the relationship between CSR and SD needs to be recognized, as well as the combination of driving forces behind CSR and what sustainability measures are most conducive to it, or what types of CSR activities contribute best to SD.

Although there may be some strong links between business interests and SD, a socially responsible business is essential but not sufficient condition for SD. Smaller unbranded business may neglect sustainability measures due to less concern of reputation or may not have a long-term vision for the company. Also, there are limits to how a company can be held accountable for SD. Negative impacts may arise from consumptive behavior of individuals who consume environmentally and socially degrading products and regulatory failures of the state to implement policies to limit carbon emission or protect forests. Even though there are businesses that act in association with SD, markets continue to attract businesses that pursue low production costs and have no stakeholder commitment to SD (Moon, 2007). In short, there are limitations to how CSR can address social and environmental problems.

A firm's commitment to sustainability has put corporations not only face-to-face with their direct stakeholders, but also with indirect stakeholders such as non-governmental organizations (NGOs) and civil society organizations (CSOs) who can exert pressure on them to deliver sustainable practices.



## Chapter III

### Research Methodology

In this chapter, theoretical and analytical justification for the way the research has been conducted and analyzed will be explained. The research approach and design will describe how and why specific choices were made, and how they influence the outcome of this thesis study. The limitations of the thesis are also discussed in the last section.

#### 3.1 Research Design

The objective of this research is to investigate the CSR policy and practice of the Mitr Phol Sugar Corporation in Thailand. The second purpose is to determine if Mitr Phol's CSR agenda encourages stakeholder engagement in the sugar mill community, and how it promotes sustainability principles. The last objective is to identify the domestic and global drivers for Mitr Phol's engagement with CSR. For these objectives, a qualitative research method is used.

#### Analytical Tools

In this study, two analytical techniques that are regularly used in qualitative research will be used; coding & cross comparison analysis and thematic.

Coding and the cross comparison of different codes will be used to answer question forms that are factual (What is) or dichotomous (Does) in nature. This type of analysis is suitable for these research questions because coding helps to organize material into chunks or segments before the researcher brings meaning to the information (Rossman & Rallis, 1998). Qualitative data analysis consists of classifying things, persons and events and the properties which characterize them (Schatzman & Strauss, 1973). Typically, coding enables the categorization of data, therefore making it possible for researchers to identify and describe patterns and themes from the perspective of participants, and then attempt to understand and explain these patterns and themes (Agar, 1980). This analytical approach is appropriate to reveal the complex process of CSR formulation and implementation, patterns of company-community relations and myriad influences of CSR engagement.

A thematic analysis will also be used in this study. This is used to systematically formulate answers for the research question. Themes are identified through the combination of related patterns that are classified (or coded). Themes are supported by multiple perspectives from participants, diverse quotations and specific

evidence (Creswell, 2009). Multiple themes can be interconnected to build layers of complex analysis to shape theoretical models.

### Breakdown of Research Questions and Methodology

Question 1: What are the transnational and domestic ‘push and pull’ factors for MP’s engagement with CSR?

- Hypothesis
  - A convergence of transnational and domestic factors define and develop MP CSR policy to make commitments to sustainable development practices
- Indicators/Variables
  - Compatibility with the principles of social responsibility according to Siltaoja’s (2013) CSP model (institutional context)
- Source of Data
  - Mitr Phol Officers and Executives
- Data Collection Tools
  - Document Review
  - Semi-structured interviews
- Analytical Tools
  - Coding

Question 2: What are the CSR policies and practices of the Mitr Phol Sugar Corporation?

- Hypothesis
  - CSR policy and practice of the Mitr Phol Sugar Corporation will show integration throughout company operations and is linked to core competencies
- Indicators/Variables
  - CSR policy and activities
  - Compatibility with the principles of social responsibility according to Siltaoja’s (2013) CSP model (sustainable development, level of managerial discretion)
- Source of Data
  - Mitr Phol Sugar Corporation
  - Participants and stakeholders of CSR initiatives
- Data Collection Tools
  - Document review
  - Semi-structured interviews
- Analytical Tools
  - Coding

Question 3: How does MP CSR policy improve engagement between the corporation and rural community stakeholders?

- Hypothesis
  - CSR policy and practice of the Mitr Phol Sugar Corporation follow stakeholder management and corporate citizenship ideals to improve stakeholder engagement in the community
- Indicators/Variables
  - Compatibility with the processes of social responsiveness of CSR according to Siltaoja's (2013) CSP model (stakeholder management, corporate citizenship activities)
- Source of Data
  - Mitr Phol Sugar Corporation
  - Community Stakeholders
- Data Collection Tools
  - Semi-structured interviews
  - Focus Groups
- Analytical Tools
  - Thematic

Question 4: How does MP CSR policy and practice address commitments towards environmental sustainability of the sugar mill community?

- Hypothesis
  - CSR policy and practice help address sustainability of the environment as to strategically ensure corporate sustainability
- Indicators/Variables
  - Compatibility with the processes of social responsiveness of CSR according to Siltaoja's (2013) CSP model (environmental and social learning)
  - Compatibility with the outcomes and impact performances of CSR according to Siltaoja's (2013) CSP model (effects on the natural and physical environments)
  - Compatibility with Steurer's (2005) microeconomic categorization of environmental SD activities
- Source of Data
  - Mitr Phol Sugar Corporation
  - Community Stakeholders
- Data Collection Tools
  - Document Review
  - Semi-structured interviews
  - Focus Groups
- Analytical Tools
  - Thematic

### 3.2 Single-Case Study: Mitr Phol Sugar Corporation

The strategy of inquiry for this study adopts the case study approach in order to thoroughly concentrate on the various aspects of the case. As explained by Stake (1995), case study research is designed to give a detailed description of the settings and individuals, followed by analysis of the data for themes or issues. In other words, a case study strategy allows researchers to understand the complexity of the contextual analysis of persons, events, decisions, periods, projects, policies, institutions, systems or conditions and their relationships. When research questions enquire “How” and “Why” ,particular phenomenon occur, and researchers are unable to influence the process of events, then a qualitative case study approach is suitable.

The main research questions are: “How does MP CSR policy improve engagement between the corporation and rural community stakeholders?” and “How does MP CSR policy and practice address commitments towards environmental sustainability of the sugar mill community?” The subject of CSR will be highly contextualized to this case, and provide multiple classifications of data and themes which paint a wide and complex picture. Due to the complex phenomena that are involved in this case study, a more holistic and thorough approach is taken. Also, due to time limitations, a case study will allow the researcher to concentrate on the multi-layered nuances between CSR, agribusiness and sustainable development.

#### 3.2.1 Mitr Phol Corporation Overview

Mitr Phol Group was established in 1946 at Tumbon Krubyai, Amphur Banpong, Ratchaburi Province, Thailand as a small household industry producing and trading condensed syrup to sugar mills. In 1956, the corporation established its first plant to with the capacity to produce sugar. Hereafter, the expansion of Mitr Phol was due to the rising demand for sugar on the domestic and global markets. Today, Mitr Phol has six sugar mills located in Suphanburi, Singburi, Khon Kaen, Chaiyaphum, Kalasin and Loei Provinces. The company is Thailand's largest sugar producer and exporter with a registered capital of 4.778 million Thai Baht (\$US 150 million). As of 2012, the total crushing capacity MP’s sugar mills stands at around 20 million tons of cane per annum, approximately 2 million tons of sugar.

Sugar is at the core of MP’s business, and uses its sugarcane plantation concessions and production capabilities to develop downstream businesses and diversify its corporate portfolio. The sustainability of raw materials lies at the heart of company sustainability, and they prove essential for the continual operation of value-chain businesses. A business model encapsulated in the motto “From Waste to Value” ensures that biomass waste from sugar production is transformed into value-added products that are friendly to the environment.

In 1990, MP’s Particle Board business was initialized, using left-over material from the sugar production process (bagasse) to produce medium density fiber boards



and melamine-faced chip boards. About 400,000 cubic meters of particle board are produced per year.

By 2002, MP's first two bio power plants were established in Suphanburi and Chaiyaphum Provinces. Utilizing bagasse and other agricultural residues as a form of fuel for the production of steam and electricity, MP was able to join the renewable energy market and generate energy for its own production means and for distribution on the national grid. A move into bio power took considerable investment into highly efficient technologies and production systems that met ISO 14001 environmental management standards and Environmental Impact Assessments (EIA) conducted by the Ministry of Natural Resources and Environment. As of now, MP has six bio power plants in its respective sugar mill plants in Thailand, producing about 400 megawatts per year, 200 of which go onto the national grid. Additionally, MP owns the first bio power plant from bagasse waste in Gaungxi Province, China and the first plant in Savannakhet, Laos PDR.

In 2005, MP set up its first ethanol plant in Chaiyaphum Province. This is a move into another renewable energy market, with the aim to address Thailand's energy stability. Through a process of using molasses combined with yeast to produce hydrous alcohol or pure ethanol, which is then mixed with benzene fuel to produce gasohol, MP reflects an awareness of environmental impacts caused by conventional fossil fuel reliance. With concerns over carbon emissions affecting climate change, bio-fuel production based on an industry side product (molasses / juice) is an opportunistic step for the company. Furthermore, the production of ethanol from molasses results in another by-product known as vinasse, which can be converted into a bio-fertilizer for distribution to sugarcane concessions during the planting process. MP has three plants that produce ethanol from molasses and has a joint venture project with Padaeng Industry Public Company Limited and Thai Oil Public Company Limited to produce ethanol from sugarcane juice in Tak Province. Production capacity stands at 320 million liters per year.

### **3.2.2 Mitr Phol Corporation CSR Initiatives**

There are various reasons why a company would undertake CSR activities in a globalized economy that puts much emphasis on firms meeting triple bottom line standards. Companies may be seeking a stronger reputation, more employees, environmental and natural resource protection, risk management or favorable public recognition as they jump on the CSR bandwagon. Nonetheless, MP eagerly displays its social engagement in the CSR spotlight, especially now since it's a trendy issue in which numerous Thai companies are now engaged.

The following statement regarding their CSR practice is expressed by Mitr Phol through their web portal:

*“Throughout the past 55 years, Mitr Phol has conducted its business under the philosophy of Social Responsibility or today called Corporate Social Responsibility (CSR). The company has a transparent, fair and ethics organization framework with the realization of all concerned parties’*

*interests, namely trade partners, customers, consumers and more importantly the care for environment and communities. This model is believed to lead to sustainable development under the slogan “Quality for World Standard...Sustainability for Communities”*

(MPG, 2011)

Mitr Phol’s CSR statement addresses its commitment to stakeholders, who can determine the sustainability of the company. Their ethical corporate credo has been core to their social responsibility towards communities and the environment for half a century. However, this vision statement was a recent manifestation of Thailand’s CSR boom of 2007, when domestic business media brought CSR into the limelight as a new global-corporate activity which was interrelated to corporate governance, business ethics and sustainable development (Srisuphaolarn, 2013). As a reflection of current trends, MP’s commitment to CSR indicates that executives aim to incorporate it in every organizational process of business operations. In other words, *strategic CSR* has been claimed to ensure the economic viability and sustainability of the company while making commitments to social and environmental well-being.

Philanthropy can be used as a tool to improve public relations or advertising, and to promote brands through cause-related marketing (Porter & Kramer, 2002). MP recognizes this and has developed a CSR approach consisting of numerous ‘out-process activities’, or donation-based activities, like offering scholarships, giving donations to schools, youth development activities, and home finance workshops to help local cane growers close income gaps in their community. Srisuphaolarn (2013) referred to this as a “social tax budget”, or discretionary dispenses that are demanded implicitly by stakeholder communities. This relationship is indicative of social values in a collectivist society where bilateral patronage is crucial.

### 3.3 Scope of the Study

Since Mitr Phol engages in various CSR activities across different sectors and communities, this study will emphasize on socially responsible practices that contribute to corporate-stakeholder partnerships and sustainable development in the selected community. More specifically, this study will focus on the CSR policy illustrated on the company’s website, which express a very broad and ambiguous commitment to stakeholders. CSR activities can encompass a wide array of topics, and incorporate aspects such as social, managerial, economic, manufacturing or environmental performance. These performances cross-intersect and are interrelated, therefore making any attempt to research contributions to full corporate sustainability and sustainable development difficult. This research will examine how operations of the firm address environmental sustainability, which has a knock-on effect on financial and social performance. Furthermore, researchers will understand a clearer picture of the relationship between community stakeholders and the company. We will focus on the detailed implementation of Mitr Phol’s CSR agenda and the interactions between the community and the firm.

The time frame of the study's fieldwork was a four month window, from June 2013 to September 2013. Documentary research was conducted before, throughout and after the field research.



### 3.4 Data collection

The interviews will have a semi-structured character and be in-depth in nature, where the interviewer can encourage interviewees to respond to open-ended questions. This allows respondents to speak freely during interviews, give additional information, ask supplementary questions, and give explanations for answers. Moreover, the interviewee is given the opportunity to elaborate within his/her area of specialization.

Data Collection Techniques: Semi-structured interviews with key participants

#### A. Population target group: MP officers and executives

Interview Code: A1

- Suppanit Manajitt – Senior Executive Vice President  
Corporate Relation Group

Interview Code: A2

- Churee Naktipawan – Vice President  
Corporate Relations

Interview Code: A3

- Tinnakorn - CSR Manager  
Mitr Phol Social Development Team

Interview Code: A4

- Lawan Chaiyen – Environmental Engineer  
Mitr Phol Sugar Mill, Dan Chang District

Interview Code: A5

- Chatuporn Pinkhean – Environmental Staff  
Mitr Phol Bio Fuel Company, Dan Chang District

Semi-structured interviews are employed to steer the discussions towards research question topics, around which the interviews are structured.

