ABSTRACT

This research aims to explore the effects of corporate social responsibility (CSR) practices on poverty status at the individual level. A conceptual framework, underpinned by Amartya Sen's (1999) capability approach to poverty, is developed that explains the relationship between the poor and CSR practices. The framework identifies CSR practices for each of the stakeholder groups where the poor are most likely to be represented – employees, suppliers, consumers, and community members. The conceptual framework suggests that CSR practices should alleviate poverty; however, unanswered questions remain that will be addressed through empirical research. Most importantly, the empirical research will explore how the poor are linked to business, their experience with CSR practices, and will investigate the necessary conditions to maximise the contribution of CSR practices for poverty alleviation. The research expands the limited CSR enquiry that examines the effects of CSR practices on stakeholders and society, where much of the existing CSR research is concerned with the effects on the firm.

CONTENTS

1. INTRODUCTION

1.1 Background

An estimated 2.5 billion people live below the absolute poverty line of $2 a day, equating to approximately 48 percent of the world's population (Chen & Ravallion, 2010). Poverty reduction has traditionally been the responsibility of the main development actors – government, international development agencies and non-governmental organisations (NGOs). Poverty reduction efforts involving the private sector have traditionally focused at the macro-level with the goal of stimulating economic growth. This strategy assumes that if developing countries encourage business activity, the benefits of economic growth will be distributed throughout the country. Many challenge this trickle-down effect and argue that the poor are often excluded from economic activity with benefits of economic growth not reaching them (Hill & Rapp, 2009; Sen, 1999). This has lead to a new approach to poverty reduction that focuses on micro-level business activity rather than purely at the macro level.

With this renewed focus at the micro-level, the international development community has called for business to contribute to poverty reduction efforts by adopting corporate social responsibility (CSR) practices (DFID, 2007; Jenkins, 2005; Prieto-Carrón et al., 2006; UNDP, 2010a; World Bank, 2008). However, current understanding about the effects of CSR on intended beneficiaries is generally very limited, let alone CSR's effect on poverty (Blowfield, 2007; Blowfield & Dolan, 2010; Gulbrandsen & Moe, 2007; Newell & Frynas, 2007; Prieto-Carrón et al., 2006; Utting, 2007). This is problematic because, while pressure is placed on business to adopt CSR practices, it is unclear whether CSR practices actually make a difference to poverty outcomes. Hence the purpose of this research is to explore how CSR

affects individual poverty status and investigate whether particular conditions are necessary for CSR to be an effective poverty reduction tool.

1.2 Research scope

The primary purpose of the research is to explore the effects of CSR practices on the poverty status of individuals and investigate the necessary conditions for maximising the positive effects of CSR on the poor. As this is an emerging research area where limited empirical data or theory exists, the study is exploratory in nature and will use inductive methods to develop theory.

The research is concerned with poverty and as such the exploratory study will be conducted in a setting where significant poverty exists. Vanuatu has been selected with this in mind, a country in the South Pacific with high rates of poverty (Asian Development Bank, 2009). As the research will explore CSR effects on poverty at the individual level, data will be collected from individuals who interact with firms as employees, suppliers, consumers and community members. Data about the firm practices will also be collected to examine the necessary conditions for firms to adopt CSR practices that alleviate poverty.

1.3 Research justification and contribution

The research makes several contributions to both theory and management practice. Firstly, the research expands the limited CSR research that examines the impact of CSR practices on society. To date, the CSR research agenda has been heavily focused on two themes. The first is examining the relationship between CSR and firm financial performance (Doh et al., 2010;

Husted & De Jesus Salazar, 2006; McGuire et al., 1988; McWilliams & Siegel, 2000; McWilliams & Siegel, 2001; Orlitzky et al., 2003). The results of this research have been mixed although a meta-analysis of the CSR-firm performance by Orlitzky et al. (2003) suggests that there is a positive relationship between CSR and firm performance. The second theme in the CSR research is about the reasons that firms adopt CSR practices. This line of research suggests that the motivating factors include management commitment to ethics (Muller & Kolk, 2010); instrumental reasons (Aguilera et al., 2007); response to community influences and pressure from other firms (Marquis et al., 2007).

The new line of CSR enquiry that examines the impact of CSR practices on society has been supported by other management scholars (Blowfield, 2007; Wood, 2010). Donna Wood, well known in the CSR field for her corporate social performance model (Wood, 1991), recently described this as 'a remarkable failing of CSR research, and a wide-open opportunity…it is time to shift the focus away from how CSR affects the firm, and towards how the firm's CSR affects stakeholders and society' (Wood, 2010, p. 76).

Secondly, the research will contribute to understanding the business and poverty interface at an individual level. This is important if the private sector is to have a meaningful role in poverty reduction efforts. The research examining CSR in a developing country context is scant, particularly with respect to poverty alleviation. This was recently noted by the *Academy of Management Perspectives* editor who called for management scholars to expand the examination of business and poverty, noting that 'while many business leaders have taken up the call to address the issues surrounding entrenched poverty in the world, management scholars have been slower to respond' (Bruton, 2010, p. 5).

Finally, the research has practical implications for firms that operate in countries where poverty is prevalent. The research will provide guidance to firms on how to maximise this contribution to the host community and minimise unintentional harmful effects. Aside from ethical reasons for engaging in CSR practices, it is also claimed that a positive relationship with stakeholders can bring instrumental benefits to the firm (Prahalad & Hart, 2002; Seelos & Mair, 2007). These benefits are discussed in the literature review of this proposal.

2. BUSINESS AND POVERTY LITERATURE REVIEW

In general there is a paucity of research on the topic of business and poverty in academic management and development journals, although academic interest is beginning to increase. For example, there has been a noticeable increase in the number of articles published in the *Journal of Business Ethics* since 2009 indicating that management scholars are beginning to examine the ethical dimension of business and poverty. In 2006 the development journal, *Third World Quarterly* published a special issue on the topic, largely in response to corporate social responsibility (CSR) increasingly being adopted as an approach to international development. The upward trend in the number of articles in recent years, coupled with international pressure for business to consider poverty as a business issue, indicates that is an emerging research field. Although the academic literature is in its infancy, a number of common themes are emerging.

The themes are somewhat embryonic and can be categorised into three areas: the reasons why poverty is considered to be a business issue; concerns about the role of business in poverty reduction and; criticisms of business with respect to exacerbating poverty. A summary of each theme is provided in Table 1 (reasons why poverty is a business issue) Table 2

(concerns); and Table 3 (criticisms) and are discussed in this section. There is also a fourth theme in the literature that addresses the issue of how business is able to contribute to poverty reduction. Rather than discuss this theme as part of the literature review it is incorporated into the section that follows the literature review and used to develop the conceptual framework.

2.1 Why is poverty a business issue?

There are several authors who argue that instrumental reasons explain why business might consider poverty as a strategic business issue. According to Prahalad & Hart (2002) there is a 'fortune waiting' for firms at the bottom of the pyramid. Although this concept has only received attention in recent years, in 1988 Steidlmeier (1988) also suggested that market expansion is a reason for business to consider the needs of the poor. It is estimated that there are four billion people at the bottom of the pyramid defined as those who earn less than $1,500 per annum (Prahalad & Hart, 2002). The Bottom of the Pyramid concept encourages business to consider these low-income segments of the market as a viable consumer group (Prahalad & Hart, 2002).

Tashman & Marano (2009a) take a broader view than just considering the poor as consumers by suggesting that business performance improves when a firm implements poverty reduction strategies for a range of stakeholder groups (employees, consumers, producers, community members). They apply the resource-based view and argue that poverty alleviation strategies expand and enhance the value of resources available to the firm. It has also been argued that contributing to poverty is used to improve the brand and image of a firm. For example, Ponte et al. (2009) examine the Product RED initiative which is a Global Fund used to raise awareness and fight AIDS, tuberculosis and malaria. The initiative is supported by iconic

brands such as Apple and Gap and a percentage of profits from products with the RED logo go to the Global Fund. Ponte et al. (2009) argue that this builds the brand of the company and portrays them as 'caring' and 'cool' (p.301).

Risk management is often provided as a reason why business engages in activities that have the potential to reduce poverty. While this could be considered an instrumental reason, it is dealt with separately because the motivation to engage in poverty reduction activities differs; the motivation is not about market expansion. The motivation in this instance is to reduce potential threats to the firm's profitability by maintaining a relationship with the community. Poverty often exists in an unstable environment and managing the relationship with the community reduces the risk of social instability (Daye, 2009). For example, a history of conflict between oil companies and the community in Nigeria has lead to companies contributing to community projects that have improved material deprivation in these communities (Idemudia, 2009). The oil companies (Shell, Exxon Mobil and Total) formed community development partnerships with governments and United Nations agencies that resulted in roads, electricity and school fencing being provided (Idemudia, 2009). Or as highlighted in the case of the Nike Corporation, whose suppliers were running sweatshops in Indonesia, failure to consider poverty reduction as a business issue may eventually lead to discontent among other stakeholders (eg. shareholders, customers) whose cooperation is essential to the firm (Hill & Rapp, 2009). Thus to manage the relationship with the community and other key stakeholders, some firms in developing countries adopt practices that have the potential to reduce poverty.

Moral obligation is another reason provided in the literature that explains why business might contribute to poverty reduction. The internationalisation of poverty reduction through the

millennium development goals (MDGs) has meant that the spotlight is on the magnitude of the problem and all actors in society, including business, are seen to be part of the solution (Gulbrandsen & Moe, 2007; Jenkins, 2005; Kolk et al., 2006; Logsdon & Murrell, 2008; Singer, 2006). In an empirical study of international business practices and poverty in Fiji, Daye (2009) found evidence that some firm managers believe that they have a moral obligation to the community. He provides an example of a garment manufacturer who invests in a local childhood learning centre and the manufacturing manager is quoted as saying that 'a tax-free company must be seen to be acting charitably' (Daye, 2009, p. 124). Steidlmeier (1988) provides a similar argument suggesting that managers are moral actors with a social conscience and this means poverty is an issue that business leaders might be concerned about. Logsdon & Murrell (2008) reflect on the influence of Martin Luther King's social justice work and call for new energy around social and economic justice issues in business practice and research.

