

## **CORPORATE SOCIAL RESPONSIBILITY PRACTICES AND PERFORMANCE OF LARGE MANUFACTURING FIRMS**

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### **Abstract**

This study aims to analyze the internal and external CSR practices of large manufacturing firms at Mandalay Industrial Zone and to explore the effects of CSR practices on performance of the firms. Descriptive and exploratory research methods were used and 35 owners or managers, 175 employees, 175 customers and 175 residents were selected randomly from the scope of 35 large manufacturing firms. The results demonstrate that large manufacturing firms at Mandalay Industrial Zone are familiar with the CSR concept. They conduct the internal CSR practices medium to large scale in which working condition and safety factors are the largest measure undertaken. External CSR practices conducted also ranging from medium to large scale except for environmental practices which are exercised only to the medium level. Findings from this study point out that current practices of large manufacturing firms in the Mandalay Industrial Zone are more related to economic and legal responsibilities than ethical and philanthropic matters. Regarding the effect of CSR practices on the performance, internal CSR practices have larger effect on the non-financial performance than external CSR practices. Internal CSR practices largely effect employee satisfaction. External CSR practices largely effect on customer satisfaction and resident perception. Total CSR practices have no effect on financial performance. External CSR practices have larger effect than internal CSR practices on sales growth. Besides, internal and external CSR practices effect inversely on net profit growth. The findings of this study provide important contributions for business owners for focusing on the CSR practices to improve performance of the firm and for getting the best interests of stakeholders and society.

**Keywords:** CSR, Internal CSR, External CSR, Financial Performance, Non-financial Performance.

### **Introduction**

Success of businesses in the new and changing environment depends on the collaboration across functions and hierarchical levels within the firm as well as with customers and other stakeholders. Objectives of firms have changed from shareholders' value maximization to maximization of stakeholders' value. Each stakeholder has a different interest in the organization and responds differently. Firms have been demanded to produce better both financial and non-financial performance to maximize stakeholders' value.

CSR has emerged as the popular concept for business issue of the 21st century (Rahman, 2011). Ghillyer (2012) defined CSR that it is also called corporate conscience, corporate citizenship or sustainable responsible business, is a form of corporate self-regulation integrated into a business model. Many researchers proposed the relationship between CSR and business performance. Becchetti (2011) and Tilakasiri (2012) suggested that the relationship between CSR and business performance is significant.

According to Myanmar Business Survey (2015), manufacturing sector accounts for the highest percentage of value added and gross operating surplus in the economy in Myanmar. Unlike other firms, manufacturing firms involve themselves in the supply chain and interact with its supply chain partners, such as, customers, suppliers and community etc. Thus, the

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manufacturing firms relate to various types of stakeholders and need to be more aware the CSR practices to fulfill the interest of these stakeholders.

Moreover, there is much of the pressure to be socially responsible in the supply chain of large manufacturing firms by various pressure groups. Some large manufacturing firms use a large number of labor force in their production processes and workplace safety, health-care, equal opportunities and training and development are increasingly important. Besides, the increase of consumerism and environmental conservation laws force businesses to exercise more socially responsible behaviors. Thus, CSR practices are restricted mostly to large firms to conduct in their operation.

In Myanmar, majority of firms conduct donation to community for health, education and religion and philanthropic activities according to the traditional Myanmar culture. Today, large firms increasingly conduct CSR practices beyond the philanthropy.

Firms have also increased in engaging in the communities supporting program to reduce the harmful affect and to improve the benefits of residents and community. Besides, firms have introduced environmentally friendly practices such as energy conservation, emission control and reduction in pollution. Moreover, stakeholders increasingly perceive and demand the good practices of firms. Stakeholders want to obtain both the financial results and the non-financial results simultaneously. Thus, practices of CSR are important for businesses and the effects of CSR practices on performance of large manufacturing firms in Mandalay Industrial Zone are studied in this research.