Information will be gained on the following topics:

1. MP's CSR policy and practice
  - a. Motives and drivers
  - b. Domestic and transnational influences
  - c. Process of formulation and application of policy
  - d. Role of managers, employees, suppliers, local government
2. Contribution towards sustainable development
  - a. Sustainability issues in the community
    - a. Implications of company operations on sustainability
    - b. Corporate social performance's contribution to sustainability
    - c. CSR links to environmental sustainability
3. Outcome and evaluation
  - a. Indicators of effective CSP

B. Population target group: Community Stakeholders in Thambol Makamong, Amphur Dan Chang, Suphanburi Province (Suppliers and Local Government)

Interview Code: B1

- Sonthaya Onphokeaw – Secretary of Makhamong Municipality  
Dan Chang District

Interview Code: B2

- Noppadol Homsuwan – Director of Sanitary and Environment Office  
Makhamong Municipality, Dan Chang District

Interview Code: B3

- Poomturanon Sritalakarn – Deputy Director of Makhamong Municipality,  
Dan Chang District

Interview Code: B4

- Prachab Khumthong – Deputy Director of Makhamong Municipality, Dan Chang District

Interview Code: B5

- Weera Karnpakdee – Deputy Director of Makhamong Municipality, Dan Chang District

Interview Code: C1 (Focus Group)

- Somparn Pookang – Head of Nongkaesamnong village
- Suchart Napho – Head of Kilo Pad village
- Samarn Yamsawai – Head of Srabuagum village
- Wattana Karnpakdee – Head of Wangnamjone village
- Surin Damrongpangpan – Head of Nong Khaen Pok village

Semi-structured group interviews are employed to steer the discussions towards research question topics, around which the interviews are structured.

Information will be gained on the following topics:

1. Stakeholder engagement with the Mitr Phol Sugar Corporation
  - a. Stakeholder management
  - b. Corporate-stakeholder partnerships
2. Sustainability issues in the community
  - a. Perceived environmental problems and impacts
  - b. Corporate contributions to sustainability
3. Attitudes and beliefs about Mitr Phol CSR agenda in the community
  - a. Process and Outcomes in the community

### 3.4.1 Semi-structured Interviews with Key Participants

The interviews will be conducted at Mitr Phol head office in Bangkok and their operational facilities in Thambol Makamong, Amphur Dan Chang Suphanburi Thailand. Prior to the interview, respondents will be informed about the purpose of the research, the need to record the interview and the confidentiality and anonymity of the information given. The interviews will last between 30 and 40 minutes and the recordings will be complemented with notes taken during the interview and impressions, ideas and thoughts of the interviewer that arose from the interview.

The interviewer will have a prepared list of questions and the interview process will be flexible so that the interviewee can respond freely in his/her words. Open-questions in the in-depth interview allow respondents to explain their opinions and understanding of CSR practices and environmental sustainability, without being limited by preconceived business protocol. The interviewer will have the opportunity to clarify any ambiguity about the questions and responses and may implement probes on questions to encourage the respondent to give more details, clarify, or explain answers.

#### Documentary Research

The researcher will investigate data from published materials, including the company website, internal documents, reports, research papers, articles, journals, newspapers and online databases.

### 3.5 Application of Analytical Frameworks

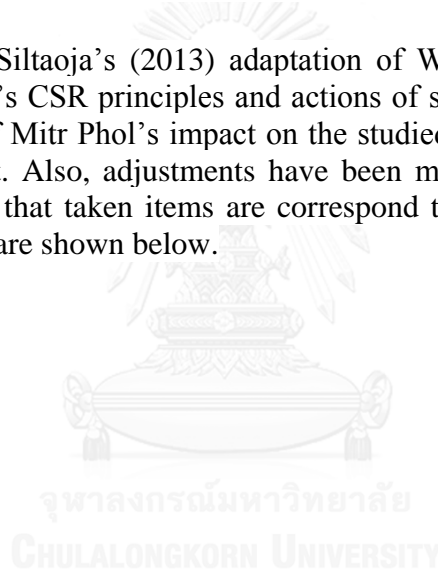
In terms of concepts and theories, there are several frameworks which have been employed in the case study as described in topic 1.5. We applied ‘*Siltaoja*’s

(2013) *Revision of Wood's Corporate Social Performance Model*, together with the stages of *'Development and Direction of Thai CSR Patterns as proposed by Srisupaolarn (2013)'*. These frameworks will investigate the drivers that influence principles behind CSR policy, how CSR is practiced and the categorical features of Mitr Phol's CSR.

Additionally, we have taken *'Steurer's (2001) macroeconomic categorization of sustainability development'* as well as *'Steurer's et al. (2005) framework of microeconomic sustainability aspects and dimensions'*. These analyses will help to gauge the level of sustainability in the stakeholder community *vis a vis* Mitr Phol operations and CSR activities. The composition of frameworks is shown in Figure 4.

However, since the scope of this research focuses on corporate-stakeholder engagement, as well as environmental sustainability, parts of our conceptual framework need modification to suit the domain of the study.

We adjusted Siltaoja's (2013) adaptation of Wood's (1991) CSP model by relating the company's CSR principles and actions of social responsiveness and how they give a picture of Mitr Phol's impact on the studied community and surrounding physical environment. Also, adjustments have been made to Steurer's et al. (2005) framework to ensure that taken items are correspond to the research questions. The resulting adaptations are shown below.



Principles, processes and environmental outcomes of CSR – Adapted from Siltaoja (2013) reconceptualization of Wood's CSP model

<b>PRINCIPLE OF SOCIAL RESPONSIBILITY</b>	<b>PROCESS OF SOCIAL RESPONSIVENESS</b>	<b>OUTCOMES AND IMPACT PERFORMANCE</b>
<p><b>Sustainable development</b></p> <p>Business are responsible for managing their processes and activities in a manner in which they recognize the importance of preserving and sustaining the natural environment and biodiversity for future generations</p>	<p><b>Corporate citizenship activities</b></p> <p>The way corporations play an active role in citizenship activities and democratic regulation</p>	<p>Effects on the community and physical environments</p>
<p><b>Institutional context</b></p> <p>Contextual effects depending on what is required and what is expected from a responsible business when evaluating the legitimacy of business activities</p>	<p><b>Stakeholder management</b></p> <p>Active and constructive engagement in relationships with stakeholders</p>	
<p><b>Managerial discretion</b></p> <p>Managers and other employees are moral actors and have a duty to exercise discretion toward socially responsible, ethical outcomes</p>	<p><b>Environmental and social Learning</b></p> <p>The focus on developing and learning about practices and products that meet the demand of a more ecological and sustainable future</p>	



Environmental aspects and dimensions of sustainable development – Adjusted from Steurer’s et al. (2005) framework of sustainable development on the microeconomic level

Aspects	Outline of dimensions and issues
<b>Environmental Responsibilities</b>	<b>Maintain natural capital to a certain degree</b>
<ul style="list-style-type: none"> <li>• Resources</li> </ul>	<ul style="list-style-type: none"> <li>• Use non-renewable and renewable (energy) resources responsibly</li> </ul>
<ul style="list-style-type: none"> <li>• Emissions</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid emissions into water, air, soil and neighborhoods (noise) to a certain degree</li> </ul>
<ul style="list-style-type: none"> <li>• Environmental damages and risks</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid environmental damages and risks to a certain degree</li> </ul>
<b>Second-order requirements</b>	<b>By advancing economic, social and environmental issues, SD has to obey some general process and concept requirements</b>
<ul style="list-style-type: none"> <li>• Transparency and participation</li> </ul>	<ul style="list-style-type: none"> <li>• “Corporate Openness” toward stakeholders via communication, reporting, SRM, etc.</li> </ul>
<ul style="list-style-type: none"> <li>• Reflectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous learning through monitoring and evaluation</li> </ul>
<ul style="list-style-type: none"> <li>• Integration</li> </ul>	<ul style="list-style-type: none"> <li>• Progress in one dimension of SD should not come at the expense of other dimensions (“triple bottom line commitment”)</li> </ul>
<ul style="list-style-type: none"> <li>• Intergenerational equity/foresight</li> </ul>	<ul style="list-style-type: none"> <li>• Satisfy the needs of an enterprise and its stakeholders today and in the indefinite future</li> </ul>

### 3.6 Limitations

The methodology employed in this research is a qualitative method with a single-case study. This qualitative research will be composed of particular descriptions and themes developed in context of a specific site. Particularity will be used in lieu of generalizability. The critics of such method might consider it as offering fewer grounds for establishing generalization, from which broader theory can be established. In fact, this research will serve to add to the literature of CSR and SD, and the findings may be replicated for further research.

Due to the limitation of time and resources of this study, this in-depth analysis will be employed to allow us a general understanding. This will reveal the answers for the research questions while accounting for the complexity of CSR.

The scope of study is only limited to MP CSR activities and their contribution to corporate-stakeholder partnerships and ecological sustainability. This was selected as the case study in order to highlight the importance of sustainability principles in the agribusiness sector, especially in regards to the sustainability of natural capital. It is noted here that there are also other various CSR activities of MP which haven't been taken into account in this study. These include social contributions of other departments that do not concern the environmental issues nor the social cohesion between the firm and community stakeholders.



## Chapter IV

### Research Findings

By applying Siltaoja's (2013) adapted reconceptualization of Wood's model of CSP, MP's principles of social responsibilities, activities of social responsiveness and its impact on the sugar cane farming community and physical environment investigated in this paper. This provides a suitable framework from which to gauge the performance MP's CSR practice in regards to the criteria selected for this study. The findings below will shed light on the company's sustainable development values, the institutional context of MP's business practices and the role of managers and employees exercising social responsibility. Furthermore, the ways the company fosters open dialogue with community stakeholders, manages constructive relations with them and MP's responsiveness to ecological impacts are studied in detail. Lastly, the company's effect on the farming community and natural environment are assessed.

In addition to the CSP model mentioned above, an adaptation of Steurer's et al. (2005) framework of the environmental aspects and dimensions of sustainable development will be used to conclude the strength of the company's bottom line for the planet. Also, to better identify the type of CSR MP uses, the Srisupaolarn's (2013) analysis of Thai CSR patterns is used to understand the continual adjustment that major Thai companies have followed. This framework paints a clearer picture of where MP stands today in terms of CSR within its national context.

#### 4.1 The Mitr Phol Sugar Corporation and CSR Principles

*"They are not farmers anymore. They are entrepreneurs. They have to start thinking like businessmen."*

Interview A2

Here we describe the CSR principles of the Mitr Phol Sugar Company. This will provide insight into the managerial argument for CSR and its application and the institutional context in which MP is beholden. Moreover, the company's commitment towards sustainable development values will be exemplified.

##### 4.1.1 Companionate Leadership?

Understanding the company's guiding principles towards social responsibility equates to the formulation of CSR policy. It is important to note that managerial vision, or corporate leadership, lends weight to how the company envisions its CSR agenda. Mitr Phol, a fully private family-established company, distinguishes itself with its top-down approach to integrating social responsibility in its business operations. Being a fully private company, the leadership formulates and implements

changes quickly. Therefore, executive and managerial commitments towards social responsibility, sustainability issues and ethical business outcomes cannot be underestimated when determining CSR practice and policy and its domestic/transnational influences.

The moral foundation or premise for engagement in CSR can be reduced and encapsulated in the well-intentioned company credos of “Buy hearts, not sugar cane” and “Grow Together”. Although these corporate mantras are oft promoted by the company to persuade the public of their ethical guidelines, they are merely an aesthetic application to their corporate image. However, managerial discretion does give credence to these statements due to the fact that Mitr Phol was born from the environmental surroundings from which its business continues to survive.

*“CSR in our mind started from the commitment of the MP family. Because they were farmers, so they knew well what farmers wanted. They have been working and doing business together through fair deals. We didn’t call it CSR in those days. You just had to be honest and trustworthy.”*

Interview A1

*“Commitment of the leaders towards leadership and good will is the fundamental base of CSR. We have aligned ourselves with the shared principles of the ‘Grow Together’ company motto.”*

Interview A2

An interview with A3, the CSR manager of the Social Development Team which is responsible for putting CSR policy into practice in the field at MP’s 6 sugar cane production sites, gives an understanding of executive guidance of socially responsible business practice.

*“The board of directors asked me to start community sustainable development projects. They advise and support me. I report the progress of these projects to them and they will suggest what things I should improve and what I have done well. MP has six sugar mill production sites, therefore we have six model communities.”*

Interview A3

This grass-roots understanding of the rural stakeholder’s environment is fundamental to Mitr Phol’s continuing support of socially responsible practices, sustainable development and the economic prosperity of sugar cane communities. Contemporary practice of CSR has been perceived as an explicit form of public relations that ensures corporate sustainability among large firms operating in the globalized marketplace. It has been regarded as a mechanism to counterbalance irresponsible practice committed by large industry, and thus a trend in an increasingly

transparent business world. However, social responsibility has been a part of some companies for some time, and Mitr Phol is not an exception.