A final reason provided in the literature about why business might consider poverty as a business issue is due to gaps in government provision of social services in host communities, referred to by Reficco & Márquez (2009) as 'institutional voids'. While it is acknowledged in the literature that governments have primary responsibility for poverty reduction (Utting, 2007), in developing countries where poverty is pervasive, the reality is that basic social services and infrastructure needs are often not met by the government. This means that where a firm operates in a developing country, societal problems often become business problems. As demonstrated in Idemudia's (2009) study discussed earlier where oil companies in Nigeria contribute to community projects such as schools and hospitals (Idemudia, 2009). This situation is also discussed in detail in the case of British Petroleum (BP) operating in Azerbaijan. Frustrated by government failure to provide social services, BP formed a

partnership with other mining companies and NGOs to invest in community projects that align with national development priorities. However, the role of business in providing public services also raises concerns on theoretical and practical grounds. A summary of the reasons why poverty is considered to be a business issue is provided in Table 1.

Table 1: Reasons that poverty is a business issue

Reason	Examples in the literature
Instrumental reasons	'Do good and do well' (Prahalad & Hart, 2002; Seelos & Mair, 2007) Business needs a skilled and productive workforce (Steidlmeier, 1988) Market expansion (Steidlmeier, 1988) Business performance improves if a firm implements poverty alleviation strategies (Tashman & Marano, 2009b) Improve brand (Ponte et al., 2009)
Risk management	Failure to do so may result in long-run discontent that spreads to more central players whose cooperation is essential to the firm eg Nike Corporation (Hill & Rapp, 2009) Maintain relationship with community (Daye, 2009) To avoid social instability (Steidlmeier, 1988) Corporate-community conflict (Idemudia, 2009)
Moral obligation	'A tax-free company must be seen to be acting charitably' (Daye, 2009, p. 124) MNCs are part of the international community and should join in the global fight against poverty (Logsdon & Murrell, 2008; Singer, 2006) Business has a role to play in social and economic justice (Logsdon & Murrell, 2008) Moral concern for the wellbeing of others (Steidlmeier, 1988) Pressure from the international development community (Gulbrandsen & Moe, 2007; Jenkins, 2005; Kolk et al., 2006)
Government failure	Institutional voids (Reficco & Márquez, 2009) Major gaps in government provision of social services, widespread poverty and distorted local economies in host communities (Gulbrandsen & Moe, 2007)

2.2 Concerns about business involvement in poverty reduction

The first and most common concern mentioned in the business and poverty literature is that business activities are driven by business-case logic and not by the needs of the poor. When referring to the potential of CSR initiatives to reduce poverty, Newell & Frynas (2007) note

that CSR is a '*business tool*' not a '*development tool*' (2007, p. 670). This business-case logic is seen to be at odds with contemporary development practice which aims to empower the poor through participatory development (see Chambers, 1994). Various authors argue that community members are often not involved in the design, implementation and monitoring of CSR initiatives, resulting in questions about their impact and those most in need are often excluded (Blowfield & Dolan, 2010; Idemudia, 2009; Newell & Frynas, 2007; Prieto-Carrón et al., 2006). A related issue is about accountability with respect to CSR initiatives and poverty reduction. Utting (2007) highlights a concern about the self-regulated nature of the free market with respect to CSR initiatives. The firm is primarily accountable to shareholders and public CSR reporting is usually limited to CSR activities, not the outcomes of these activities. In other words, so long as the firm can demonstrate some CSR activity this is enough to satisfy shareholders. An issue related to CSR reporting is that poverty reduction does not appear to be a goal of the CSR policies of leading multinationals. Kolk et al. (2006) conducted a study of leading multinational companies and concluded that their CSR policies are not very outspoken about poverty alleviation, although multinationals in the garment sector were an exception. This raises the question of whether CSR initiatives are effective in alleviating poverty if they are not designed for this purpose.

The second concern relates to the issue of government failure, discussed earlier in this literature review as a reason that business might adopt practices that contribute to poverty reduction. This carries an inherent risk where the lines between government and business responsibilities are blurred. There is agreement in the literature that governments have primary responsibility for poverty reduction and based on this assumption there are concerns about the role of business. This is highlighted as a particular concern where firms invest in community development initiatives. Because business is filling a gap in social service

provision and infrastructure there is a risk that the community no longer relies on government and becomes dependent on business, which was found to be the case with oil companies in the Niger Delta (Ite, 2007). Some argue that community development initiatives are not a sustainable poverty reduction solution as it relieves government of its responsibilities and creates a culture of dependency on business for social needs (Idemudia, 2009; Ite, 2007). A related issue is whether business activities that attempt to address social issues are undermined by host government policy and a lack of commitment to developing democratic and publicly accountable political institutions, which was found to be the case in Azerbaijan (Gulbrandsen & Moe, 2007).

The third concern that appears in the literature is scepticism about the contribution that business can make to poverty reduction. CSR is often cited as the mechanism by which firms contribute to poverty reduction (DFID, 2007; Jenkins, 2005; Prieto-Carrón et al., 2006; UNDP, 2010a; World Bank, 2008), yet the benefits of CSR to intended beneficiaries is questioned in the literature. Some suggest that CSR, practised in its current form, has very little poverty alleviation potential. The critics argue that CSR is merely a public relations exercise (Newell & Frynas, 2007), that 'solves the problems of distant others' (Ponte et al., 2009, p. 301) and there is a gulf between words and deeds (Utting, 2007). Current understanding about these claims is limited although a recent study by Blowfield and Dolan (2010) supports this argument. They examined Fairtrade practices in the Kenyan tea industry and found that the claim that Fairtrade practices can reduce poverty is overstated (Blowfield & Dolan, 2010).

In another study, Idemudia (2009) found that, while business investment in community development projects alleviates poverty, it does not compensate for the negative impact of

core business operations. There is however, a recognition in the literature that the concerns are still largely unsubstantiated and as a result the critics appeal for research to understand the true nature of the impact of business on poverty reduction (Blowfield, 2007; Blowfield & Dolan, 2010; Gulbrandsen & Moe, 2007; Newell & Frynas, 2007; Prieto-Carrón et al., 2006; Utting, 2007). Table 2 summarises these concerns from the literature.

Table 2: Concerns about business involvement in poverty reduction

Concern	Issues in the literature
Business case logic, not development logic	CSR initiatives are driven by business case logic, not development logic (Blowfield & Dolan, 2010; Idemudia, 2009; Newell & Frynas, 2007; Prieto-Carrón et al., 2006) Self regulation, lack of accountability (Utting, 2007)
Poverty reduction is a government responsibility	Government abdicates responsibility to provide social services (Idemudia, 2009) Creates a dependent relationship on business (Ite, 2007) CSR efforts are undermined by the host government (Gulbrandsen & Moe, 2007)
Scepticism about CSR actions and effectiveness	Community investment does not compensate for the negative impact of core business operations (Idemudia, 2009) The assumption that Fairtrade practices contribute to poverty reduction is misleading (Blowfield & Dolan, 2010) Lack of knowledge about how CSR affects intended beneficiaries (Blowfield, 2007; Blowfield & Dolan, 2010; Gulbrandsen & Moe, 2007; Newell & Frynas, 2007; Prieto-Carrón et al., 2006; Utting, 2007). Gulf between words and deeds (Utting, 2007) Corporate aid 'solves problem of distant others' (Ponte et al., 2009)

2.3 Criticisms of business: Exacerbating poverty

The way in which business has potential to exacerbate poverty is well documented in the literature. These criticisms can be categorised as human rights abuses, contribution to inequality, environmental damage and the abuse of power. These criticisms are summarised in Table 3 and discussed below.

The human rights issues addressed in the business and poverty literature generally cover exploitation of the poor due to their vulnerable position in society. Discrimination is cited in the literature and is said to take the form of gender discrimination (Pearson, 2007) or discrimination based on ethnicity that can strain existing race relations (Daye, 2009). Working conditions is another area where business is criticised for human rights abuses, such as forced labour (Singer, 2006; Utting, 2007) and failing to encourage collective bargaining (Utting, 2007).

Table 3: Criticisms of business

Criticism	Examples in the literature
Human rights abuse	Strains race relations (Daye, 2009) Discrimination (Daye, 2009; Pearson, 2007; Steidlmeier, 1988) Forced labour, discrimination, freedom of association and lack of collective bargaining (Utting, 2007) Subcontracting often implies a deterioration of labour standards (Utting, 2007) Contributes to violence (Prieto-Carrón et al., 2006) Creates slaves, colonise the mind (Singer, 2006) Contributes to the so-called "Americanisation/McDonaldisation" of society (Kolk et al., 2006) Exploits poor consumers (Hill, 2002; Hill, 2008; Karnani, 2007)
Contribute to inequality	Effects on income-poverty, create sweatshops, decrease local affordability (Singer, 2006) MNCs create low-wage jobs, increase inequality (Kolk et al., 2006) Do not provide employment opportunities to local people (Idemudia, 2009; Jenkins, 2005) Creates alienation (Singer, 2006)
Environmental damage	Destroys ecologies (Singer, 2006) Environmental degradation leading to loss of livelihoods (Idemudia, 2009) Pollution (Prieto-Carrón et al., 2006)
Abuse of powerful positions	Abuses powerful political and economic positions in host country and internationally, less interested in long-term sustained operations (Kolk et al., 2006) Bribery and corruption (Jenkins, 2005; Prieto-Carrón et al., 2006) Tax avoidance (Singer, 2006; Utting, 2007) Creates advantage, reduces tax, supports corruption or oppression (Singer, 2006)

Business is also criticised for exploiting the poor as a consumer group, Hill (2002) provides some examples including the increase of subprime lending in poor communities in the United

States. These loans are provided not on the basis of a customer's ability to make regular payments but on homeowners' equity and the payments are usually well above the regular income of the customer, making foreclosure highly likely (Hill, 2002). Karnani (2007) also highlights the temptation to exploit the poor as a consumer group and questions the empirical validity of the Bottom of the Pyramid concept. Karnani (2007) examines the case of the Unilever product *Fair & Lovely*, said to be an example of the Bottom of the Pyramid concept. *Fair & Lovely* is a skin cream that claims to lighten the colour of dark-skinned women and resulted in advertisements for it being banned in India after they were deemed to be racist and discriminatory (Karnani, 2007).

Another criticism of business is that it contributes to inequality in host communities. In some cases international firms employ a limited number of local people and in instances where they do, they are often employed in unskilled jobs because of the population's limited access to education (Idemudia, 2009; Jenkins, 2005). Furthermore, it is argued that employment of foreigners tends to alienate local people and increase their cost of living (Idemudia, 2009; Singer, 2006).