*“CSR has been a part of the company since the beginning.”*

Interview A1

While beneficent leadership values have been praised for providing a compassionate face of the corporation, continued operations in Mitr Phol’s respective sugar cane communities relies on strong social cohesion between internal stakeholders (suppliers) and the company. Stakeholder engagement has been at the core of meeting the economic bottom line of the company, and providing labor opportunities and prosperity for sugar cane farmers since the establishment of the corporation. Although it is evident that fundamental concepts of market capitalism has led to the economic development of rural communities in which Mitr Phol operates, it has been suggested that this is indicative of the company applying its economic responsibility. In essence, social responsibility towards economic prosperity has been implicit in business operations since the beginning.

*There are 40,000 families contracted by Mitr Phol that rely on our operations. We believe that CSR is integrated into company processes and we believe that “everybody can do it”. There are three main areas where CSR is seen today. In the agricultural extension team, officers work vis a vis the farmers so that we can model to farmers mechanization in agriculture and water management, and train farmers to increase yields. At the production site, we use a sharing system so that 70% of the selling price of the processed sugar goes to the farmer. And in marketing, we emphasize a 20 Bhat/kg profit maximization, which helps the economic opportunities for the farmers and makes them prosperous. We see these actions as being socially responsibility and an example of ‘Grow Together’. Isn’t this CSR?*

Interview A1

#### **4.1.2 Moving Beyond the Economic Bottom Line**

Adherence to pure economic rationalization and crude profit maximization may be the fundamental basis the ‘business doing business for business’ modus operandi of the free market. Mitr Phol fulfilled its economic obligations as a private sector actor during a time of agricultural expansion. Mirt Phol’s operations evolved during a period when Thailand was undergoing agricultural based industrialization based on the adaptation of ‘Green Revolution’ technologies and techniques as promoted by the first series of National Economic and Social Development Plans (NESDPs) from 1969 to 1971. GDP growth through industrialization policies were heavily espoused by international development agencies and host governments alike. The keyword of sustainability had not emerged.

*“In the old days, we only talked about increasing productivity. We never talked about environmental or social problems. Today, we strive to raise awareness of social and environmental concern together with economic*

*growth. We are committed to develop our stakeholders. We wouldn't want to promote them to grow more, but not have the ability to absorb it. We have to keep the balance well."*

Interview A2

However, the evolution of corporations from being merely engines of economies to actors engaging in social responsibility and sustainable development has been observed throughout different national settings and business sectors. Mitr Phol's survival and continuing success in the sugar industry relies on a number of factors, and its commitment towards stakeholder farmers progress of their livelihoods is an entry point for more explicit CSR policy and practice. Whereas economic responsibilities have been justified by supplying regional and global demands for sugar, societal and ecological responsibilities have emerged as indispensable features in contemporary business settings.

*"Now, we aim to have sustainable plantation management, so we really can't forget about social or environmental problems."*

Interview A2

An interview with A3 gives a clear context as to MP's move to go beyond its economic responsibilities as a business.

*"Mitr Phol is an agriculture business. Most of our partners and stakeholders are farmers. If we want to grow, stakeholders must be strong. We need to take care of the main suppliers. Since MP was founded, we have been operating CSR-like activities, but they were just small projects at the beginning. First, we considered how to raise the agriculturists' income. Their lives must be better if they have better income. But when we continued these projects for few years, we realized that only money was not sufficient. The villagers were still in debt. They fought each other for natural resources. So we started determining other issues to develop. We have established a new department called "community development" to take care of social development for the sustainability of agriculturists and villages around the factories."*

Interview A3

#### **4.1.3 Entry Point for CSR**

The intensification of the export-led agricultural sector led to the growth of Thai agribusiness and labor market productivity, which in turn strengthened the Thai economy and allowed new investments in industrial manufacturing sectors. However, agricultural intensification in developing countries led to the increased depletion of natural resources, pollution and degradation of ecological services, which set off alarms internationally as concerns for sustainable development and abusive corporate practices became apparent. Issues of unsustainable intensification of agriculture were raised at the UN Earth Summit's Agenda 21 (1992), and participants were requested to implement sustainable agricultural development (SAD) programs in their national economies to combat ecological destruction, agro-chemical induced health problems

and food shortages caused by monoculture systems. Initiatives such as Agenda 21 provided a framework for countries to regulate companies with manufacturing and industrial processes to engage in more socially and environmentally responsible behavior, however it is shown that government capacity was too weak, or uninterested due to weakened economic competition, to successfully ensure that the private agribusiness sector was utilizing sustainable practices.

Domestically, Thailand reacted to international pressure and created measures to combat environmental degradation. Laws within the 7<sup>th</sup> NESDP (1991-1996) emphasized stringent environmental standards, and these were further bolstered by various acts passed by the Thai government in 1992. Such regulations such as the Enhancement and Conservation of National Environmental Quality Act, Factories Act, Hazardous Substances Act, and Energy Conservation and Promotion Act were passed to mitigate negative externalities from industry and promote energy conservation. Despite the implementation of these legal frameworks, it had been observed that practice reached below standard expectations and lack of enforcement was a fundamental problem (Mukhopadhyay & Thomassin, 2009). Institutional failures contributed to the lack of oversight into these policy implementations, and confirmed the fact that the state followed a strategy of rapid economic development. Rules and organizations were not effective in protecting the environment and propagating sustainable development values (TDRI, 2000).

The lack of institutional capacity to uphold environmental legislation, and therefore ecological sustainability, has provided an entry point for corporations to become actors in promoting socially responsible development for local communities, regions and nations. The private sector is heeding the call from transnational bodies to carry the specter of sustainable development by integrating CSR into their production processes and within their downstream and upstream supply chain.

Increased literature and reporting on CSR in Thailand has its beginnings just after the turn of the millennium, when CSR started to pop up as a key word and trend for Thai business aiming to improve their image. Although Mitr Phol likes to project itself as having been important actors in developing agrarian communities since the company's establishment, the corporation had little choice but to adopt explicit CSR terminology as other large corporations did, especially publically listed companies supported by stock market capitalization. In turn, technocratic international standards of business conduct from international bodies such as the UN (Global Compact) and OECD became increasingly relevant in formulating CSR within Thailand's domestic setting. The Mitr Phol Sugar Corporation found it necessary to incorporate CSR terms to remain a competitive and growing multinational company.

#### **4.1.4 Institutional Context**

There are several factors that 'push and pull' Mitr Phol to explicitly promote and integrate CSR throughout their supply chain. Interviews with A1 and A2 state that conditions resulting from the Asian financial crisis of 1997 provided a framework for Thai companies to engage in socially responsible practices. The crisis led to the local development concept of Sufficiency Economy Philosophy initiated by His Majesty

King Bumiphol Adulyadej in order to build strong economic foundations and self-reliance at the community level.

*“We follow the application of the Sufficiency Economy Philosophy in 1999 as a guiding principle for national economic and social development. This philosophy helps to make our CSR work well to respond to the economic, social and environmental needs of the community. At the time, the Bureau of Economic and Social Development under the Thai Chamber of Commerce provided a paradigm model for sufficiency and sustainability for local communities.”*

Interview A2

Idealist notions of sufficiency in rural communities may sound good in principle, but to what extent it provides a legitimate institutional context for CSR practice is unclear. There is no doubt that royal influence has had strong effects on the national development agenda. One must only look at the contribution of the royal projects and foundations, and the National Agenda of Giving and Volunteering initiated in 2006 to commemorate His Majesty’s 80<sup>th</sup> birthday. Many in the business community and civil society have taken up the cause and developed new ways to support the royal initiative.

Sufficiency economy ideas have lost their appeal in recent years and cannot be relied on as a strong push factor for Thai CSR. More concrete factors are needed to cement CSR into the institutional framework of Thai society. In parallel with international trends, the SET founded the CSR Institute in 2006 as to create a reward system for outstanding listed companies that display desirable CSR practices. As the SET acts as a government regulated stock exchange and as a nexus for CSR public policy in Thailand, it influences publically listed domestic companies through a mandatory reporting system (I-56). However, Mitr Phol operates as a fully private company and is not affected by stock market capitalization. In order to acquire a clearer understanding of how public policy influences Mitr Phol to undertake CSR activities, it is important to acknowledge another nexus for international CSR standards and societal influences -- The Department of Industrial Works (DIW) under the Ministry of Industry.

*“We are fitting in with international trends of thought. We have joined the Department of Industrial Works to develop our CSR... People have been jumping into it, and adapting CSR to align itself with international trends. International pressure has called for 7 practices to be incorporated into CSR. They have been developed by ISO 26000. I looked at ISO 26000, and used this as a guideline as to how to develop MP CSR. I chose only 2 areas -- environment and community development. I believe a focus on these areas captures the objectives and commitments to stakeholder farmers, instead of the P and L [profit and loss] of economic rationalization.”*

Interview A2



The DIW is the primary state body that converges global and Thai values to create industrial standards in order to provide guiding principles for social and environmental responsibility. It propagates and raises awareness of CSR among Thai companies with large manufacturing and industrial production processes. In effect, they are spearheading standardized responsibility for domestic companies. Many private companies heed to the DIW because they have to abide to government sponsored CSR standards. An interview with A2, who shapes and dictates CSR policy for MP at their Bangkok headquarters, references the voluntary standards of the ISO 26000 framework as being the primary international influence that compels MP to carry out a CSR agenda. The DIW has drawn influence from ISO 26000 to create a domestic certification scheme that compliments the clauses put forth by the international organization.

#### 4.1.5 Sustainable Development Values

Industrial scale agribusiness has often been cited for causing negative environmental impacts through industrial effluence, depleting natural resources, and creating health problems due to agrochemical use. These externalities have downstream effects on the social wellbeing of communities and the biodiversity of the environment. The continued operations of agribusiness is indispensable for Thailand's economy, and the state ensures that agro giants continue to sustain their businesses; e.g., through the subsidization of inorganic inputs. Concurrently, the adaptation of sustainable agricultural management is promoted by the state in order to achieve benchmarks stipulated by industrial standards. This dual policy amounts to a zero-sum game for the issue of SD, therefore the government has turned to private sector actors to address the issue directly. Numerous companies have been pulled to adapt SD practices within their production processes and supply chain; either implicitly integrated throughout the company or publically under the banner of CSR.

*“Farmers are important stakeholders. We have to be part of their success, because they are part of our success too.”*

Interview A2

The statement mentioned by A2 gives a premise as to why sustainable business practices, and furthermore, SD, is essential for the continuing success of the business and the stakeholder community. Ensuring that future generations can benefit from the economic opportunities, ecological friendly services and social welfare from the company is a core issue for Mitr Phol's operations to be successful.

A pilot project was discussed that highlights MP's commitment to integrating sustainable development practices into their operations. The project, named the “Mitr Phol Model Project”, provides a glimpse into the corporation's social community development values through sustainable plantation management. It was first initiated in 2006 at MP's sugar mill production site in Baan Lard village, Phou Kiew District, Chaiyaphum Province in order to improve water management techniques among local farmers. As water is essential for agriculture, it was seen as a very important resource that farmers should have strong knowledge about so that they can increase

productivity. This would involve the construction of effective irrigation systems and water reserves as well as the propagation of efficient water use such as drip irrigation.

MP began this project with the cooperation of governmental agencies: Local Cane Sub-Committee, Bank for Agricultural and Agricultural Cooperatives (BAAC) and the Office of Cane and Sugar Board. The main objective was to increase water reserves by 60% in all cane production sectors in conjunction with the company and local government stakeholders.

The Mitr Phol Model Project in Chaiyaphum Province aimed to develop farmers to become self-reliant and to increase yields through sustainable management of water and soil. However, after initial investments and construction of irrigation systems, cane yields turned out to be lower than expected. A survey team from the company along with farmers found there were several factors that discouraged production. Growers had a lack of knowledge on water management, poor soil, inappropriate cane varieties and poor farm management. The Mitr Phol Model Project was born out of these factors. This illustrated that there was a gap between the capacity and knowledge of local growers and the objectives of the government and MP. Executives at the company knew they had to raise the human/social capital of its core suppliers in order to increase productivity. The pilot project could not merely be an applicable or superficial investment in the communities; instead it had to be integrated at a deeper level so that growers could be self-sufficient.

According to interviews with executives at company headquarters in Bangkok, the main goal of this prototype project is to empower stakeholder communities that supply MP.

*“Farmers may have to wait for a long time for allocated budget from the provincial government to invest in infrastructural development. This may depend on political standing of farmers. Right now, there is a dependent paradigm – if a politician helps, there has to be an engaging promise. It can be seen as vote buying or emotional binding. MP doesn’t want to do that. We want farmers to be free of political persuasion. The local administration is slow and bureaucratic, so farmers run to MP. However, they want to abide to the sustainability paradigm. So, giving out money is not just a solve-all measure. MP needs to build their capacity so that they can work for themselves. We have set up extension team, and it takes years and years of meetings between the team and farmers to build their capacity so they can invest in themselves.”*

#### Interview A2

The interview with A2 highlights that one of the objectives of this project is to lessen the reliance of the farmers on the local government for financial assistance. Here, local government bodies are perceived as inefficient and unresponsive to the actual needs that farming communities. Whatever financial assistance given to farmers from BAAC is may not be invested responsibly due to the unawareness of cost efficiency knowledge among farmers. Moreover, a lack of social empowerment meant that farmers did not have the capacity to steer community projects and oversee public investments in agricultural infrastructure. A focus group with village leaders of

the field study site, Makamong Municipality, Dan Chang District, Suphanburi Province, sheds light on the difference between local government capacity and MP's increasing engagement with its stakeholders.