Business is also criticised in the literature for causing environmental damage that affects livelihoods. For example, in his study of the impact of oil and mining companies on communities in the Niger Delta, Idemudia (2009) found that oil spills and gas flaring were perceived to have 'devastating' effects on livelihoods. The perceived impact reported in this study included damage to house roofs, loss of fish, health problems, low crop yield and in some cases house vibration and cracks (Idemudia, 2009, p. 103).

Finally, business is criticised in the literature for abusing its powerful economic position, which is argued has potential to exacerbate poverty. This activity relates to self-interested actions by firms that seek to advance their interests, such as bribery and corruption (Jenkins, 2005; Prieto-Carrón et al., 2006; Singer, 2006). Kolk et al. (2006) suggest that some firms are less interested in long-term sustainable operations and abuse their powerful political and economic positions in host countries and internationally. While foreign direct investment has potential to increase government revenue through tax payments, enabling government expenditure on poverty reduction efforts, Jenkins (2005) argues that large companies commit significant resources to ensure they pay as little tax as possible. He suggests that this includes tax evasion, bribery and corruption that has the potential to divert State resources away from the provision of public goods and into 'private pockets' (Jenkins, 2005, p. 533). A similar argument is made by Singer (2006) who suggests that lobbying of governments by self-interested businesses (eg tax concessions) is not necessarily in the public interest.

The themes outlined in the literature provide an interesting insight into the complexity of the issues associated with the business and poverty interface. While the international development community appeals to business to consider the needs of the poor, some academics are sceptical of the extent to which business is currently committed given competing economic and ethical interests. Given the magnitude of poverty and international efforts to address the problem, the lack of attention to the topic in management journals is concerning. It is an area where empirical research is required that seeks to understand the nature and extent of the impact of business on poverty.

3. THEORETICAL BACKGROUND

The literature review reveals that a range of business practices are relevant to understanding the business and poverty interface. As CSR practices are viewed as the mechanism by which business can alleviate poverty, this research will focus on the effects of CSR practices on poverty. To do this a conceptual framework is developed to explain the relationships that are expected to exist between the poor, CSR practices and poverty. This section presents the framework, commencing with a definition of CSR. This is followed by a discussion of Sen's (1999) conceptualisation of poverty, which underpins the framework, before finally identifying CSR practices that are expected to alleviate poverty.

3.1 Socially responsible business practices

Since this research seeks to explore the effects of socially responsible business practices on the poor[1], it is important to define this concept. As Campbell (2007) notes socially responsible practices have various meanings depending on one's point of view. They have existed in practice for decades but literature on the subject did not appear until the 1950s in Howard Bowen's (1953) book called *Social Responsibilities of the Businessman*. Since this time scholarly interest in business and society research has increased dramatically, often referred to as CSR. There is no universal definition of CSR. The earliest definition is provided by Bowen who suggested that socially responsible practices 'refer to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of

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[1] The terms 'socially responsible business practices' and 'CSR practices' are used interchangeably throughout this proposal

action which are desirable in terms of the objectives and values of our society' (Bowen, 1953, p. 6). This definition implies that time and place (context) is an important factor in determining what constitutes socially responsible behaviour.

Another early definition that is still being used in current CSR research (eg. Aguilera et al., 2007) was proposed by Davis (1973) where he defines CSR as, 'the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm' (Davis, 1973, p. 312). This definition implies that socially responsible practices are outside the core business activities of the firm. This is problematic for the purpose of exploring the effects of CSR on the poor. In a recent study of community development initiatives (that is, CSR outside of core business practices) and poverty reduction, Idemudia (2009) demonstrates why this is the case. The study concluded that although community investment is perceived to have a positive impact, it does not compensate for the impact of negative core business activities (Idemudia, 2009). Therefore, for any study to fully explore the effects of CSR practices on the poor it is important to examine core business activities of the firm.

More recently, Campbell (2007) provides a definition of socially responsible behaviour suggesting that for a firm to behave in a socially responsible manner it:

> '…must not knowingly do anything that could harm their stakeholders—notably, their investors, employees, customers, suppliers, or the local community within which they operate. Second, if corporations do cause harm to their stakeholders, they must then rectify it whenever the harm is discovered and brought to their attention.' (Campbell, 2007, p. 951)

This definition incorporates *outcomes* (i.e. harm) of firm behaviour, which is relevant for research that seeks to examine CSR effects. However, a firm may be causing harm to a stakeholder unknowingly which may be perceived as acting *irresponsibly* by the stakeholder. Applying this definition, if a firm is unaware of stakeholder perceptions of causing harm, the firm is still acting in a socially responsible manner, even though it may unknowingly be causing harm. Therefore a definition is required that combines elements of Campbell's (2007) definition (outcomes for primary stakeholders) and Bowen's (1953) original definition that incorporates the objectives and values of society. Hence, the revised definition of socially responsible practices adopted for this research is:

> A firm's actions towards stakeholders – notably, its investors, employees, customers, suppliers, or the local community within which it operates – that are desirable in terms of the objectives and values of society and actions that bring about positive social change as perceived by the relevant stakeholder group and those who represent them.

In developing countries, where poverty is prevalent, the poor are likely to belong to all primary stakeholder groups outlined in the definition, although they are least likely to be shareholders. This stakeholder perspective of CSR is consistent with perspectives in the CSR literature. For example, Clarkson (1995) argues that firms manage relationships with stakeholder groups rather than with society as a whole and as such, stakeholder groups are the appropriate level of analysis for examining CSR practices.

3.2 Sen's capability approach to poverty

The conceptual framework is underpinned by Sen's (1999) conceptualisation of poverty. Amartya Sen received a Nobel Prize in Economics and his contribution has been highly influential in the way that poverty alleviation is approached. As a result of Sen's (1999) contribution, poverty alleviation strategies go beyond focusing on economic growth as a solution. Sen's (1999) capability approach to poverty alleviation suggests that while providing income-earning opportunities is important to alleviate poverty, other factors also affect an individual's poverty status such as health, education and empowerment.

Traditionally, poverty has been conceptualised and measured in terms of material possessions. For example, Rowntree's (1902) study of poverty in York is known as the first scientific study of poverty. To identify the number of people living in poverty he defined a poverty line in terms of the minimum wage required to meet basic living needs such as *food, clothing and shelter*. This view of poverty, which is still applied to poverty measurement today, focuses on the economic aspect of poverty.

Sen (1999) argues that poverty reduction should be seen as a process of expanding the freedoms that people have to live the life they want to live. Sen (1999) emphasises the importance of realising human potential and suggests that indicators of poverty should include non-monetary indicators of well-being. Sen's contribution influenced the development of the United Nations' *Human Poverty Index* that recently evolved to become the *Multi-dimensional Poverty Index*. Rather than only measuring poverty in income terms, this index includes measures related to health and education dimensions (United Nations

Development Program, 1997). Consequently, poverty and poverty reduction strategies aim to improve access to, and the quality of, education and healthcare.

Sen (1999) also emphasises the importance of opportunity, empowerment and security in poverty reduction efforts. These aspects were explored in the 'Voices of the Poor' study conducted as a key input into the *2000/01 World Development Report: Attacking Poverty*. The study gathered the perspectives of more than 60,000 poor people from 60 countries and confirmed that opportunity, empowerment and security are important dimensions of poverty (Narayan et al., 1999; World Bank, 2001).

Opportunity is about addressing issues of isolation and suggests that poverty reduction strategies need to increase access to 'jobs, credit, roads, electricity, markets for their produce, and the schools, water, sanitation, and health services that underpin the health and skills essential for work' (World Bank, 2001, pp. 6-7). Empowerment refers to strengthening the participation of the poor in decision making and political processes as well as removing barriers that result from distinctions of gender, ethnicity, and social status (World Bank, 2001). Finally, security refers to reducing the vulnerabilities that the poor face in situations such as economic shocks, natural disasters, ill health, disability, and personal violence (World Bank, 2001).

These combined factors provide a multidimensional view of poverty that include income (to meet basic needs), education, health, opportunity, empowerment and security. Table 4 summarises these poverty dimensions and provides an indication of the types of actions necessary to effectively reduce poverty. This view of poverty is incorporated into the conceptual framework.

Table 4: Poverty dimensions and poverty reduction actions

Poverty dimension	Action to address the poverty dimension
Income	Any action that provides the opportunity to earn income to assist with meeting basic living needs such as food, shelter, and clothing.
Education	Actions that provide formal education or knowledge and skills acquired informally that assist with earning a living.
Health	Any action that improves the physical or emotional wellbeing of an individual.
Opportunity	Any action that promotes opportunities for the poor to increase their assets including jobs, accessible products and services. The opportunities underpin the health and skills that are essential for maintaining a sustainable livelihood.
Empowerment	Any action to remove the social and institutional barriers that result from distinctions of gender, ethnicity, and social status.
Security	Any action that reduces vulnerability to economic shocks, natural disasters, ill health, disability, and personal violence.

Source: Adapted from Rowntree (1902); Sen (1999) and World Bank (2001).

3.3 Socially responsible business practices and poverty: A conceptual framework

The foundation of the conceptual framework is drawn from Sen's (1999) conceptualisation of poverty and its multiple dimensions. As previously discussed, the poor can belong to any of the primary stakeholder groups, namely employees, suppliers, consumers and community members. As the poor are less likely to be shareholders this stakeholder group is not included in the conceptual framework.