*“The government always provides stuff and leaves. They do not continue to develop projects and activities to be better. But MP tries to find advantages to continue and disadvantages to improve in the future.”*

*“The government gives us money, and when the money is finished, projects and activities end. It is not sustainable. Villagers think it is government money, so we do not consider before spending the money. But MP supports us to take part in every project so we can feel proud of ourselves. Even if MP invest money in our communities, we think we own the money. So, we will spend it wisely. It is more sustainable than government investment. MP teaches us how to adapt knowledge and be owners together.”*

*“MP focuses on knowledge more than money, but government supports money more than knowledge. We can spend all money, however knowledge cannot run out. It is with us everywhere and all of the time.”*

Focus Group C1

Investments from MP to improve the livelihoods of farmers can be viewed as a sort of ‘socially responsible investment’, aimed to secure future stakeholders by demonstrating responsible practice. In the case of the prototype model in Chaiyaphum Province, the company has been able to convince 83 farmers to follow the policies and techniques encompassed in the project after an initial 2.4 million Baht investment for the construction of a water pipeline from a local water source. In addition to water supply infrastructure, MP distributed an adequate supply of ratoon sugarcane stock from which farmers could grow healthy high-yield harvest.

The company has established a payment system in which farmers can pay back the company over time; the amount of credited allowance is deducted from when the sugar cane is sold to the mill. In essence, MP has successfully persuaded participant farmers to invest money from the company through a micro-credit lending scheme. This is seen to be a more efficient way for farmers to gain access to needed funds for infrastructure projects and necessary costs for sugarcane farming. Overall, it is seen that MP's socially responsible measures provide more efficient development than the government can.

*It takes longer time to get budget from the government and it is quite limited. MP can provide us immediately after we have a meeting with them and they agree to help us.*

Focus Group C1

Four measures have subsequently been created to provide a framework for sustainable plantation management known to the company as the 4 Cs: condition for high yields, co-creation, cost effectiveness and CSR awareness. This project was designed by company executives responsible for CSR policy, and led and monitored

by the company CSR team. SD principles have been applied to the project. These 4 Cs are a jigsaw for sustainable management.

The 4 Cs of Sustainable Plantation Management for Mitr Phol Model Project  
(Chaiyaphum Province)

'C' of Sustainable Management	Aim	Practice
Conditions for High Yields	Managing basic factors for increasing yields <ul style="list-style-type: none"> <li>• good cane variety</li> <li>• improve soil quality</li> <li>• manage water supply</li> <li>• pest management</li> </ul>	<ul style="list-style-type: none"> <li>• distribute optimal seed varieties and ratoon stock</li> <li>• teach bio-technique farming methods to sugarcane farmers               <ul style="list-style-type: none"> <li>• use leftover biomass (2 tons/per rai) for organic input fertilizer</li> <li>• sell biomass to MP for biofuel production</li> <li>• teach farmers the disadvantages of slash and burn agriculture</li> <li>• demonstrate waste as valued asset</li> <li>• keep chemical fertilizers inputs at a minimum through mixed fertilizer application</li> <li>• use filter cake (waste byproduct of sugarcane production) as organic fertilizer (distributed at no cost)</li> <li>• provide oversight management for water management and zoning</li> <li>• construct small reservoirs</li> <li>• conduct research with Khon Kaen University to develop organic/bio pesticides (e.g.; moss to combat sugar cane grub)</li> </ul> </li> </ul>
Co-creation	Focus on multi-stakeholder participatory management and holistic management	<ul style="list-style-type: none"> <li>• assists farmers with bargaining power with local government</li> <li>• form committees to address issues with the provincial cabinet</li> <li>• collaborate with farmers to co-create projects to address problems</li> <li>• convince local government to subsidize bank loan interest rates for farmers</li> <li>• influence local government to allocate budget for community development or infrastructural development (electricity generation, reservoirs and irrigation canals)</li> </ul>

Cost Effectiveness	Finding measures to reduce unnecessary cost	<ul style="list-style-type: none"> <li>• use of cluster management farming techniques (farmers collaborate to prepare, plant and harvest family-owned sugar cane plots in sequence together)</li> <li>• use of waste byproduct for cane production process is used as organic input fertilizer</li> <li>• emphasis of zero waste management</li> <li>• reuse water from sugar mill production for watering sugar plantations</li> <li>• raise negative environmental impact of slash and burn agriculture among farmers so essential ingredients are retained in soil and communities are protected from runaway fires in dry season</li> </ul>
CSR Awareness	Recognizing effective use of resources and reducing adverse impacts to the community and the society at large	<ul style="list-style-type: none"> <li>• abide to doing well by doing good credo to gain respect</li> <li>• make efforts to reduce carbon emissions in communities</li> <li>• implement standards to tackle issues of dust and odor in communities</li> <li>• deploy teams to clear and clean the roads littered with droppings from sugar cane collection trucks</li> <li>• raise issues of farming practice and health awareness for household welfare (agrochemical-related illnesses, physical problems related to manual labor)</li> <li>• deployment of company medical teams to provide services to farmers</li> <li>• provide health checks</li> <li>• allow farmers to access medicine and treatment at sugar mill sites</li> <li>• show corporate commitment to farmers by being a good role model</li> <li>• practice knowledge transfer</li> <li>• promotion of education for stakeholder communities for human development purposes</li> </ul>

In brief, the four pillars of the “Mitr Phol Model” are as follows below:

- 1) Enhance cane yield through proper management standards – rich soil, enough water supply, quality cane varieties, suitable harvesting time and effective pest and disease preventive measures
- 2) Work by the “Think Together, Do It Together” basis between cane growers, Mitr Phol people and government agencies
- 3) Effective Cost Management on planning, monitoring and bidding to minimize production cost – soil improvement, soil preparation, growing, caring and harvesting
- 4) Include environmental and social responsibility in cane field management practices – chemical reduction, fresh cane cutting and less cane burning.

The following year, there were 29 chose to participate in the Mitr Phol Model pilot project, and among 265 rai of agricultural land, yield increased from 8 ton/rai to 17.88 ton/rai by average. Cane amount increased from 2,115 tons to 4,726 tons and cane growers had additional 5 million Baht income.

This award winning initiative by MP is indicative of company values. The company strives to raise awareness of sustainability principles and apply them in the farming communities so that the its supply chain is in accordance with the company’s socially responsible values. Corporate sustainability is of utmost importance too, therefore interlocking the interdependence between sustainable development and the continued survival of the corporation.

*No business can grow in a failed society -- this statement is from the OECD. We need to think of all the basic needs for a win-win situation. This is an in-process situation integrated throughout the supply chain. I think CSR is more related to your business. Not for the common good of society. I say CSR is good awareness of the impact on society and the environment. Today, big corporations create problems. They deplete resources, create pollution, and perhaps they do not treat people well. But if you’re responsible for those actions – fair deal. You can do better for the common good through company processes, but don’t use CSR as a measure to show that you’re doing good.*

Interview A2

The Mitr Phol Model for sustainable plantation management is mostly composed of strategies for efficient cost effectiveness and natural resource management. Points 3 and 4 of the 4 C prototype give some indication of the company’s efforts to tackle environmental issues of the sugarcane industry. This is done under the categories of Cost Effectiveness (3) and CSR Awareness (4), which involve tying sustainable farming methods to financial incentives to reduce unnecessary costs and raising awareness of the detrimental effects of carbon emissions on the planet. Alongside of environmental issues, the company’s engagement in community development initiatives is also highlighted. These activities call under the categories of Co-creation (2) and CSR Awareness (4). How MP addresses sustainable development values in the community chosen in this case study

(Makamong Municipality, Dan Chang District, Suphanburi Province) will be discussed in Chapters 4.2.1 and 4.2.2 (Stakeholder Engagement & Environmental and Social Learning). A more detailed picture of the company's commitment to environmental conservation and societal responsibility will be given.

Meanwhile, the initiative in Chaiyaphum has become a guiding beacon for future MP prototypes that MP aims to extend throughout their six farming communities. Mitr Phol MP was awarded an Asia Responsible Entrepreneurship Award (2013) for the category of Social Empowerment in Singapore.

*“We emphasize on society, education, natural resources and the mental health of partnerships and stakeholders. This prototype was set up to be a model for other communities. We let other communities around the factories learn from the model village. It is more powerful than MP going into the communities and telling them what to do, since they can see an example and they will see what will happen to their communities if they follow the prototype.”*

Interview A3

#### 4.1.6 Corporate Philanthropy

MP values the integrity of its commitments to being a socially responsible company by integrating its CSR practice throughout its production process and value chain from main suppliers to customers. However, the company does engage in out-process CSR engagement as well as a way to improve the company profile to the public. There is a public relations team from the head office in BKK which acts as a permanent team which carries out most of the out-process CSR activities in MP's respective farming communities. Most discretionary budget comes from corporate headquarters in Bangkok.

There are various activities in which they engage.

- sponsoring the provincial Ratchaburi Football Club
- providing a budget for building schools by complementing government budgets in accordance to Asean Economic Community (AEC) standards
- giving 20-30 scholarships annually at the secondary level schools around sugar mill communities
- funding and implementing of Cane Smile System
- giving schools in flood afflicted communities materials made by MP's particle board company
- sponsoring MP Smart Youth Camp aimed to secure future farmers (stakeholders) and employees in MP companies through educational activities that inform participants on job knowledge, production processes, innovative technology, environmental awareness of the company, sustainable farm management and corporate development of MP Sugar, MP Biofuel and MP Bio-power

- targeting and recruiting children of sugarcane farming families and children in schools in sugar mill communities to encourage employment with MP as attractive and sustainable
- promoting MP's factory 'Parks' as a green environment in order to attract notoriety and potential employees

Local government officials the Makamong TAO of Dan Chang district tell us about the use philanthropic CSR activities in the community.

*There are many activities that MP has done for the community. They support education for children here. They always donate classroom equipment and stationery to students. Furthermore, they have built the road to the schools. Take today for example, they have offered 30,000 baht for the children sports day.*

Interview B5

*They also support temples and religious activities. They donate a lot of money to the temples around the factory.*

Interview B3

The CSR manager of the community relations team also provides some insight into more altruistic activities.

*"We provide scholarships for any people in the community to go back and develop their villages. We teach people to cook and eat healthy and safety food. The villagers are taught how to decrease their compensation by producing their own food. More than fifty percent of people in the communities are sick from heart problems, high blood pressure and diabetes. But when we suggest for them to eat more vegetables and healthier food, the percentage of these illnesses decrease. Now, we are conducting a project about quality water for drink."*

Interview A3

## **4.2 Social Responsiveness towards Stakeholders and the Environment**

Below, the links between how the company engages in citizenship activities with stakeholders and engages with them in constructively are highlighted. Links will be shown between the contextual drivers (institutional context) of the company's CSR and its push to engage with stakeholders. Also, the environmental/sociological learning process of the company is investigated in depth.

### **4.2.1 Stakeholder Engagement**

Even though MP engages in CSR policy and practice as a means to improve its image, achieve its triple bottom line and sustain its business operation in the future, the company strives to apply CSR in order to remain socially and institutionally



legitimate. Although farming communities act as essential suppliers for the sustained competitive advantage of the firm, complying with government stakeholders is also essential for the corporation to be considered responsible domestic and international economic agents. Therefore, it is necessary for MP to be in direct engagement with state bodies that aim to standardize socially responsible corporate behavior.

There are two approaches of CSR policy and practice that are implemented by the company. One approach is top-down, meaning the head office formulates corporate CSR ideals and practice guidelines which are disseminated to actors in the field such as A3 (CSR Manager of the Social Development Team). Interviews with the Vice President of Corporate Relations (A2) reveal the importance of ISO 26000 in designing CSR activities for the company. In fact, the ISO guidelines have been instrumental in providing guidelines for the managerial team at the headquarters to follow. A2 states that there are only 2 areas that the executives have chosen for HQ to focus on --- community development and the environment. Apart from utilizing a discretionary budget for donations, MP's central offices are in direct contact with its public relations in the field where community sustainable development projects are conducted.

The Suphanburi based community relations teams seem to follow HQ directives and strive to integrate CSR ideals with their main suppliers – farmers and their communities. After receiving project guidelines from MP's Bangkok offices, the social development teams, which act as community relations apparatus, open dialogue with stakeholders to find ways to use sustainable development methods in the community affected by MP's operations. This represents more of a bottom-up approach, as the factory site aims to increase the capacity of farmers, so they can engage in a more active and constructive relationship with the company. A part of the motivating force behind MP's local CSR engagement stems from a MOU between the company factories and the Suphanburi Ministry of Industry offices. An interview with A4 reconfirms some of the influence from the state through the DIW, one of the factors in designing CSR activities for the community.

*“CSR activities of MP in Suphanburi are guided by the provincial industrial office who invites the factories to attend the project. They will provide the criteria. We have to attend seminars with the government office before we start projects. They will suggest what kind of activities we can do throughout CSR projects. There will be another company (private consultancy firm) the government office sends to suggest to us what to do. This firm will send a team to monitor projects and evaluate outcomes. The firm suggests solutions to problems in the community, and then sends an evaluation to the DIW in Bangkok for assessment.”*

Interview A4

The level of engagement between the company and their government stakeholders that institute industry standards is evident. MP's managers in the field abide closely to expectations of participation from the central government, ensuring a top-down quality control process that strengthens in-process CSR activities that heed to DIW guidelines and benchmarks, and therefore ISO 26000 international standards.