The framework identifies socially responsible business practices that are thought to impact on one or more of the poverty dimensions for the primary stakeholder groups where the poor are likely to be represented. The socially responsible practices have been identified through a review of reports from international agencies with responsibility for poverty reduction. These agencies include the International Labour Organisation (ILO), the United Nations Development Program (UNDP), the United Nations Research Institute for Social
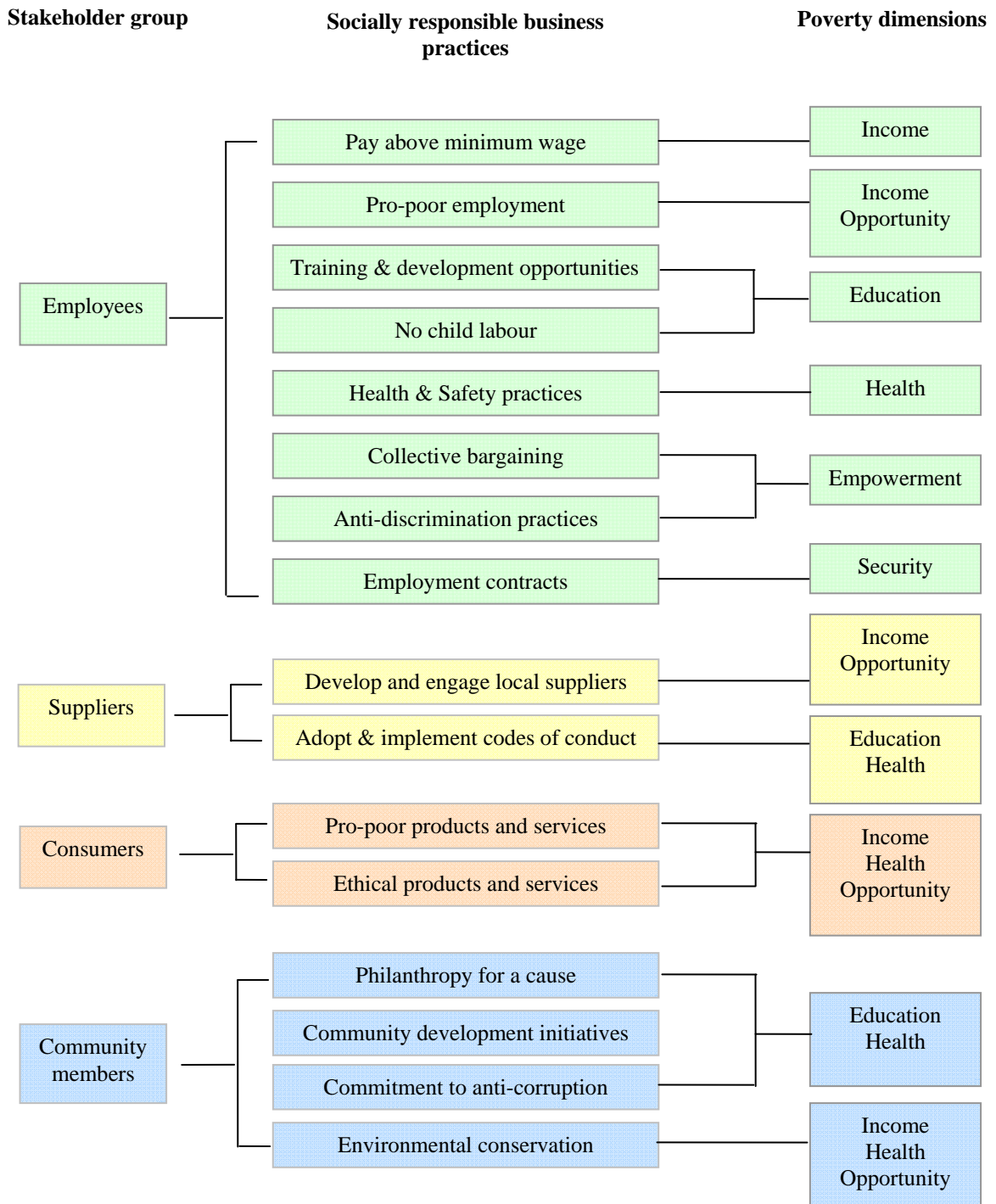
Development (UNRISD), and the World Bank. This is consistent with the way socially responsible practices are defined for the purpose of this research in that CSR practices align with the values and objectives of society. Findings from the analysis of the academic business and poverty literature about socially responsible practices are also incorporated. Figure 1 summarises the framework, which outlines the socially responsible business practices likely to positively impact the poor. The development of the framework is now discussed for each stakeholder group.

The poor as employees

Employment is often seen as the 'principal route out of poverty' (ILO, 2003) and providing employment opportunities is the most obvious way that business can contribute to poverty reduction. However, poor workers often find themselves in the cycle of poverty because they usually lack education and are therefore employed in unskilled and lowly paid jobs (ILO, 2003). This often means that they work long hours and more than one job to meet basic needs (ILO, 2003). While employment obviously impacts income poverty, many authors have cautioned that providing economic opportunities alone does not alleviate poverty (eg. Enderle, 2010; ILO, 2003; Mena et al., 2010; Penh, 2009; Sen, 1999; Steidlmeier, 1988; UNDP, 2010b). Therefore in addition to paying employees at, or above, the living wage there are several other practices considered to be socially responsible, that are thought to make a positive contribution across other dimensions of poverty.

Firstly, firms can adopt an inclusive approach to employment so that the poor have access to economic opportunities. As outlined in the literature review, a criticism of international firms operating in developing countries is that they contribute to inequality in host communities.

Figure 1: Socially responsible practices and poverty: A conceptual framework

Stakeholder group	Socially responsible business practices	Poverty dimensions

Employees
- Pay above minimum wage → Income
- Pro-poor employment → Income / Opportunity
- Training & development opportunities → Education
- No child labour → Education
- Health & Safety practices → Health
- Collective bargaining → Empowerment
- Anti-discrimination practices → Empowerment
- Employment contracts → Security

Suppliers
- Develop and engage local suppliers → Income / Opportunity
- Adopt & implement codes of conduct → Education / Health

Consumers
- Pro-poor products and services → Income / Health / Opportunity
- Ethical products and services → Income / Health / Opportunity

Community members
- Philanthropy for a cause → Education / Health
- Community development initiatives → Education / Health
- Commitment to anti-corruption → Education / Health
- Environmental conservation → Income / Health / Opportunity

The employment of foreigners has the potential to alienate the local people and increase the cost of living in the host community (Singer, 2006), which in turn may lead to social instability (Idemudia, 2009; Kolk et al., 2006; Singer, 2006). To address this issue firms can

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provide economic opportunities to local people through pro-poor employment practices (Idemudia, 2009; ILO, 2006; World Bank, 2008). This may involve setting targets for employment of local people and providing training and development to these employees so that over time they are able to perform in jobs requiring more skill with higher rates of pay. Therefore, it is expected that pro-poor employment practices and providing training and development opportunities will impact positively on *income, education* and *opportunity* dimensions of poverty.

Another employment practice that is expected to contribute to the education dimension of poverty is for firms to refrain from child labour (ILO, 2003). Child labour is both a cause and symptom of poverty and contributes to chronic poverty that often persists generation after generation (ILO, 2003). One of the major issues with child labour is that it typically prevents the child from attending school and hence they become trapped in the cycle of poverty. Therefore, firms that respect the minimum age for employment (15 in most countries according to the ILO, 1973) will not prevent the child from obtaining an education.

There are also several employment practices that are expected to contribute to the health dimension of poverty, captured in the conceptual framework as 'health and safety practices'. The poor are often unprotected and subjected to risks in the workplace that obviously affect their health and productive ability and consequently, their ability to earn an income (ILO, 2003). Therefore the first socially responsible practice with respect to health is providing a workplace where occupational accidents and diseases are prevented. Secondly, according to the ILO (2010) the standard working week should be set at 48 hours with up to 12 additional hours possible at overtime rates (ILO, 2010). The poor often work higher excessive hours that may prevent them from getting adequate rest placing them at risk of workplace injuries. Long

working hours also affects the ability to attend to family responsibilities and participate in community activities (ILO, 2010). Thirdly, raising awareness about health issues in the workforce contributes to the health dimension of poverty. For example, the UNDP (2010a) suggests that firms should create education, prevention, treatment and care programs in the workplace for HIV/AIDS and other communicable diseases, and for firms with a large female workforce, family planning education programs.

There are two socially responsible practices that are expected to contribute to the empowerment dimension of poverty. The first is freedom of association and the right to participate in collective bargaining. Collective bargaining is a mechanism of encouraging change through discussion and negotiation so that improvements in workplace conditions can be achieved. For low-paid employees collective bargaining represents the most effective method of empowering low-income employees to achieve improved working conditions and increase productivity for the firm (ILO, 2003; UNRISD, 2010).

The second employment practice that is expected to contribute to the empowerment dimension of poverty is anti-discrimination practices. Discrimination leads to social exclusion and poverty and its form varies across countries and cultures. Generally however, sex discrimination is common in developing countries and on average women are known to suffer greater economic deprivation than men (ILO, 2003). Therefore promoting equal employment opportunities to women and other minority groups and equal treatment in the workplace is critical to poverty reduction (Daye, 2009; ILO, 2003; Pearson, 2007; UNDP, 2010a; UNRISD, 2010; World Bank, 2001). This may also involve workplace programs specifically targeted at eliminating discrimination in the workplace (UNDP, 2010a).

The final dimension of poverty where socially responsible employment practices are expected to impact poverty is the security dimension. One of the aims of poverty reduction strategies in this dimension is to reduce vulnerability to economic shocks. An action that business can adopt to address vulnerability is to ensure that employment contracts are in place. The ILO (2003) estimates that as many as four billion people live outside formal legal systems, mostly in developing countries, and this means that fundamental elements of the market economy, including employment contracts, are not respected. Whilst employment contracts may not offer complete job security, they go some way to providing certainty and protection to the poor (ILO, 2003; UNRISD, 2010). Table 5 summarises the range of socially responsible employment practices that have the potential to alleviate poverty.

Table 5: Socially responsible employment practices expected to reduce poverty

Poverty dimension	Employment practices
Income	Ensure employees receive a 'decent wage' (ILO, 2003; UNDP, 2010b) Pro-poor employment (Idemudia, 2009; World Bank, 2008)
Health	Provide a safe workplace (ILO, 2003) The normal working week should not exceed 48 hours plus 12 hours overtime (with overtime being remunerated at higher rates) (ILO, 2003) Raise awareness about health issues in the workforce (UNDP, 2010b)
Education	Provide training and development opportunities in the workplace (ILO, 2003) Do not engage in child labour as this may prevent school attendance – minimum age is 15 (ILO, 2003; UNDP, 2010b)
Opportunity	Pro-poor employment (Idemudia, 2009; World Bank, 2008) Engage local suppliers (World Bank, 2008)
Empowerment	The right to participate in collective bargaining (ILO, 2003; UNRISD, 2010) Anti-discrimination practices that provide equal employment opportunities and treatment in the workplace (Daye, 2009; ILO, 2003; Pearson, 2007; UNDP, 2010a; UNRISD, 2010; World Bank, 2001). Implement workplace programs that empower disadvantaged groups such as ethnic minorities and women (UNDP, 2010b)
Security	Employment contracts that provide job security (ILO, 2003; UNRISD, 2010).