Community relations teams working in the provinces work to align themselves with the prerogative from MP headquarters, which emphasize MP's CSR operations to encompass environmental and community development aspects. An interview with A4 shows how this engagement initially takes place.

*“We send two factory representatives to group training seminars, and then they finish and come back with some assignments. The assignments are to form teams and describe the duties to team members. Next, we will have a meeting and a consultant attends the meeting too. There are at least two phases in one big CSR project. The first part of the plan will be related with communities five kilometers around the factory. The second part is with stakeholders who are affected by negative impacts. The communities will be selected from MP according to the communities' readiness, since we do not get any cooperation from some communities' leaders and villagers. MP community relations teams work with local government offices and communities.”*

Interview A4

Based on interviews with environmental officers in the field in Makamong Municipality, it is claimed that social development teams are in communication with the local government office of the DIW, who dictate CSR guidelines for major Thai companies. However, the origin of CSR policy and practice becomes unclear, as it is evident that there are two motivating factors that drive MP to utilize CSR. One, it is clear that initiation comes from corporate headquarters. On the other hand, corporate policy is seemingly driven by a framework laid down by the DIW.

It had been revealed that the motivation for the DIW's and MP's CSR policies are derived from the same ISO 26000 framework. The DIW encompasses 7 areas, adapted from the international framework, for its CSR standards which are roughly categorized as organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues and community involvement and development. The main goal of the DIW is to implement CSR and SD activities into industrial factories across the nation in accordance to the dimensions listed above. The Ministry of Industry announced the Standard for Corporate Social Responsibility (CSR-DIW) to act as a guideline for entrepreneurs in Thailand. There are also tax incentives for those businesses that adopt CSR such as tax reductions for companies employing energy saving technology or businesses that give donation to charities.

However, a closer look at the ISO 26000 guidelines reveals that it is a non-certifiable guidance standard that is mostly intended to convince the public sector to set up obligations for the private sector. The effectiveness of this standard remains ambiguous as the ISO 26000 has received criticisms for being modest, and not being able to provide a stringent management system, but only a guide to socially responsible behavior. In fact, it is commonly cited as being a public image instrument providing unclear rationalization of corporate performance. Furthermore, the framework is politically charged and acts as a voluntary system to which nations may comply without any legal mandate. Therefore, it seems as if the commitment of

companies to the DIW's standard is also voluntary, and companies may only be drawn to the financial incentives of tax breaks.

It can be argued that the DIW's pledge to international CSR standards is a superficial response to transnational trends. As the ISO framework the DIW has adapted has no legal mandate in Thailand, and is seen as a voluntary guidance standard, its effect on the ethical performance of companies are quite vague and too general. The ministry sets up seminars and group training events for Thai companies to participate in, and it offers rewards to firms that abide to their borrowed framework. Although factory representatives from the Makamong plants attend DIW events, the effectiveness of participation is questionable as it only provides a 'photo shoot' opportunity for the DIW and MP. Various best practices for environmental conservation and community development can be learned in-house from corporate relations and their social development teams.

Therefore, the question of whether MP or the government initiates CSR policy and practice has been raised. On the one hand, it seems as if the company is just heeding the call of the ministerial body in order to participate in the national CSR-DIW trend sweeping the business community in Thailand. On the other hand, MP has initiated its own CSR measures by merely using the same framework that the DIW has borrowed from the ISO. However, according to managerial decisions made at HQ, two dimensions of the framework were selected for MP to address in regards to sustainable development in Makamong municipality. Below, details of the company's involvement with stakeholders will be given. The findings suggest that MP takes the initiative itself to implement CSR practice in the field whereas relations with the DIW can be considered superficial. MP may want to seem as if they are adhering to the DIW's version of CSR, but as influential private entity, they have a greater capacity to apply actual CSR measures.

MP's managerial discretion has guided the company to emphasize two core aspects of the framework for its farming communities: the environment (addressed in the next section) and community involvement and development. These concerns have been directly lifted from the ISO 26000 framework.

Through the framework's dimension of community involvement and development, MP has applied some of the themes to the Makamong area. The most noticeable aspect is the direct economic value which has been generated and distributed in the community due to the company's operations. There are further indirect economic effects which have had positive impacts on the community, such as infrastructure investments and services. MP's procurement practices also significantly impact the community because of the very large proportion of spending on local suppliers. All of these activities support wealth creation in the sugar mill area.

In regards to stakeholder engagement, the most important community issues in which MP engages itself is the inclusiveness of community stakeholders in business operations, impact assessments and development projects which have significant potential for the surrounding area. Furthermore, this also includes the nature, scope and effectiveness of any programs and practices that assess and manage the impacts of company operations. MP also ensures that grievances about the impacts on the

community are filed, addressed and resolved through formal mechanisms. These details are entailed in the clauses of the framework.

The aspects which MP chooses to emphasize are detailed within the ISO 26000 clauses of community development. It is here where we see the link between the firm's institutional context and stakeholder management. MP views itself as acting legitimately according to CSR guidelines lifted from the ISO 26000 framework, which also have been borrowed by the DIW. This incentivizes the company to practice the stakeholder inclusiveness principle so that active and constructive engagement is carried out with communities.

At first glance, the dialogue between MP and its primary stakeholders could fall into the realm of community relations. However, MP has absorbed this concept within its CSR policy and practice, so it now seems that any positive development with farmers means the company is being socially responsible. The sugar mills' community relations teams are temporary groups that conduct projects each year according to company policy. This team primarily surveys the community for needs from the villagers and designs CSR activities to address those needs.

When the topic of how MP addresses community needs was questioned, it is noticeable that MP prefers to build the capacity of their communities so that they have the ability to identify what issues require the attention of local government and the corporation.

*"We focus on the first on the communities because our factories affect them. Secondly, stakeholders are people who receive both good and bad effects. We choose to help the ones who get bad effects so that both communities and stakeholders will not have negative attitudes towards the factories as destroying their way of life. To meet with them, they will inform us or their opinions and their needs. Communities can tell us what problems they want the factories to solve."*

Interview A5

Furthermore, once problems are selected by the community, MP aims to provide the knowledge and problem solving skills as to build self-reliance and bargaining power vis a vis the state.

*"We have our own criteria to choose communities that are ready. In the beginning, there were 10-20 communities that attended our projects. We chose just one community in each province to be models. When we visited them, they would think that we were going to distribute things to them. But we did not do that. We told them we can give them only knowledge and they can use that knowledge to develop their way of life. For some issues, the government office can support the villagers financially, for example, assistance in creating water supply infrastructure. We can advise them to consult the Royal Irrigation Department. We teach them how to write project proposals and how to design the activities, then make proposals to give to the government office so that they can obtain a budget."*

Interview A3

Initiatives to socially empower their communities to develop themselves have become a new directive for MP operations around their sugar mills. The community relations teams are under guidance to incorporate community leaders and their villages to be part of development process. These policies of integrating capacity building measures among stakeholders are ideal in theory.

*“In the beginning, we spent a lot of time because the villages did not understand what development was. They get used to getting things from the government or private companies. For the first 3-6 months, we sent MP’s representatives to live with the communities. The representatives and the villagers had got to know each other so the communities trusted the firm. After that, we taught them how to analyze their regions using their natural resources, intellect, and finances. We introduced them to the SWOT Matrix so they could know their weaknesses and strengths. Next, they planned their projects by ordering the projects according to importance. They categorized projects into 2 groups: projects that communities are able to operate by themselves immediately and projects which require assistance from the government or private sector. Before we analyzed the communities, we needed to find leaders. They helped us to coordinate and persuade other individuals to attend projects. Last step was to start projects.”*

Interview A3

Interviews with government offices representing the TAO also confirm engagement between the community relations representatives and the surrounding villages.

*“MP has a public relations team that comes to the community to meet people here. MP meets people and advises them how to increase production. Another team introduces a product from sugar cane molasses that can increase sugarcane production in the plantations. If there are any environmental problems, MP always consults the community committee to fix problems together. Moreover, any expansion plans for production has to be voted from the community every time.”*

Interview B5

However, an interview with A5 also suggests that the TAO would like MP to possibly do more with their presence in the community, and to further increase their engagement with the community.

*“We want them to support everything they can such as educational development, increased production and environmental sustainability. We want the public relation team to be more responsive and meet the villagers more in order to ask them what directions MP’s activities can take that can help villages the most. Most activities they have done are from their ideas, not from stakeholders in the community.”*

Interview B5

The focus group with village leaders of Makamong Municipality provides information about of stakeholder engagement in the community. Statements from the participants more or less reconfirm the findings from the company community relations managers and local government officials. Representatives from the community relations teams spearheaded social empowerment, sustainable development and knowledge based capacity in the community.

*At the beginning, before they had come, they evaluated communities to see if we were ready for development. Then we had a meeting with our village communities to find out if we wanted to participate in company projects.*

*Afterwards, we decided to attend company projects because we had already planned a project related to sufficient economy philosophy. Then, we had training to plan our own projects and activities in cooperation with MP.*

*For example, now, we are operating six small administration houses. MP has organized us to set up our own administration in this community. This way, we can always ask for some suggestions from small houses leaders so that the company can accept complaints and comments from village members. Also, village leaders in the community can interact with each other in large meetings every month.*

#### Focus Group C1

This community development driven CSR from the company is based on grassroots organization and developing the capacity of village leaders first. Once leaders are empowered and backed by the company to motivate their people, farming communities can begin to increase their dialogue with local government and private companies through MP supported village administrative houses. These sites have become a focal point for highlighting stakeholder concerns, problems affecting the community and demands for social responsibility and sustainable practice. Further discussion among the village leader focus group gives valuable insight into the effect that social empowerment has on communities. When C1 is asked to discuss differences between before and after MP approached the community, a concern for sustainability values was a driving factor for increased stakeholder engagement and development.

*We started to be awakened to develop our communities.*

*We started from 5-6 volunteer leaders, then we expanded our networks to neighbors and all villagers. Then these volunteers attended MP workshops and trainings. These activities showed us to see what other best practices other villages had done in model communities. When we came back, we asked the opinions of village volunteers if we wanted participate in MP's projects. One guy said if you want to forge iron you need to do when it is hot. It means that it was an appropriate opportunity to start because we had just seen what others had done with good results.*

*After finishing the field trip with MP, MP asked us what we wanted to develop for our communities' sustainably. Next, we planned what to do. Our first project was to adjust the communities' administrative organization. We started 6 small houses and made them stronger. Each house can propose plans of what we want to do for our villages.*

*The leaders of houses are volunteers. We had done examples first, later other people saw results and they wanted to participate in the project as we had.*

*We selected 30 families to attend first. Other families could see differences between before and after participating in this project and would attend after.*

Focus Group C1

The social empowerment project became an entry point for propagating sustainable development principles to the community. In order to this, it became a priority for establishing open systems of communication between community members and the corporation. This project was named the Life Plan project, so named because communities could produce effective dialogue between each other to address social needs.

*We started a Life Plan Project. From their Life Plans we can make community plans according to needs of the members of the communities.*

Focus Group C1

Moreover, organization of the community also meant that stakeholders could interface with local government as well while possessing more bargaining power. With this increased social empowerment, stakeholders in the community could make demands to raise standards of living, promote health based initiatives and mitigate environmental impacts. However, social empowerment and community development concepts had to become sustainable as well. Focus group members mention that the long term goal of the initial project was to instill sustainability values within the community.

*We informed them [community members] that MP will coach us for three years. After that we would have to operate everything by ourselves. In these three years, we had to organize ourselves. Before this, they did not know how strong communities looked like. So MP brought us to see a model community. We could identify key success and adapt it to our communities and people. We developed ourselves at the community Learning Center. Government offices started providing some budget to our communities. We learned this is our strength. We could convince the government to support us and we could have the next generation continuing this plan in the future. We are training the second generation of leaders now. We imagine that the 'Poo Yai Bann' (village leader) is a like a Prime Minister. They need other ministers in each ministry. We have ministers and prime minister meetings every month. Ministers will inform what they have done each month with results. What people want, they can inform this cabinet. We will criticize what we should do and not to do, how much budget we have and how we can operate these projects.*

## Focus Group C1

The community Learning Centers are also a platform for MP to provide knowledge to communities and have dialogue with their community stakeholders. They have become a central node for the community to express societal concerns in a grass-roots approach, and for MP to promote and practice their CSR activities from the sugar mill and factories. The Learning Centers are important for effective communication between the communities and MP, disseminating social empowerment and sustainable development ideas and conducting philanthropic activities with farmers. For following gives examples of the purpose of these sites.

*Now we have a plan to develop the efficiency of communities' leaders by improving Learning Centers. MP always comes and has dialogue with us. They give us some scholarships to poor students. They also support us to check our health every month, especially chemicals in our blood from chemical fertilizer. They also have a project to reduce our belly size by aerobic dancing every evening.*

## Focus Group C1

#### 4.2.2 Environmental and Social Learning

Sustainable resource use is a guiding principle of MP's efforts in the sugar mill community. This is particularly true for water consumption and treatment. MP also initiates activities that help to improve the biodiversity of the environment affected by large scale agriculture. Also, the company aims to mitigate and adapt measures to lessen the impacts of greenhouse emissions. Lastly, MP is committed to pollution prevention and the proper disposal of effluents and waste. The measures above are lifted from the ISO framework, and applied through company operations and community relations projects. Detailed findings of MP's commitment to a more ecologically sustainable future are given hereafter.

In order to mitigate the environmental impacts that the sugar corporation has on the surrounding community, it is necessary that the company carries out eco-efficient practices in the production process of its goods and services in order to abide to ISO 26000 standards to tackle issues that range from sustainable water use to greenhouse gas emissions. Beside addressing greener production processes, MP links stakeholder engagement practice with environmental sustainability ideals by promoting knowledge creation initiatives that assist the learning and developing of practices that meet the demand for a more ecologically sustainable future. For this endeavor, it is essential that farmers in the community are given the capacity to understand and apply sustainable practices that can ensure the sustainability of the surrounding environment, their livelihoods and the triple bottom line of the company.

From an outsider perspective, the environmental degradation of the surrounding environment is hard to notice. A first glimpse into issues that have arisen in Makamong Municipality are given by an interview with the TAO sanitary officer.



*“Most problems are from Thai Agro Company and the ethanol factory of Mitr Phol. The real problem is polluted water that is released into public water resources. Moreover, there are smelly odors and dust problems in the summer time around March and April when people harvest sugar cane.”*

Interview B2

The sanitary officer also pinpoints environmental problems stemming from MP’s subsidiaries that operate within Mitr Phol Green Park in the municipality: MP Bio Power and MP Bio Fuel. These linked industries account for the most of the impacts on the community surroundings according to the TAO sanitary officer.

*“They use bagasse and biomass to produce electricity. MP has two sub-companies which produce electricity and ethanol. There are environmental effects from MP, but they fix them very well. Most of environmental issues are from Thai Agro Company and they have been continuing for a long time. If you interview the villagers, you will know all problems are from Thai Agro not from MP. Mitr Phol can handle the problems and makes efforts to solve them.”*

Interview B2

Further information gleaned from representatives of the TAO also reiterate the fact that MP tries to take responsibility for pollution problems due to ethanol and power production, most particularly, the use of bagasse for generating power. This is directly related to its sugar cane processing system. Furthermore, TAO representatives praise MP for taking initiatives to address their ecological impacts.

*“I admit that there are some problems from their factories, but they fix them very well and everybody is pleased with their solutions.”*

Interview B1

*In summer when people harvest sugar cane and transport them to the factory, the mill starts producing sugar which causes a lot of dust from sugar production. They spray water and cover the bagasse with nets to prevent the dust. More problems are from the power plant and ethanol factory.*

Interview B2

*“From MP, the environmental issue is from the power plant. It releases ash into the air. But MP has big filters which reduces the problem for the community. The villagers are no longer sick from this ash. It doesn’t affect them.”*

Interview B5

Compared with Thai Agro Company, MP has designed more socially and environmentally responsible methods to address issues at their production sites and in the community. We can see the response to air pollution stemming of dust particulate from MP’s linked bioenergy operations in Dan Chang District.

Evidence of MP's preventative measures for air pollution can be seen in the management of dust caused by bagasse utilization, which is needed for bioelectricity production. All bio-energy factories have been equipped with a choice of three filtering devices (Multi Cyclone, Wet Scrubber and Mikrovane) to filter out dust from being released into the air. In Dan Chang District, the Wet Scrubber has been installed on all stack boilers. There is continual enhancement of filtering systems which ensures filtering is conducted at the highest capacity. The environmental engineers aim to emit 50-70% less total suspended particles from chimneys, well below the 120 mg/m<sup>3</sup> limit stated by law for electrical plants.

Furthermore, MP has planted high trees as wind barriers to prevent dirt from blowing away from bagasse piles. Nets have been installed to prevent dust emanating into surrounding communities. MP has also installed water spraying system to spray water on bagasse piles in order to keep dust stagnant as well as canvasses to cover bagasse piles. Since starting these measures in 2006, the dirt measurement result has been better than the standard set by law. It has been reduced to 0.04 – 0.02 mg/m<sup>3</sup> while environmental law limits the Total Suspended Particulate to not over 0.33 mg/m<sup>3</sup>. The company has spent 1.648 million Baht in Dan Chang District alone for investment and maintenance of its dirt filtering system.

When environmental impacts from the sugarcane industry are discussed, it is not surprising that MP is generally revered as taking responsibility, applying preventative measures, and prescribing remedies for the communities' air and water pollution problems. Thai Agro Company which also operates in the sugar industry, on the other hand, has been identified as the main contributor of environmental issues, and they often lack the drive to respond accordingly.

*“Even though Thai Agro has a wastewater treatment system, they haven't regarded good governance to address environmental issues. They have a public relations team, but they aren't effective. They cause a lot of problems. No one likes them. Thai Agro is a big company. They have bought a lot of plots of land and dumped waste water into those lands, but they informed the community that the water was already treated. This caused troubles for the villagers. The water killed plants. We do not know if industrial chemicals were diluted or not before they release their waste water. They hire private companies which release wastewater in public water sources and on the road sides. The community complained to the provincial office and government representatives came to check up on these problems. The factory authorities then were forced to issue an order to close their factories for thirty days.”*

Interview B5

MP on the other hand has shown that it emphasizes a proper use of resources, most importantly its preservation of water resources. The sugar mills apply systemic measures for water resources preservation and wastewater treatment. Waste water from mills is separated into three categories: low dirty water (wastewater from staff accomodation), high dirty water (wastewater from production process or septic ponds) and specific treatment water (saltwater from resin washing).

The treatment methods for wastewater are as follows. Low dirty water is treated then transferred back to ponds for gardening use. The ponds act as habitats for water animals and birds. High dirty water is treated at a stabilization pond where it is processed so it can be used in cane fields or sprayed on bagasse piles to minimize dust. Specific treatment water is treated by a Brine Recovery System which is a salt separation technique. Salt can be reused later for industrial purposes.

Water which is used in the refined sugar production process is sent to a clarification pond so it can be used again in the raw sugar melting process after pH adjustments. This helps to reduce factory water use by 25%. This allows water to be rotated for general use, and reduces the use of natural water and increases water reserves.

These measures are indicative of MP's efforts to mitigate water pollution issues in Dan Chang District and in all the company's mills in Thailand.

Another ongoing problem in the community arises from the incidence of burning the fields after the harvest. This is an issue that is caused by a reliance on traditional techniques of farming. However, cane burning emits CO<sub>2</sub> and greenhouse gas into the earth's atmosphere. Cane growers usually burn the leftover cuttings of sugarcane out of the local labor shortage problem and because of the inaccessibility of using mechanical cane harvesters for many small scale farmers. Also, burning might shorten the livelihoods of growers and workers in the field. Not only does cane burning destroy cane field ecosystems and communities but also kills organic ingredients in soil which has nutrients necessary for living plants. It also dries the soil and cuts the necessary life cycle of organisms in the soil.

MP concedes that this problem still continues today among their communities, as it is quite common for farmers around Thailand to practice slash and burn methods. However, the community relations team is in the field raising awareness of the negative effects caused by burning leftover biomass – air pollution and degradation of soil nutrients – and implementing measures to reduce this practice.

*“MP has told us that villagers should start planting sugar cane at the same time, so we can harvest the cane together. MP can provide harvesters, and some people who can afford to buy them can help other villagers to harvest. This can reduce left over cuttings from sugar cane so we do not have to burn it. We can reduce air pollution.”*

*“We are trying to improve the soil condition in the fields. We are conducting a project with MP on soil conservation. We are trying not to use chemical fertilizers and burn the scraps of sugarcane plants after harvesting.”*

Focus Group C1

*“We focus on carbon reduction, which is applied throughout the different processes of the company. Now, we have a project to practice afforesting to plant more trees in the communities and to decrease the rate of burning of sugar cane scraps and rice stubble after harvesting. Harvesters can decrease the burning of sugarcane leaves in the plantation. MP provides harvesters to the plantations and farmers pay us for renting them. Some large concession*

*farmers who can afford to buy them will be hired to harvest sugar cane too. This way we can reduce air pollution from burning.”*

#### Interview A3

Further investigation has revealed that MP aims to tackle the issue of CO<sub>2</sub> emissions from cane burning by using community based education programs and cash incentives. Some specific measures include using more eco-efficient methods of retaining nutrients in the soil. This is done by plowing cane leaves into the soil to increase the amount of organic ingredients in the cane field. MP also teaches farmers how leaving cane leaves on the field can help retain moisture in the soil and prevent weeds from growing. This can also ensure that communities are protected from runaway fires in the dry season. MP provides comparative education lessons on these techniques.

MP also provides money and special rewards for growers who send sugarcane to the factory which does not come from burned fields. So called ‘fresh’ cane receives 70 Baht extra per ton according to the Resolution on Burn Cane Deduction issued by the Cane and Sugar Board which was set up in 2012. Farmers who supply sugarcane from burned fields face a deduction of 20 Baht per ton. Moreover, MP rents out cane harvesters for a service fee of 150 Baht per ton. The mechanized harvest of sugarcane leaves a layer of residue that protects soil against erosion, inhibits weed germination, improves water retention, ameliorates physical and biological soil properties, and is a source of plant nutrients. Thus, this allows growers to efficiently harvest and focus more time and energy on using more ecologically-friendly preparation methods for the next growing season.

Other smaller measures include the partitioning of land into smaller parcels and creating fire barriers in between them so that damage can be minimized by fires in the dry season. Also, MP’s sugar mills also support the local fire department with equipment and an allocated budget in the case of cane field fires.

All of these measures aim to reduce greenhouse gas emission and CO<sub>2</sub> in addition to growers’ production costs, especially for fertilizers and pest control chemicals. Most importantly, it preserves the ecosystem for more sustainable agriculture practice.

There are other measures that are carried out on-site at Mitr Phol Bio-Power plant in Dan Chang District. The biomass power producer has plans to purchase the disposable cuttings of sugarcane from growers who do not intend to dismantle cane stumps and fully clear their fields. The leftover tops and leaves are to be used as fuel for producing electricity. This is added to bagasse (fibrous remains of sugarcane crushing) for the production of bio-power. This method helps lessen cane burning, plus cane growers are estimated to receive around 600 Baht per ton for biomass collected from the fields. In 2013, the company bought 18,000 tons of this unused cane. According to the Office of Cane and Sugar Board, MP Sugar Mill at Dan Chang had the highest ratio of ‘fresh’ cane among all operating mills in Thailand for 2012/2013.

Preserving soil is another topic of concern that MP has tried to address over the years. The use of inorganic inputs for fertilizer is considered common place for a monoculture system on an industrial scale. In order to create higher yields in order to compete economically with other competitors, the use of the chemical fertilizer cannot be wholly substituted with the application of natural inputs. Sugar cane needs adequate amounts of nitrogen for growth, potassium for healthy root and ratoon development and phosphorous for fructose production which is essential for sweetness. Procuring a supply of organic fertilizers that can make the soil nutrient and cellulose rich for mechanized agriculture is daunting; therefore MP takes a mixed fertilizer application approach in order to reduce chemical fertilizer reliance and the effluence of agro chemicals in water runoff.

*“They teach villagers not to use a lot of chemicals in the plantations. There are teams from MP that support this issue and they work with the villagers at the plantations.”*



Interview B1

Specific measures of how MP educates local community member in Dan Chang include the use of filter cake for soil improvement. Filter cake is the organic residue of crushed cane from the filtering process of sugarcane juice by filtration. It is a rich source of phosphorus and organic matter and has a large moisture content. It is used as a complete or partial substitute for mineral (chemical) fertilizers in sugarcane cultivation. MP arranged cane grower meetings and posted labels on cane trucks to raise awareness on the benefits of using filter cake on soil improvement. In addition to reducing chemical fertilizer use, it increases cane yields.

MP has also conducted a Project on Soil Improvement by Growing Fertilizer Crop. Meetings were arranged with cane growers who agree to participate in the project, and the company distributes seeds of fertilizer crop. The company promotes this mobile bio-based soil improvement exhibition with cooperation of the Land Development Office. The use of organic fertilizers is used in germinating new sugarcane seed, which improves overall soil richness and sustains the fields.

MP also attempts to address the issue of inorganic input use by creating projects through the community Learning Centers by promoting organic small scale farming. These small projects are designed to demonstrate and raise awareness of the utility of organic fertilizer. Also, the projects have a two-fold purpose; they motivate villagers to plant and grow their own produce for social and economic reasons.

*“Now we have a project called “Beautiful Garden” and “Happy Backyard”. We campaign for village members to plant vegetables in front of their houses without chemical inputs. We plant them ourselves and we do not use chemical insecticide or fertilizers. We use natural fertilizer and methods that require no cost. From this, we can deduct costs for food.”*

Focus Group C1

The MP Dan Chang Sugar Mill has also organized a backyard gardening project to educate youth living in nearby communities on how to grow clean vegetables and fruits. 40 students participated in this 30,000 Baht budget project.

When asked for further elaboration of these demonstration projects, village leaders were able to give social and environmental reasons.

*“Happy backyard means we can save some money from not buying vegetables, and we promote cooperation between family members to help the relationships in families become stronger. We can campaign for people to protect the environment too. We do not buy vegetables from the markets where they use plastic bags to contain goods.”*

*“Some vegetable agriculturists use chemicals with their plants. But when we plant ours, we do not use it. We reduce chemical use. We have our own supermarkets.”*

Focus Group C1

*“We support the people to produce their own food. They have edible plants around their houses, so they do not buy food from the vendors and they can decrease the use of plastic bags.”*

Interview A3

MP has launched initiatives to increase participation in natural resource conservation. MP acknowledges the importance of trees and their ability to absorb water and moisturize soil surface, which in turn fosters a more sustainable ecosystem. The company has campaigned for cane growers who live in their factory’s 100 km radius to plant Velvet Tamarind (*Dialium indum*) trees. Mills are responsible for distributing seedlings and raising awareness on proper care and propagation methods.