The poor as suppliers

Estimates suggest that there are approximately 82,000 transnational corporations who have 810,000 affiliates that source from millions of suppliers across the globe (UNRISD, 2010). This presents both risks and opportunities for the poor. While this opens up employment opportunities for people in developing countries there is potential for international firms to drive down costs in the supply chain and the poor being exploited (Singer, 2006; Utting, 2007).

The public outcry at Nike Corporation's supply arrangements in Indonesia was instrumental in focusing attention on socially responsible practices in the supply chain (Zadek, 2004). In the late 1990's protestors rallied against sweatshop conditions of Nike's suppliers in Indonesia forcing Nike to review its supply arrangements and adopt codes of conduct. Since this time, industry codes of conduct have emerged as a way that international firms can adopt socially responsible supply arrangements. For instance, the coffee industry has a *Common Code for the Coffee Community* that provides operating principles in social, economic and environmental dimensions. Adopting and implementing these types of codes of conduct provide an opportunity to maximise the contribution to poverty reduction. Despite many international firms adopting codes of conduct there is some scepticism about compliance with voluntary codes (Egels-Zandén, 2007; Kolk, 2005; Nelson et al., 2005). For example, Egels-Zandén (2007) analysed Chinese suppliers' level of compliance with Swedish toy retailers' codes of conduct and found that over two-thirds of the suppliers did not comply with the standards. This suggests that although a firm may have the best of intentions when adopting codes of conduct, monitoring of supply arrangements is also necessary to ensure implementation occurs.

Another socially responsible practice that firms can adopt in the supply chain is to engage local suppliers. Business can use its supply chain to create opportunities by purchasing goods and services within the local community (UNDP, 2010a). The tourism industry is a good example where this is possible. Tourism firms that operate in developing countries can engage local people to supply fresh produce to the firm (Ashley, 2006). Daye (2009) also argues that firms can assist in the development of locally owned suppliers to provide goods and services back to the firm. For example, managers could volunteer their time to share expertise with local people who could eventually manage their own business and supply products and/or services back to the firm and to other firms (Daye, 2009). Developing and engaging local suppliers is expected to contribute to the income and education dimensions of poverty.

The poor as consumers

As discussed earlier, firms can consider the poor as a consumer group and increase the range of products and services available to them (Prahalad & Hart, 2002). There are several examples where this is already happening. For example, Tata recently released the world's cheapest car in India which retails at approximately US$2,000, the company aimed to provide a safe and affordable car to families in India who previously would not have been able to own a car (British Broadcasting Commission, 2009). There are also examples of pharmaceutical companies partnering with government and international agencies to reduce prices for essential medications such as diarrhoea, malaria and AIDS (UNDP, 2010a). To address the issue of undernourishment in Polish children, Danone Poland developed a breakfast product called *Milk Start* that is enriched with vitamins and minerals and affordable for low-income households (UNDP, 2010a). The Grameen Bank is another well known example that fits in

this category. The Bank provides low interest loans to the poor to enable them to establish and manage their own businesses and evidence suggests that microfinance has a positive impact on poverty (Montgomery & Weiss, 2010). These are just some examples that illustrate the potential that pro-poor products and services have for addressing poverty.

The nature of the product or service will determine which poverty dimension is affected, for example *Milk Start* will impact the health dimension and microfinance will impact income, health, opportunity and empowerment dimensions. The conceptual framework therefore identifies a range of poverty dimensions that are potentially affected by pro-poor products and services. The framework also notes that *ethical* products and services are important to address issues related to products that seek to exploit the poor (Hill, 2002; Hill, 2008; Karnani, 2007).

The poor as community members

Finally, there are socially responsible practices that affect community stakeholders, which may have direct or indirect effects on the poor. The first is through direct investment in community development initiatives in the firm's host community. As stated earlier this may be investment in schools, hospitals or roads that have an impact on poverty status (Idemudia, 2009). Although community investment activity is often undertaken solely by firms, there is growing evidence to suggest that partnerships between government and/or NGOs or social enterprises can ensure that community investment support national or local development goals (Idemudia, 2009; Prahalad & Hart, 2002; Prieto-Carrón et al., 2006; Reficco & Márquez, 2009; Singer, 2006; Utting, 2007). For example, in a study of partnerships between firms and social enterprises, Reficco and Márquez (2009) found that the partnership

facilitates access to capital and labour and creates greater learning and innovation for the firm, while the social enterprise ensures that the poor benefit.

There are also some who argue that community investment initiatives are more likely to contribute to poverty reduction when community members are involved in the design, implementation and monitoring of community development initiatives (Blowfield & Dolan, 2010; Idemudia, 2009; Newell & Frynas, 2007; Prieto-Carrón et al., 2006). Partnerships can address this issue by providing complementary knowledge, skills and capacity to work with the poor to increase the positive impact of community development investment on poverty.

The second socially responsible practice that is relevant to the community stakeholder group is philanthropy, sometimes referred to as a new form of aid (UNDP, 2010a). Whereas community investment involves a direct contribution to the host community where the firm operates, philanthropy involves indirect investment in poverty reduction efforts that might contribute to poverty reduction outside of the location where the firm operates. The most notable example of philanthropic efforts with respect to poverty reduction is the Bill and Melinda Gates Foundation (also supported by Warren Buffett) that has invested US$13 billion in global health and US$3 billion in global aid since 1994 (Gates Foundation, 2009). Another example is The Global Fund that was established in 2002 as a public-private partnership. The Global Fund is dedicated to financing efforts aimed at the prevention and treatment of AIDS, malaria and tuberculosis. These initiatives have mobilised resources and delivered benefits particularly in agriculture, health and microfinance (UNDP, 2010a). Philanthropic investment is usually targeted at education and health initiatives and therefore is represented as contributing to these dimensions of poverty in the conceptual framework.

The third socially responsible practice that is expected to affect the poor as community members is a commitment to anti-corruption (Jenkins, 2005; UNRISD, 2010; World Bank, 2001). The World Bank (2005) estimates that bribery has become a $1 trillion industry; it is costly for business and impacts the poor the most (World Bank, 2008). Power relations are central to development as they determine which actors influence government decision making. Relationships between political and business elites often mean that governments prioritise business interests over the interests of the public, for example, the poor are often victims of corruption as it affects public investment in education and health (UNRISD, 2010). Firms that adopt anti-corruption practices undertake a commitment to not offer or accept bribes. Transparency International, part of an international coalition on business and corruption, define bribery as:

'An offer or receipt of any gift, loan, fee, reward or other advantage to or from any person as an inducement to do something which is dishonest, illegal or a breach of trust, in the conduct of the enterprise's business' (Transparency International, 2009).

Jenkins (2005) argues that disclosure and transparency of financial payments to government is an important way that business can contribute to poverty reduction. By disclosing details about financial payments, he argues that governments will be more accountable and more likely to use the payments for public good (Jenkins, 2005).

Finally, firms that commit to environmental conservation are also expected to minimise risks to livelihoods thereby reducing the threat of poverty. For example, firms can adopt practices that seek to save natural resources and avoid pollution in their operations (UNDP, 2010a). The impact of environmental damage as a result of business activity can be substantial for the

poor. For example, there are cases where oil production leads to acid rain due to gas flaring. The acid rain pollutes waterways that affects drinking water quality and fish supplies (Idemudia, 2009). Therefore, environmental conservation is expected to positively impact income, health and opportunity dimensions of poverty.

4. RESEARCH QUESTIONS

Figure 1 provides a conceptual framework that explains the relationship between socially responsible business practices and poverty. The framework provides the basis for empirical research and also raises several questions that this research will aim to answer. The first and primary question, is how do the CSR practices outlined in the conceptual framework affect individual poverty status? There are several sub-questions that follow this question including:

- Are CSR practices evident that have not been identified in the conceptual framework?
- Are some CSR practices more effective than others in alleviating poverty?
- Under what conditions are CSR practices most likely to alleviate poverty?

Given the criticisms of business outlined in the literature review, a related question to those above is how do firm practices exacerbate poverty?

The second line of questions relates to the firm and includes:

- Why do firms adopt CSR practices that alleviate poverty?
- How do these CSR practices affect the firm?

The questions related to the firm are important as the findings will provide insight into the conditions that are required for the private sector to maximise its contribution to poverty reduction efforts. Furthermore, an understanding of how firms are affected by CSR activities will assess whether firms are able to *do well while doing good*, a long running debate in the CSR literature. The research methodology has been designed to explore these questions and is discussed in the next section.

5. RESEARCH METHODOLOGY

The aim of the proposed research is to generate theory and therefore the research design adopts a qualitative, multiple case study approach (Eisenhardt, 1989). A case study methodology is well suited to the goal of generating and building theory in an area where little empirical data or theory exists (Eisenhardt, 1989; Yin, 2009). Case studies are also a preferred research strategy for examining complex social phenomena because they allow researchers to develop a holistic understanding of real-life events (Yin, 2009) and to understand dynamic processes involving multiple causal chains (Miles & Huberman, 1994). In comparison to a single-case approach the multiple case method trades off a degree of detail in favour of greater generalisability (Yin, 2009).

Replication logic is central to building theory from case studies, that is, each case serves as a distinct experiment that is analysed as a distinct unit of analysis. Yin (2009) describes this as similar to a laboratory experiment where a series of cases are treated as experiments with each case serving to prove or disprove inferences drawn from others. Hence this study will employ an embedded design, that is, multiple levels of analysis within the case. This approach is suggested by Yin (2009) when data collection is required across several levels. In

the proposed research the central unit of analysis is the firm, however, there are three levels of data collection required to answer the research questions.

The first level is the context within which the firm operates, represented in Figure 2 as the outside box. This is important for the proposed research because data about the contextual environment will contribute answers about how the macro environment influences firms' decisions about CSR practices that alleviate poverty (conditions). The second level of data collection is the firm, the central unit of analysis. The data collection at this level will seek to answer the question about why firms adopt CSR practices that alleviate poverty and will focus on the micro level factors that influence firms' decision making. In addition, the collection of data at the firm level will address the question of how the firm is affected by CSR practices. The third, and final, level on which data will be collected is from stakeholder groups of the firm outlined in the conceptual framework: employees, suppliers, consumers, community members. This level of data collection will address the research questions about how CSR practices affect the poverty status of stakeholders. The embedded case design is illustrated in Figure 2.