MP also has plans to increase greenery zones in surrounding communities as part of their campaign for afforestation and natural resource management. The company promotes the growing of perennial plants, flowers and greenery plants such as Teak, Pine, Indian Cork, and Acacia Mangium around factories and nearby communities to absorb pollution and create beautiful landscapes. Overall, their target from 2007 to 2012 was 31,000 plants.

There are also plans in the pipeline for the implementation of a garbage bank system that is designed to educate communities the benefits of recycling and utilization of organic waste for composting.

*“We are going to have garbage bank soon. We separate garbage what can be recycled and wet garbage we can use to make biogas for MP.”*

Focus Group C1

## Chapter V

### Conclusion

#### 5.1 Conclusion

##### 5.1.1. Hypothesis 1

Siltaoja (2013) refers to contemporary dialogue surrounding Wood's concept, and concedes that Wood's criteria of legitimacy and public responsibility are related to the larger discussion of an institutional contexts' influence on corporate performance. Siltoaja attempts to clarify how the concepts of legitimacy and public responsibility are intertwined with the institutional context that defines a corporation's CSR policy.

In order to get a better contextual understanding of the environment that MPSC operates in, we need to have further clarification of what is required and what is expected from a responsible business when evaluating the legitimacy of its activities. This will help elaborate the hypothesis that a convergence of transnational and domestic institutional factors define and develop CSR policy to make commitments to sustainable development practices.

On a domestic level, we need to get a clearer picture of the pressures that 'push' the company to engage in explicit CSR practice. The notion of responsibility towards stakeholders has been evident since the company's inception, and one of its founding principles was to support the economic well-being of their sugar cane suppliers. A commitment towards community development has been engrained in the company ethos, which has been manifested in the transfer of knowledge and technology to their stakeholder communities. In essence, this corporate legacy of socially responsible behavior has acted as a motivator to engage in CSR principles and processes with which the company strives to be associated.

MPSC emphasizes its close relations to their villages as being vital to their operations. Social development teams on the ground operate in the communities, such as in Dan Chang District, along with environmental engineers to fully engage with quota leaders, who collect specified volumes of cane to transfer to the milling sites, and field workers, who provide the labor. Maintaining a strong relationship with these supplier communities is essential for the competitiveness of the firm. However, strong competition in the region from other sugar companies has meant that MPSC has had to differentiate itself others as being better partners. This has put pressure on managers and development teams to construct ways to appeal to farmers. This has been done primarily through 'out-process' activities such as the donation of funds to build local infrastructure, provision of health services and educational scholarships. Philanthropy can be used as a tool to improve public relations or advertising, and to

promote brands through cause-related marketing. While competitors are perhaps offering higher prices for harvested cane, they do not have the competency to provide discretionary spending or socially responsible investment in their communities. MP understands that demands for donation-based activities are implicit, so CSR plays an important role here.

Additionally, the company's commitment to stewardship of the local community and its environment is a driver for CSR integration. As mentioned before, strengthening ties between MPSC and the community is important for corporate image. The company has taken the role of a political agent as their operational capacity is very prominent in the district. In fact, the company itself has become an institution which wields influence and power over the local government administration and its citizens. The economic legitimacy of the company has been substantiated; however, with great power comes great responsibility. In order to maintain its carefully developed public image, the company feels it must provide mechanisms to address social and environmental problems without the full participation of the government, which has traditionally provided financial assistance in agricultural communities. Over time, the company has developed the role of providing for societal demands and maintaining self-regulatory practices. For instance, applying economic rationale to practices such as slash and burn methods is an issue to which the company feels it should respond. This can be done primarily through raising awareness of the environmental effects of slash and burn techniques and providing alternatives such as mechanized harvesting and financial incentives to farmers who supply MP with leftover cuttings. MPSC has persuaded farmers to benefit from economies of scale and reduce labor cost, while at the same time improving soil health and reducing chemical use.

The responsibilities above illustrate why MPSC feels obligated to integrate CSR principles into its business operations. They stem from a corporate history of being beneficent partners in Thailand's agricultural communities and to the company's success and growth, which has resulted in their effort to fulfill an appropriate role as leaders in the sugarcane industry. Executives have pointed to the domestically espoused Sufficient Economy Philosophy and international frameworks like the ISO 26000 as useful directives for CSR engagement; however, these are not the primary motivators for their endeavors. As a matter of fact, the company has promoted its social responsiveness since the founding of the company in 1946. Its commitments to ideologies and standards are means in which the company can be seen as compliant to modern day principles of CSR. It can be said the CSR ideology was more implicit in company practices in the past, and now it has become an aspect to be promoted for corporate image and competitiveness in a more transparent world.

Nonetheless, standards adapted from global institutions such as the ISO 26000 have helped provide some of the pull factors within the transnational context of international business. This standard was borne out of the deficiencies of the UN Global Compact of 1999, which espoused necessary elements for codes of conduct that transnational corporations would follow. However, the ten universally accepted principles that ranged from human rights, labor, the environment and anti-corruption



were criticised for promoting heavy state control or regulation of the international market. As the compact has a voluntary nature, activists have pushed for CSR standards of the Global Compact to be compulsory, thus mandating that corporations improve their practices. So, an attempt to adopt international CSR standards was made through the ISO, a non-governmental organization based in Switzerland that is highly respected international body for setting industrial and commercial standards.

The draft of ISO 26000 began 2005 and by 2010, the framework was put into effect as an international standard for which corporations should strive to follow if they want to be recognized as ethical actors. Governments of many developing countries and some European welfare states may consider passing domestic legislation legally mandating the ISO 26000 standards for any multinational company wishing to do business in their countries. Although nothing in the framework is mandatory, in developed countries, campaigns may be launched by NGOs to shame any corporation that does not comply with ISO 26000. Indeed, there are projects to strengthen government regulations and to establish ISO 26000 Certification Programs, such as the one created by the DIW. In fact, the Thai Industrial Standards Institute supports the implementation of the ISO standards into business regulation and law.

It has become more economically rational to use imported CSR concepts, as this has become an indicator of global competitiveness. The genesis of the Asian financial crisis of 1997 gave precedence to more Western ideas of CSR practices. Since then, the popularity of this trend has compelled numerous corporations to jump on the bandwagon due mainly to financial reasons. For examples, companies listed on the SET can fill out 56-1 transparency and disclosure forms which are designed to shed light on the internal operations of companies. On the other hand, MPSC feels obligated to heed to explicit CSR practice so they are in conformity with the CSR-DIW, which is CSR framework supported by the Thai government at the factory level. Compliance to domestic industrial standards can result in tax breaks for corporations and awards, which can bolster public image and product differentiation. Consequently, in order to stay afloat in the competitive sugar market, the market attractiveness of participating in state-sponsored CSR-DIW is a definite pull of the company. They can be seen as engaging in the domestic arena of better business, which can do more to ensure more corporate sustainability.

Currently, the push to make CSR standards compulsory is ongoing in Thailand, and MP feels compelled to integrate CSR obligations into its business practices. Many transnational corporations in Thailand have jumped on the CSR train since the mid-2000s, when the Thai Industrial Standards Institute held a seminar on the subject of international standardization on social responsibility in 2004 in order to disseminate, create understanding on the subject of social responsibility. This was at a time when notions of CSR were synonymous with strategies such as complying to legal expectations and using discretionary funds for donations. Also, implicit forms of CSR encouraged corporate actors to have ethical commitments to society through their products and services. This was mainly achieved through long-standing relations with stakeholders and an interest in sustainable development. MP's CSR policies were comprised of these characteristics; however, initiatives of standardizing CSR through transnational frameworks like the ISO have incentivized companies to integrate CSR

practices throughout their operational processes. As a result, to be socially responsible has become tied to adhering to an increasing global standard with aims to build confidence, reliability and satisfaction of the corporation in the eyes of international community and among stakeholders.

In the case of MP, the standards that are applied to their sugar mill communities are drawn from 2 points taken from the ISO 26000. MP's policy to integrate these areas into operational practice in the field demonstrates the driving factor of transnational forces. MP voluntarily focuses on these dimensions alongside the recommendations of the DIW to follow such measures. The DIW also espouses the ISO framework and actively encourages companies to pursue its CSR measures in order to increase competitiveness and sustain business growth in the economy. It has been shown that MP, along with hundreds of domestic companies, participates with the DIW to increase awareness of CSR among the business community. Once again, the framework that the DIW promotes is voluntary, and the governmental body entices businesses to follow its guidelines with rewards and tax incentives.

Besides applications of international standards, the volatility of sugar prices on the world market is another factor that contributes to MP's strategy to become more involved socially and environmentally not only at home but also abroad. An oversupply of sugar coupled with general lower demand has created a fall in sugar production worldwide. This is currently happening with the backdrop of sluggish global economic growth, yet the soft drink industries in the emerging economies of China and India have compensated for any drops in global demand. Overall, there is a stable balance between supply and demand at the moment; nonetheless, the perception of sugar is changing globally. Sugar is now synonymous with the incidence of health-related problems that now are commonplace in today's globalized world. How society chooses to manage their food choices will affect the economic performance of the company. Moreover, the company image and what it stands for will be affected, so any moves into social and environmental programs and governance will benefit the organization as a transnational agent, which strives to sustain itself in a more transparent and regulatory world.

Srisupaolarn's (2013) '*Development and Direction of Thai CSR Patterns*' is an analytical framework that used to determine the direction of Mitr Phol's CSR policy and practice. Within this framework, there are 5 stages of which "Integrated CSR" is the most indicative of CSR being linked to the company's core competencies. It has been determined that most companies in Thailand follow more issue based CSR, meaning firms strive to find ways to address social and environmental problems. However, the history of Mitr Phol's CSR policies and practices reveals that the company has gone through all five stages of continual learning and adjustment.

#### Reactive

Reactive type CSR is classified as actions in the form of donations and contributions in a relatively passive manner, or as societal marketing. Usually, specific requests for donations originate from communities and company responses are limited to small-scale, regional or branch-specific initiatives. Philanthropic projects are rooted in ethical motives such as the transfer of capital/assets to poorer communities, or with self-actualization such as the

transfer of skills or knowledge to community stakeholders. CSR activities at this stage are receiver-initiated.

#### Turn-Key

This second stage of CSR refers to the use of company competencies to promote CSR involvement within organizations that may lack management skills and operational efficiency; most notably, non-profit organizations. Business could fill this gap to help organizations in their altruistic causes.

#### Issue-based

The next stage is comprised of strategies towards solving or preempting social and environmental problems as a form of social contribution. Company competencies are used to address particular issues and extend their operational capacity to solve them. Cooperation with third parties such as non-profits and government organizations is prominent, yet CSR projects are company-initiated. Projects may be long term.

#### Recipient-based

The fourth stage is based on initiatives to help communities identify issues and initiate projects to solve them. Business acts as assistants or mentors while communities are the principal actors in their own projects. This strategy is used to enhance the social and economic development by raising the awareness of community members to actualize change, and building their capacity to do so.

#### Integrated

The final stage of CSR is integrated, or when CSR is used to boost company competitiveness. International standards of CSR are used and applied to increase global competition through product innovation. Corporate governance ensures regulations that promote more environmental friendly products are enforced in production processes. Business influences “better society creation” due to the integration of CSR in daily operations.

The study into MP’s CSR policy and practice has revealed its socially responsible practice in sustainable development of the sugar mill community lies beyond being issue based. Actually, the company is pulled to by its farming communities to pinpoint issues and help community members resolve concerns themselves. Through stakeholder engagement, MP aims to enhance social, economic and sustainable development. Furthermore, the company strives to produce more eco-efficient sugar by enforcing more ecologically-friendly methods into its operations in its factories and with farmers.

### 5.1.2 Hypothesis 2

Within the institutional context that MPSC operates, the company itself acts as institution in Thailand's agribusiness sector. This highlights the importance of the company's ability to use CSR and tie it to core business competencies. MP is the largest sugar producer in Thailand, accounting for almost a quarter of the domestic market and making it the largest sugar producer in Asia. Thailand produced 106 million tonnes of sugar (2014), of which Mitr Phol contributed 20.67 million tonnes, creating US\$ 2.4 billion in revenue. Furthermore, exports of 6.5 million tonnes are valued at more than US\$3.6 billion (Bt120 billion) each year. This puts Thailand and the 6th largest producer and the 2nd largest exporter globally. The figures above indicate the scale of MPSC's operations, which can be utilized to spearhead CSR initiative within the industry, the country and the region. The company has the capital to allocate funds for community development and environmental sustainability purposes, and the organizational structure to propagate CSR into their own supply chain and to stakeholders. The sheer size of capital and assets that the company possesses ensures that the managerial and technical competencies of the company are effective for addressing any issues that impact the wellbeing and livelihood of society.

Overall, the influence and prominence of MP not only in the sugar industry but also the linked subsidiaries of biofuel and bio-energy production puts the group in a position to become suitable examples for others operating in agribusiness. As an institutional actor with a large financial portfolio, the company is able to cause ripples in the business of agriculture for positive change. Therefore, whether it's called CSR, or imbued in the time-tested corporate credo of "Grow Together", MPSC continuously contends to be exemplars for socially responsible performance. It is understood that a culture of being an ethically responsible actor permeates throughout different levels of the company, from the managerial level to the factory level, and among interaction with farming villages.