5.1 Research setting

As poverty is a central concept of the study, the research setting needs to be in a developing country where poverty is prevalent. Vanuatu is a small island country in the South Pacific where 33 percent of people in the capital city, Port Vila, live below the poverty line and suffer from 'poverty of opportunity' in terms of access to jobs, education and basic services (Asian Development Bank, 2009). It is therefore a suitable setting for the research. In addition, Vanuatu has become one of the fastest growing economies in the Pacific region

experiencing strong economic growth in recent years (averaging six percent between 2003 and 2008), largely due to tourism, construction and aid (Asian Development Bank, 2009). The country has made progress in reducing income poverty and is on track to reduce income poverty by half in 2015 (AusAID, 2009). This poverty reduction progress in Vanuatu provides an interesting setting to study the effects of CSR practices has contributed to this progress. Furthermore, there has been no prior research in Vanuatu on the business-poverty interface.

Figure 2: Embedded case study design
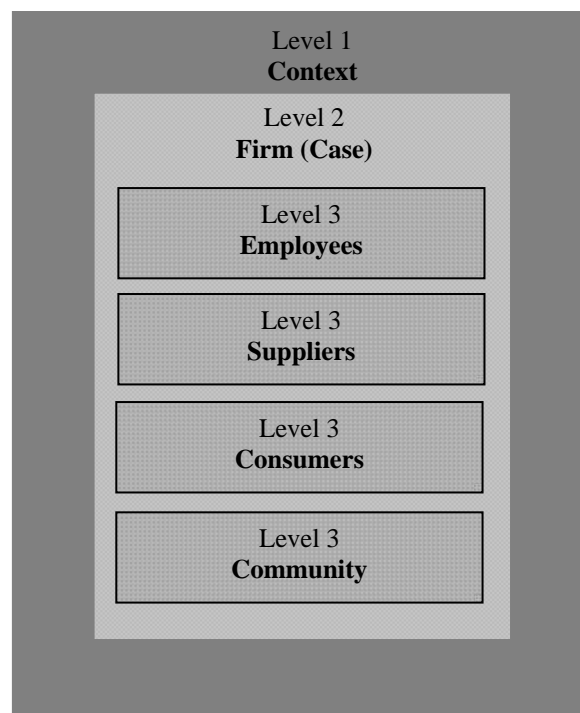
Source: Adapted from Yin (2009, p. 46)

5.2 Selection of cases

In contrast to traditional hypothesis-testing studies that rely on statistical sampling, case study research relies on theoretical sampling (Eisenhardt, 1989; Yin, 2009). In other words, cases

are chosen for theoretical, not statistical reasons. An overarching criterion for selecting cases is that firms must have some level of engagement with those likely to be living in poverty. Furthermore, as this study seeks to explore how CSR practices affect the poverty status in each of the stakeholder groups, cases will be selected in two categories: firms with CSR practices, and firms without CSR practices. The selection of polar types allows a range of similar and contrasting cases to be examined and strengthens the precision, validity and stability of the findings (Miles & Huberman, 1994). Three firms will be selected that are perceived by stakeholders to have CSR practices and three firms will be selected that are perceived not to have CSR practices, hence a total of six cases. According to Yin (2009) between six and 10 cases are sufficient to either predict similar results (literal replication) or predict contrasting results for anticipated reasons.

Firms will be identified in each category (with and without CSR practices) through interviews with government officials, firms, NGOs and members of the local community, including Chiefs and elders in local villages. This approach is unique in CSR research as the selection of firms usually relies on publicly available company reports and ratings. While claims from firms about their CSR practices will provide input into the selection of cases, other sources will be used to verify the practices of the firm. This approach aims to categorise firms based on what they *do* rather than what they *say* they do. The CSR practices in the conceptual framework in Figure 1 will be used to determine whether a firm has CSR practices. A firm will be considered a 'non-CSR' firm where it undertakes *none* of the CSR practices outlined in the framework. A firm will be considered a 'CSR firm' where it undertakes some, or all, of the CSR practices identified in the conceptual framework. This selection of cases allows for polar opposite cases to be examined (Miles & Huberman, 1994).

Lastly, firms selected for the study will be registered in Vanuatu as legally incorporated companies. This distinction is made as a substantial informal sector is often apparent in developing countries. The formal sector is relevant to this study because this sector is regulated.

5.3 Data collection

Data collection will occur at each of the three levels in the case design outlined in Figure 2: context, firm and stakeholders of the firm. The data sources for each level are discussed below. It is also important to note that, in addition to understanding the contextual environment of the firm, this level of data collection is also important for identifying firms/cases (CSR and non-CSR firms) for inclusion in the study.

Data Collection: Context

The aim of the data collection at this level is to understand the context within which the firm operates and the macro-level conditions that influence firm practices with respect to poverty. This will involve interviews with government officials, aid agencies, NGOs and key community leaders. The purpose of these interviews is also to identify firms for inclusion in the study.

Government official interviews. A semi-structured interview will be conducted with senior officials from Ni-Vanuatu government departments that are relevant to the study. These include the Department of Ni-Vanuatu Business Development, the Department of Tourism, the Labour Department and Women's Affairs. The purpose of these interviews is to

understand the nature of poverty in Vanuatu and government priorities with respect to poverty alleviation. The interviews will also examine the business operating environment in Vanuatu; for example, relevant legislation and government priorities with respect to business development and regulation in Vanuatu. Government officials will also be asked about their perceptions of CSR and non-CSR firms in Vanuatu. The CSR practices outlined in the conceptual framework will be used to elicit this information; for example, participants will be asked whether they are able to identify firms in Vanuatu that have shown a commitment to engaging and developing local suppliers.

Aid agency and NGO interviews. A semi-structured interview will be conducted with AusAID and NZAid officials in Vanuatu. The Government of Vanuatu partners with AusAID and NZAid where poverty reduction is an overarching aim of the partnerships (Government of Vanuatu, 2011). As NGOs are often involved with poverty reduction programs, representatives of NGOs in Vanuatu will also be interviewed. The aid agency and NGO interviews will aim to understand the nature of poverty in Vanuatu from a donor perspective and understand existing poverty reduction programs. These interviews will also seek to gather information about firms that are perceived to have CSR practices and those without.

Key community leaders. Semi-structured interviews will be conducted with Chiefs and village elders who are key community leaders in Vanuatu. The purpose of these interviews is to understand the firms that the village interacts with and the nature of this interaction. In a similar way to the other interviews that aim to gather contextual data, these interviews will also seek to gather information about firms that are perceived to have CSR practices and those without. In addition, these interviews will seek to identify stakeholders of these firms, including individuals who belong to each of the stakeholder groups.

Secondary data sources. Government reports and other publicly available documents will also be examined. This will provide another source of data to potentially triangulate responses from the interviews.

Data Collection: Firm

The contextual data collection will identify the firms (cases) for inclusion in the study. The firm is the primary unit of analysis and data will be collected through interviews with the selected firms and secondary sources. The interviews with firms will examine how the firm manages its relationship with each stakeholder group. In addition, these interviews aim to understand the reasons for CSR or non-CSR practices and in the case of 'CSR firms', how the CSR practices affect the firm.

Firm interviews. Semi-structured interviews will be conducted with a senior manager of each firm, preferably the owner of the firm but if this is not possible, a senior manager with decision making authority. The interview will be structured around three broad areas. Firstly the interview will explore background information about the firm, for example, its size and objectives. Secondly, the interviews will explore the firm's practices with respect to the relevant stakeholder groups – employees, suppliers, consumers, community – and understand the reasons behind these firm practices. Finally, in the case of 'CSR firms' the firm interviews will explore how the CSR practices affect the firm. The firm interview questions are provided in Attachment 1.

Secondary data sources. Where they exist, publicly available documents about the selected firms will be examined, along with documents provided by the firms doing the interviews.

This will provide another source of data to potentially triangulate responses from the interviews.

Data collection: Stakeholders of the firm

The third level of data collection is from stakeholders of the firms. This will involve interviews with Ni-Vanuatu people who interact with the selected firms from each stakeholder group – employees, suppliers, consumers, community members – to explore how their lives are affected by interactions with these firms.

Stakeholder interviews. Semi-structured interviews will be conducted with each of the stakeholder groups of the firm outlined in the conceptual framework: employees, suppliers, community members and consumers. The purpose of these interviews is to explore the effects of firm practices (both CSR and non-CSR) on the poverty status of study participants and to understand the conditions necessary for firm practices to alleviate poverty.

The interviews will begin with background questions about the individual's relationship with the firm. This will include questions such as the length of time the individual has been associated with the firm and how they came to be associated with the firm. In order to examine the impact of firm practices on the individual the interview will explore perceptions of the positive and negative aspects of being associated with the firm and their perceived degree of impact. This approach has been adapted from the method used by the World Bank in the *Voices of the Poor* study (World Bank, 1999), which examined poverty in 60 countries. The approach aims to explore personal experiences and the perceived impact of each experience through stories. Stories combined with semi-structured interviews are more likely

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to provide richer data than simple question and answer interviews (Potter & Wetherell, 1987). Management scholars have used the approach to understand and explain human experience, for example; Gersick et al. (2000) asked participants to tell stories when exploring how academics experience relationships in their professional lives.

As an example, an employee may indicate that the firm has provided training and development opportunities (a positive experience). The participant would then be encouraged to tell a story about the experience and how they believe it has affected their life. In this example, the perceived impact of training and development may be increased skills that lead to a promotion. The promotion may result in a higher income and also an increased sense of self-worth. These are considered to be direct impacts on the individual's poverty status. There may also be an indirect impact. For instance, the increased income may mean that the employee has enough money to educate their children. The CSR practices outlined in the conceptual framework will be used as prompts in the interviews as needed. For example, participants will be asked whether the firm provides a safe workplace. The interview approach is illustrated in Figure 3.

As the study seeks to explore the effect of CSR practices on poverty status, interview questions will be designed to determine whether the individual lives in poverty. The questions will be based on the United Nations' multidimensional poverty index developed by Alkire and Santos (2010) and validated by Alkire and Foster (2011). This index has three dimensions: education, health and standard of living. Interview questions will be asked that relate to each dimension to assess individual poverty status as provided in Table 6. The multidimensional poverty index is weighted so that each dimension is worth one third of the overall index. An individual is considered to be poor where the sum of the weighted

Figure 3. Stakeholder interviews

Experiences of the firm   **Perceived impacts**
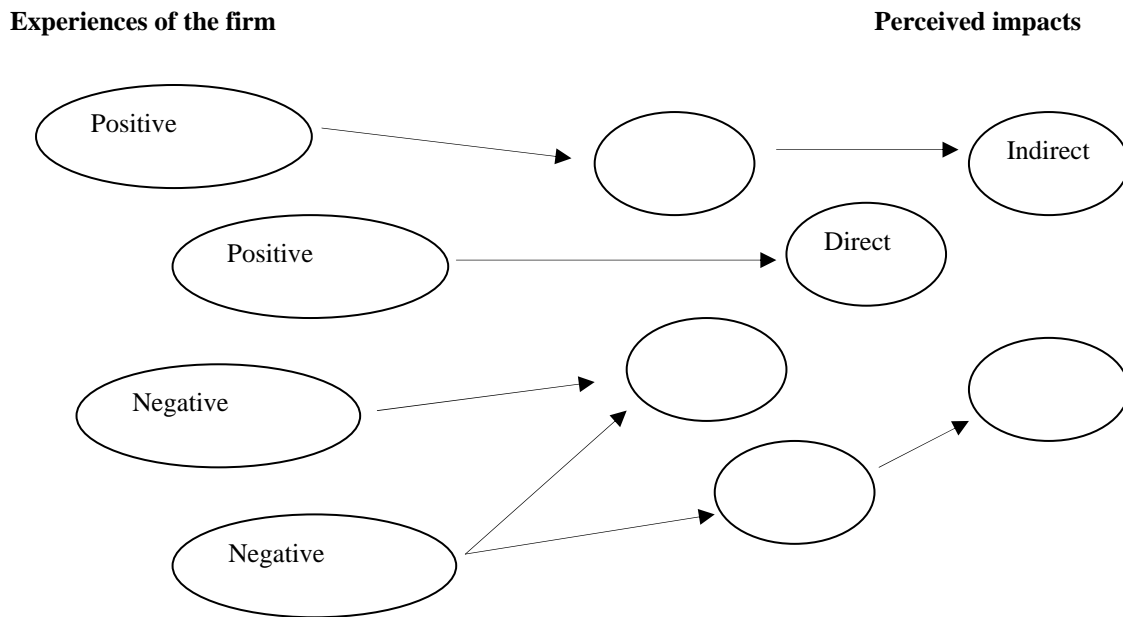
indicators is equivalent to 30 percent or more (Alkire & Foster, 2011; Alkire & Santos, 2010). An assessment of the individual's poverty status will be conducted using the indicators in Table 6. As some of the indicators are sensitive questions to discuss with individuals, some of this information will be collected from other sources. The stakeholder interview questions are provided in Attachment 2.

Finally, to understand other factors that may contribute to individual poverty status, data will be collected about the individual's education level, age, gender, position, number of dependents (eg children), number of jobs and whether the individual has access to other financial support (eg. husband or wife's income, welfare payments etc.).

Table 6: Poverty assessment

Poverty dimension	Indicator	Question	Relative weight
Education	Years of schooling	Have your children completed five years of schooling (if applicable)?	16.7%
	Child enrolment	Do your children attend school (if applicable)?	16.7%
Health	Mortality	Have you had a child in your family die?	16.7%
	Nutrition	Do you have enough food for you and the people you support?	16.7%
Standard of living	Electricity	Does your household have electricity?	5.6%
	Sanitation	Does your household have a flushable toilet?	5.6%
	Water	Does your household have access to clean drinking water?	5.6%
	Floor	Does your household have a floor that is not made of dirt, sand or dung?	5.6%
	Cooking fuel	Does your household use cooking fuel other than charcoal, wood or dung?	5.6%
	Assets	Does your household have one of the following: TV, telephone, bike, or motorbike, car or tractor	5.6%

Source: Alkire and Santos (2010, p. 15)

5.4 Research protocols and procedures

As the research is in a different cultural context a pilot of the interview questions will be conducted. This is usually recommended before collecting any data but particularly for cross-cultural research.

The interviews will be conducted by two investigators which, according to Eisenhardt (1989) has two key advantages. The first is that it enhances the creative potential of the study because each investigator brings a different perspective that has the potential for creative insight (Eisenhardt, 1989). The second is that having more than one investigator increases confidence in the findings as perceptions of the data can be discussed leading to convergent or conflicting observations. Convergent perceptions assist with the empirical grounding of the theory and conflicting observations prevent the researcher from drawing invalid conclusions. One person will take the lead in the interviews asking questions while the other records notes

and observations. This allows the interviewer to develop a personal relationship with the participant while the other observes the interaction with more distance (Eisenhardt, 1989).

At the beginning of each interview permission will be requested to record the interview. In the event that the participant does not wish for the interview to be recorded, notes will be taken during the interview. All recorded interviews will be transcribed verbatim to allow for data analysis.

As the research is being conducted in a cultural context that is foreign to the investigators, key informants will be used to provide advice on local protocols and practices. The informants will also be helpful for cross-checking the interpretation of data throughout the research process, which increases validity of the findings. This approach was adopted by Dutton & Dukerich (1991) in their study of organisational adaptation that examined the issue of homelessness. The key informants will be Ni-Vanautu people as they are obviously well placed to provide advice on matters related to Vanuatu's culture.

An important feature of building theory from case studies is the overlap of data analysis with data collection and remaining flexible in the field (Eisenhardt, 1989). As a result, field notes will be kept as a way of achieving this overlap between data collection and analysis. A 'contact summary sheet' (Miles & Huberman, 1994, p. 52) will be completed no later than a day after each interview. Miles and Huberman (1994) recommend completing the sheet within this period but not immediately after the interview as the researcher can be 'overly impressed with vivid incidents' (p.52). The contact summary sheet is designed to commence data analysis while in the field to begin to understand themes in the data. This process is important for theory-building research as it allows for adjustments to be made to future data

collection instruments, such as interview protocol or interview questions, so that emerging themes can be explored in future interviews (Eisenhardt, 1989; Miles & Huberman, 1994). The contact summary sheet will be adapted from Miles and Huberman (1994, p.53) and will include questions about the main issues or themes that emerged in the interview and emergent themes that should be explored in future interviews.

The proposed schedule for the research is outlined in Table 7.

Table 7: Proposed research schedule

2011	July	Data collection
	July to September	Data analysis
	September / October	Data collection
	October to December	Data analysis and write-up
2012	January to December	Data analysis and write-up
2013	January to June	Complete write-up and submit thesis

5.5 Data analysis

A database will be developed to store and organise the data using the software package, NVivo. This program provides a computer-assisted approach to organising the data which is essential in the early stages of data analysis (Yin, 2009). Once the data is entered in NVivo, the first step is to become deeply familiar with each case.

Within-case analysis

In a multiple case study approach Eisenhardt (1989) recommends that the investigator analyses one case at a time before looking for cross-case patterns. This allows the investigator to become familiar with each case and identify unique patterns within the case before moving to generalise patterns across cases (Eisenhardt 1989). To conduct the within-case analysis a template will be completed for each case. The template has three sections; a section that provides background information about the firm (industry, number of employees etc.), a section with firm perspectives about CSR practices, and a section with stakeholder perceptions of firm practices. The purpose of the firm perspectives section is to outline the firm's CSR practices, the reasons why the firm has adopted these practices and the firm's experience of these practices. The section about stakeholder perceptions of firm practices will use an 'explanatory effects matrix' (Miles & Huberman, 1994, p. 149) to analyse the causal mechanisms that lead to certain outcomes. Attachment 3 provides a template for within case-analysis.

Within each case the data will be compared with the conceptual framework to examine whether the CSR practices affect or reduce poverty as outlined in the conceptual framework. This is referred to as 'pattern matching' and strengthens the internal validity of the findings (Yin, 2009). Yin (2009) also suggests that a good analytical strategy to identify independent variables is to search for rival explanations and this technique will also be used during the data analysis. The data will then be analysed and coded to represent themes in the case. When this is completed for each case, cross-case analysis will commence.

Cross-case analysis

The purpose of the within-case analysis is to become deeply familiar with the case and identify themes *within* the case. When this is complete a cross-case search for patterns in the data will be conducted. The first step in the cross-case analysis will involve separating the cases into categories, CSR and non-CSR firms, and identifying similarities and differences between the cases in each category. This juxtaposition of seemingly similar cases can avoid simplistic interpretations and lead to a more sophisticated understanding of the data including new concepts (Eisenhardt, 1989). When the analysis of similarities and differences between cases within each category is complete, a similar analysis will be conducted between CSR and non-CSR firms. This approach will also be used with a different category, this time with poor and non-poor stakeholders. The purpose of this analysis is to examine the experience of the poor and non-poor in relation to the firm.

The most challenging aspect of qualitative research is the volume of data and the techniques above are designed to organise and analyse the data in a manageable way. Miles and Huberman (1994) strongly encourage the use of matrices for organising data and this approach will be used to organise and analyse the data.

5.6 Developing theory

Overall impressions, themes and possible relationships between variables will begin to emerge from the data analysis and the next step is to compare the emerging theory with evidence in the cases. This helps to ensure there is a close match between data and theory (Eisenhardt, 1989). Generally speaking, the approach suggested by Eisenhardt (1989) will be

followed to develop theory. Eisenhardt (1989) suggests that the first step in this process is to 'sharpen' the constructs by refining the definition of the construct and building evidence to measure the construct. Tables will be used to display data that summarises and tabulates the evidence underlying the construct in a similar way to Table 7, taken from Gersick et al's. (2000) study of relationships in professional life.

The next step in the process of shaping theory, according to Eisenhardt (1989) is to provide evidence of relationships between the constructs. To do this, the emerging theory will be verified to ensure that there is a fit between the theory and data in each case. In this process some relationships will be confirmed by case evidence and other times it will be revised, disconfirmed or discarded due to a lack of evidence (Eisenhardt, 1989). The underlying logic is replication where each case is treated as a separate experiment and used to prove or disprove theory. The result may be a table such as that provided by Graebner (2009) in her study of the role of trust in acquisitions. Table 8 provides a partial representation of Graebner's (2009) evidence that demonstrates the relationship between trust and acquisitions. The Table provides illustrative quotes and the outcome of each negotiation as supporting evidence that a relationship between the two constructs exists.