Field research and documentation reveals that explicit ideas of Mitr Phol's CSR policy and practice are formulated at managerial levels and primarily focus on constructive engagements with stakeholders in the community and commitments towards environmental sustainability. Interviews with executives revealed that these two focal points were areas considered to be important for MP's CSR activities. As most CSR ideas are gleaned from the ISO 26000 framework, it was interesting to note that MP chooses two of seven criteria on which concentrate its efforts. However, MP finds that community development and environmental sustainability are key areas for maintaining strong and healthy ties with sugarcane farmers in Makamong municipality. These two aspects are deemed integral for the company's CSR.

In order to determine the principles behind MP's CSR policies and practices, Siltaoja's (Siltaoja) Corporate Social Performance (CSP) model, which was adapted from Wood's (1991) CSP model, was used for evaluation. The principles of MP's social responsibility were cross-compared with three of Siltaoja's modified criteria: sustainable development, managerial discretion and institutional context.

Through information gathered from company executives and officers in the field, it is concluded that there is a high level of managerial discretion, based on ethical motives, as well as sustainable development ideas that formulate the company's principles and practices.

MP's moral credos are substantiated by a development of close ties between the company operations and sugarcane farmers since the company's birth. 'Grow Together', a guiding mantra for the company, underlies the social commitment that MP's executives and managers want to continue and incorporate in their corporate philosophy. Thus, CSR ideas fit into the mold of the company's social responsibility ethics that have been an integral part of operations since the company's founding. The board of directors' initiative to create social development teams to carry out community-specific CSR projects is evidence that executives exercise their duties to be responsible to stakeholders. Most of the socially responsible performance is based on the premise of expanding the economic bottom line of stakeholders and therefore the company. Economic development of stakeholder communities results in pushing forward social development.

However, MP is aware that economic empowerment of the local community must complement the two core areas of community involvement and development as well as recognizing environmental preservation. Thus, one of the primary focuses of the social development teams is not only to resolve the grievances of members in the community but also to build the capacity of stakeholders to empower themselves economically.

When Wood (1991) created her CSP model to demonstrate the inadequacies of previous assessments of CSR, she argued that social performance of the firm cannot be encapsulated within one process, but a series of processes. Furthermore, too much reliance on policies and philosophical ideas does not guarantee good CSR. Moreover, it was necessary to add an action component to the CSP model to evaluate a firm's commitment to responsive measures towards the environment, stakeholders and issues in society. In short, the structural process and 'throughputs', not inputs, can give a clearer picture of social responsiveness. The corporation is the locus of action that has effects on society and stakeholders. Wood's conception is not meant to be economic, managerial nor philosophical, but sociological.

This precisely the purpose MP's CSR teams; they have a societal function in the community to carry out action-based projects to increase stakeholder capacity to apply more environmentally-friendly farming methods, gain higher yields and manage natural resources more sustainably. The company's more active CSR policy supports the notion of social empowerment, and not the mere philanthropic activities of donating funds and services. It is through stakeholder inclusiveness that concepts of sustainable development can be learned and applied in the surrounding area.

Sustainable development ideas have become an incorporated principle that has gained precedence in MP's CSR policies. Being a company that practices monoculture agricultural practices, adverse impacts on the physical environment are inevitable. The use of inorganic inputs, biodiversity loss and soil nutrient loss are some of the issues that threaten a sustainable ecological future. However, the

company realizes these impacts and uses its operational capacity to promote sustainable development values.

Siltaoja (2013) points out that the role of sustainability and sustainable development are not addressed in Wood's model. So, it is argued that these ideas should be a driving principle in forming the policies and practice of CSR. Therefore, sustainable development is given a place in the 'Principles of Social Responsibility' column. This is increasingly relevant as business organizations realize the importance of the environmental impact of their economic activity in a world of limited natural resources.

### 5.1.3 Hypothesis 3

Siltaoja's (2013) Corporate Social Performance (CSP) model conceptualizes stakeholder management as an essential part of the a company's social responsiveness. The findings of this paper demonstrate that organizing community stakeholders to empower themselves is a key strategy of MP's CSR policy. The formation of learning centers for knowledge creation initiatives serves the purpose of community development and awareness of environmental impacts of sugarcane farming.

It has been found that MP applies its operational competencies to promote an active and constructive engagement in relations between the company and stakeholders in Makamong Municipality, Dan Chang District. Teams from the company's sugar processing plant conduct regular needs assessments in the community in order to design appropriate projects to address pressing needs. This is an integral competent to MP's stakeholder management as they are determined to foster an active and constructive relationship with village members whose livelihoods are affected by company operations.

MP does not merely aim to identify issues in the community, but strive towards building the capacity and knowledge of community stakeholders so they can actualize their own initiatives to address needs in their own village. The concept of social empowerment comes into play here, and it is synonymous with problem-solving skills and self-reliance, which are needed if stakeholders are to engage successfully with the company or the local government. Social empowerment is also aimed at encouraging development ideas in the community, and motivates community members to actively pursue their own development whether it be social, economic or environmental.

By raising the awareness of villagers to become political actors in the community, MP is exercising their influence and power in the community as corporate citizens. Being active, participative and organized is key in improving the quality of community life, and is an essential ingredient in engagement based on the social contract theory. The concept of corporate citizenship creates an image of the corporation as being a "good citizen" with philanthropic ideals, and in the case of MP and Makamong Municipality, the altruistic ideals of building stakeholder capacity to become more active citizens in their communities is a positive development. The

company's operations and financial performance affect the society surrounding it, so it becomes important to form societal expectations that are beneficial for the company. Therefore, businesses such as MP play a role in forming societal norms.

In the case of Makamong Municipality, MP's citizenship activities are comprised of supporting grassroots schemes to increase the awareness and bargaining power of its community stakeholders. In accordance with MPs' community relations teams, local representatives from the municipality's villages are chosen to voice the concerns and enquiries of their respective communities. Furthermore, volunteer community leaders attend training workshops at designated learning centers where they attain methods for creating dialogue with their neighboring sugar cane farming communities, the company and also the local government. This sort of empowerment is decisive for farming communities to realize their rights as Thai citizens and actors in civil society. The organization of an administrative structure throughout the villages increased is reflective of their social empowerment, which in turn strengthens their capacity to approach the government and voice their needs. The government has reacted by providing materials, funding and financial incentives to support grassroots initiatives.

In all, local public policies can be influenced due to the capacity building projects conducted by MP. Through adherence to a combination of in-house CSR and converged domestic and international CSR stakeholder management principles, MP not only follows standards laid down by executives and the state, but also transforms community members to build opportunities for constructive engagement with stakeholders. Not only does MP strive to be a "good citizen", but is also determined to mold participating civic actors on the ground.

Engagement, as opposed to 'top-down' management, is often characterized as dialogue between the company and stakeholders, in efforts to create a two way dialogue, in which the company can respond to stakeholders' concerns. The ultimate aim of this is to determine shared values around areas or issues of mutual interest or concern. How MP enables and channels citizenship rights in the community determines to a certain extent that CSR is a political activity, designed to establish a new sort of governance at the grassroots level. The concept of 'stakeholder governance' is now emerging, which highlights the importance of stakeholder interests are how they are integrated into the core functions of board decisions at the executive level and at the factory.

#### **5.1.4 Hypothesis 4**

In order to determine how MP addresses environmental issues, we used the process of social responsiveness column in Siltaoja's (2013) CSP model to examine how MP learned and developed practices that met a demand for a more ecological and sustainable future. MP's adaptation of ecological concerns comes from the idea that sustainability of the community is essential for maintaining strong stakeholder relations. By learning from grievances from community members and the adverse

impacts of conventional farming, the company is currently making efforts to mitigate externalities and promote the conservation of the environment.

MP has made noticeable efforts in the sustainable use of resources, particularly water. Since water is so essential for the cultivation of sugar crops, MP has prioritized a need to manage its use among the farming communities. This has primarily been done through participating with stakeholders by constructing piping, which connects water sources (wells and reservoirs) to the fields. Furthermore, the efficient use of water through the installation of drip irrigation equipment is a resource management technique that the company supports in Makamong. MP also has measures to preserve water resources throughout its production processes, and they carry out treatment methods that can recycle contaminated water and reduce discharge of wastewater in the surrounding area. This has been a recurrent issue in the area as community members have made complaints to government offices about wastewater dump sites where chemical contaminated water from factory processes was left untreated. However, most of the problems in this regard originate from local competitor Thai Agro.

There also have been efforts to reduce the amount of energy consumption at sugar mill sites. This is mainly done through a campaign to enhance energy saving techniques and efficient use at the head offices, on the production line and with operations conducted with communities and growers. Such activities involve simple measures such as switching off lights and computer monitors during lunch breaks, installing numerous switch boards at work places, reducing paper consumption and using recycled paper for office purposes. Other measures taken with farmers is the integration of electric engines on agricultural equipment and convincing farmers to grow cane near transferring stations in order to cut down on transportation time and costs.

This leads into MP's efforts to cut down on GHG emissions, which is an important pillar in climate change mitigation and adaption. While the company has an entire bioenergy business which uses biomass for electricity production, these operations do not fall directly under the umbrella of MP Sugar Co.'s CSR efforts. However, it is worth to mention that electricity generated by the bio-power sector both is sold to EGAT and is used for internal uses at the factories. More importantly, there has been a considerable effort by MP to raise the awareness of the negative impacts of slash and burn techniques on the atmosphere through the use of financial incentives. MP also helps farmers to harvest cane in more eco-efficient ways not only by educating them on the drawbacks of burning fields but also through the rental of harvesting machinery.

Promoting biodiversity is also an aim of MP's CSR efforts. This is primarily done by preserving topsoil in the cane fields. As MP wants to reduce slash and burn farming techniques, they also want to decrease dependence on chemical fertilizers for cane cultivation. The company understands that mixed inputs (chemical and organic) are used to produce desired yields. However, MP raises awareness among community members to use organic applications such as filter cake, which improves soil fertility naturally. Additionally, MP promotes farming techniques that help maintain soil nutrients through mechanized harvesting and curbing the incidence of slash and burn



clearing of the fields. These initiatives are used primarily preserve more topsoil between the harvesting and the planting of new cane; consequently, biodiversity is improved by retaining organic compounds and moisture in the soil. Lastly, MP runs green projects to introduce organic gardening and the planting of trees in surrounding communities.

In terms of effluents and waste, MP has mechanisms in place to reduce dust dispersal in the surrounding atmosphere. On top of this, there is a concerted effort to reduce the amount of dirt caused by trucks transporting cane to the sugar mill sites. There have been issues about dirt and falling cane stalks on transferring roads to factory sites.

The above measures are indicative of MP's efforts to follow environmental aspects of CSR guidelines laid down by the ISO 26000. This goes hand-in-hand with MP's responsiveness to society, which involves a process of learning the environmental concerns of stakeholders and developing effective measures to resolve ecological problems in the community. Stakeholders are involved in these measures so that can be empowered with knowledge of more eco-efficient practices that will help sustain their economic bottom line. It is important to note that MP synthesizes the ISO CSR criteria with stakeholder engagement, citizenship activities and the process of understanding the environmental landscape.

In order to assess the sustainability of MP and its relation to impacts on Makamong Municipality's natural and physical environment, varying frameworks have been adapted from SD literature.

Steurer's (2001) macroeconomic categorization of sustainable development conceptualizes SD with sweeping generalizations. Through analysis of data gathered, MP's operations fulfill the criteria of *balanced sustainability* practice, meaning that business practice lies somewhere between *weak* and *strong sustainability*. Operating as an agri-business on an industrial scale, the company must admit that there are economic limits to its growth that are due to environmental factors such as water and soil nutrition. In order to sustain the future sustainability of the company, there must be partial substitutability of natural capital in the form of inorganic inputs. However, evidence has generally shown that MP undertakes initiatives to be more responsible to its immediate natural environment at the cost of profitability.

Steurer's et al. (2005) framework of sustainability aspects and dimensions pinpoint the economic, social and environmental sustainability criteria for the microeconomic level. Since MP has a considerable effect on the local economy by providing employment and profitable returns for local sugar cane farmers, it is one of the main economic actors in the rural community. Not only is it an economic actor but also a social one, contributing to social well-being and improving the social condition inside and outside the company's operations. The sustainability of the natural environment is essential for the continuity of MP's agricultural operations in the field, and is the bedrock for the future livelihoods of the present and future generations. Thus, the importance of meeting the frameworks environmental sustainability criteria is desirable for corporate sustainability, the sustainable development of the community and for MP's corporate social responsibility.

According to Steurer's et al. (2005) framework, the dimensions of resources, emissions and environmental damages and risks are correlated with specific issues that give a deeper understanding of SD practice.

As aforementioned, MP follows a path of balanced sustainability and therefore acknowledges that it can only maintain natural capital to a certain degree. Agri-business giants such as MP follow a monoculture agricultural practices that are known to have adverse impacts on ecosystems in terms of soil nutrient and biodiversity loss. MP has been complicit in promoting the use of inorganic inputs such as chemical fertilizers and herbicides to increase the yields of sugarcane among farmers. This is partly due to national policies that promote the use non-renewable inputs in the agricultural sector.



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