The final step in building theory using a case study approach involves comparing the theory with the existing literature (Eisenhardt, 1989). This involves understanding similarities and contradictions in the literature. Identifying similarities between the new theory and existing literature is a helpful way of strengthening the arguments presented in the theory. Identifying contradictions between the new theory and the existing literature is important because readers may assume that the results are specific to the case (they cannot be generalised) or that they are incorrect and a challenge to internal validity (Eisenhardt, 1989). Therefore the existing

literature will be reviewed to find similarities to strengthen arguments and contradictions so

that the reasons for any differences are explained.

Table 7: Example of tabulated evidence for constructs

Reason why relationship was important	Percentage of relationships for which reason was given	Example
Collegiality	39	This group-we named ourselves the Fab Four. (laughs) This is a group of four women who began the [XI program ... at the university. The group was important because [we] were thrown in together and told "develop a ... program." .. . We just sat down and said "OK, we can do it.... We don't know a whole lot about doing it-we'll find out." ... For me this was-the collaboration . .. the working together to accomplish a goal. (JrF5, of colleague group of four women peers).
Admiration for other	31	I really admire his intellectual capacity. (JrF8, of male colleague) I look forward to seeing this person. I know the exchange is going to be interesting. And it's going to be amusing.... There's a high level of mutual respect. (SrMi, of colleague)
Positive mentoring	31	My relationship with K is really important to me because, one, he obviously had a tremendous influence on my whole Ph.D. program.... He was very helpful and more than anyone else in terms of thinking about schools I should apply for, and getting my stuff together, and all that kind of stuff. (JrF4, of dissertation co-chair).

Source: Gersick et al. (2000, p. 1032)

Table 8: Example of relationships between constructs

Seller	Trusts buyer	Illustrative quotes	Outcome
Monet	Yes	"We totally trusted them." (CFO) "They do what they say they're going to do. . . . We figured that Picasso would treat us fairly." (CFO)	Pursued acquisition (with Picasso)
Rocket	Yes	"An honourable company, and ethical" (outside board member). "We got to trust them." (CEO)	Pursued acquisition (with North)
Trend	Yes	Neither environment has a lot of fear or distrust. They're pretty open." (VP, services)	Pursued acquisition (with Armor)

Source: Graebner (2009, p. 446).

6. RESEARCH LIMITATIONS

As with all case study research, an important issue is the degree to which the findings are generalisable to a broader sample. This is ultimately an empirical question that will be answered only by future studies. However, there is some evidence to suggest that this study's findings can be applied to different settings. The 'Voices of the Poor' study conducted for the *2000/01 World Development Report* involved consultations with more than 60,000 people living in poverty across 60 countries (Narayan et al., 1999). This study showed that the poor have some common life experiences where generalisations can be made to explain the nature of poverty across countries. Nevertheless, there may be issues relevant to the particular cultural setting in Vanuatu or the nature of industry that may be different in other settings and may influence the effect of CSR practices on the poor.

Another limitation of the research is the existence of factors other than CSR that contribute to poverty reduction. Because poverty has multiple causes it is difficult to isolate the effects of CSR practices on poverty through case study research alone. To the extent possible, other factors that may alleviate poverty will be identified in the stakeholder interviews. The research findings will provide insights into the important variables so that future research is possible to measure the effects of CSR on poverty using quantitative methods.

7. CONCLUSION

Scholarly research that examines the interface between business and poverty is still in its infancy. A review of the business and poverty literature shows that there are many concerns, criticisms and arguments as to why business should be (and in some cases already is)

contributing to the goal of poverty reduction. Most of all though, this debate highlights the importance of academic research to answer questions about the best way that business can contribute to poverty reduction. Business has a significant presence in all corners of the globe and the conceptual framework outlines the potential of socially responsible practices to alleviate poverty. Providing opportunities to earn income is the most obvious way that business can contribute to poverty reduction, however, as the framework shows, firms can affect other dimensions of poverty including health, education, opportunity, empowerment and security. Empirical research that incorporates perspectives of both the firm and the poor is critical for understanding the impact of firm practices on the poor and for developing theory on the business-poverty interface.

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9. ATTACHMENT 1: FIRM INTERVIEW QUESTIONS

Name of firm: …………………………………………………..

Name of participant: …………………………………………………..

Job title: …………………………………………………..

Industry   …………………………………………………..

Date of interview   …………………………………………………..

Section 1: Background

1. How long has the firm been operating in Vanuatu?
2. Who owns the firm?
   - ☐ Wholly Ni-Vanuatu owned
   - ☐ Partly foreign owned
   - ☐ Wholly foreign owned
3. How many workers does the firm employ?
4. Broadly speaking, what are the firm's objectives and how does it go about achieving these objectives?

Section 2: Nature of firm practices – consumers

5. Please describe the nature of your customer base eg Ni-Vanuatu, tourists, expatriates

Nature of firm practices – employees

6. Does your firm undertake any of the following?

    ☐ Employ local people

    ☐ Pay staff above minimum wages

    ☐ Provide training for Ni-Vanuatu employees

    ☐ Provide other benefits to Ni-Vanuatu employees

    ☐ Negotiate with trade unions

    ☐ Provide employment contracts to staff

    ☐ Actively recruit and develop women

For each activity checked above, firms will be asked:

  i. Why do you undertake this activity?

  ii. How does the activity affect the firm?

Nature of firm practices - suppliers

7. Are any of your inputs sourced locally? If so, please provide details.

8. Is there a need to develop local suppliers? Why or why not?

9. Has the firm undertaken any activity to develop local suppliers? If so, please explain the firm's activities in this respect and how this has affected the firm?

Nature of firm practices – community

10. Does your firm provide support (cash, materials, management time, staff time) to the local community in any of the following areas?

    ☐ Community projects

    ☐ Education

    ☐ Healthcare

- ☐ Infrastructure
- ☐ Environmental conservation
- ☐ Promoting local culture
- ☐ Other? Specify……………………………………………………………………….

If so, could you provide examples of the support you provide in each of the areas above?

11. Which villages do you provide this support?
12. How do you make community investment decisions? Could you provide a specific example and discuss the process by which the decision was made?
13. What do you estimate your annual voluntary community investment to be?
14. Does your firm undertake any of the above activities in partnership with other organisations? If so, could you provide specific examples where you have partnered with another organisation?
15. Please discuss the reason why the firm undertakes the above activities.
16. How do these activities affect the firm?

Section 3: General perceptions

17. Generally speaking, how would you describe the experience of managing a firm in Vanuatu? What are the positive aspects and the challenging aspects?
18. Overall, how would you describe the firm's relationship with the local community?

Other issues

19. Are there any other issues that you would like to raise?

10. ATTACHMENT 2: STAKEHOLDER INTERVIEW QUESTIONS

Name of participant: …………………………………………………..

Name of firm: …………………………………………………..

Date of interview …………………………………………………..

Section 1: Background information

1. What is the nature of your relationship with the firm?
    - ☐ Employee
    - ☐ Supplier
    - ☐ Customer
    - ☐ Community member

2. Approximately how long have you been involved with the firm?
3. How did you come to be involved with the firm?

Section 2: Perceptions of the firm

This section seeks to gather data about how the firm's practices affect the participant. In general this information will be gathered by asking the participant about their positive and negative experiences of the firm and the effect of these experiences (hence, questions 4-7 below). In addition to these questions, prompts will be used from the conceptual framework (attached) about relevant CSR practices for the stakeholder group. For example, if the

participant is an employee of the firm, the participant will be asked to comment on whether the firm offers training and development opportunities.

4. Can you describe personal experiences of the firm that you consider to be positive?
   (encourage participants to share stories about their experience)
5. How have these experiences affected your life?
   (Discuss each positive experience and the perceived impact on the participant)

6. Can you describe personal experiences of the firm that you consider to be negative?
   (encourage participants to share stories about their experience)
7. How have these experiences affected your life?
   (Discuss each negative experience and the perceived impact on the participant)

8. Overall, how satisfied are you with the firm and how it affects your life?

Section 3: Examining poverty status

This section seeks to gather data on the poverty status of the participant. The questions are based on a multidimensional view of poverty that includes education, health and standard of living. Interviews with village elders will also gather data on standards of living for research participants, however, some information is also required from the participant.

9. What is your level of education?
10. What is your average weekly income?
11. On average, how many hours a week do you work?
12. Do you have access to financial support other than that provided by the firm?
13. Do you have any dependents eg children?
14. Do your children attend school (if applicable)?
15. Do you have enough food for you and your household?
16. Overall are your living conditions better or worse off since your involvement with the firm?

Other issues

17. Are there any other issues that you would like to raise?

11. ATTACHMENT 3: WITHIN CASE ANALYSIS TEMPLATE

Firm Name:	
Industry:	
Length of Time in Vanuatu:	
Firm Ownership:	
Number of Employees:	
Firm Objectives:	
Firm Category: (CSR / Non-CSR / Mixed)	

Firm perspective of CSR practices

CSR practices	Reason	Firm experience
Employees		
CSR employment practice 1	Insert why the firm has adopted the CSR practice	Insert firm experience of this practice
CSR employment practice 2		
Suppliers		
CSR supplier practice 1		
CSR supplier practice 2		
Consumers		
CSR consumer practice 1		
CSR consumer practice 2		
Community		
CSR community practice 1		
CSR community practice 2		

Stakeholder perspective of firm practices – effects matrix*

Stakeholder	Positive or negative experience	Experience	Direct effect	Indirect effect	Relevant poverty dimension	Poverty assessment			Poverty status >30% poor
						Education	Health	Standard of living	
Employee 1	+	"Firm provided me with an internship"	"I got a promotion with more money"	"My children attend school"	Opportunity Income Education	12 years	Sufficient food	Electricity, Car, TV	Non-poor
Employee 2	-	"the firm makes me work long hours and doesn't pay much"	"I get sick a lot but have to keep working"	"I don't get to see my family. I don't have enough money to feed the family"	Health	5 years, Children not in school	Insufficient food	Dirt floors, no electricity, no transport	Poor

*Examples provided for illustrative purposes only. Data for each stakeholder will be presented and it is likely there will be several experiences for each participant.