### **Method of the Study**

Corporate social responsibility (CSR) concept is evolving increasingly due to the internal and external influences. It contains the openness or transparency of company activities as well as taking into consideration the willingness and expectations of their stakeholders. According to Archie B. Carroll (1991), a great developer of CSR concept, CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive to be socially responsible. It means that profitability and compliance to the law are foremost conditions followed by the firm's ethics and the extent to which it supports the society with contributions of money, time and talent.

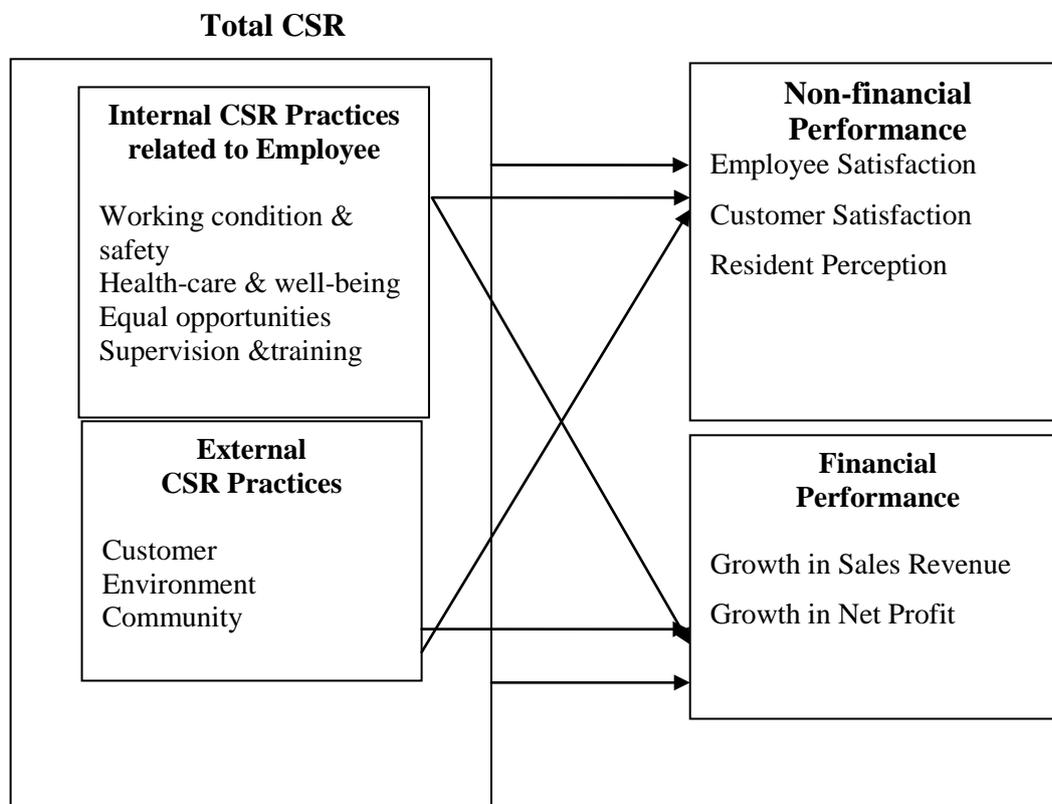
Verdeyen et al., (2004) classified CSR practices into internal and external in nature. Internal CSR practices relate to owners, managers and employees. At present, the most popular internal CSR practices include providing security, fair wages, working hours, workplace safety, health-care, equal opportunities and training etc. External CSR practices concerns with external stakeholders: customers, suppliers, businesses partners, residents and community. External CSR practices contain the providing information and quality products to customers, supplier selection and evaluation, maintaining a clean environment, and honoring community commitments etc.

The companies may enjoy several benefits from CSR practices like improved financial performance, lower operating costs, enhanced brand image and reputation, increased sales, customer loyalty, product safety, material recyclability, and greater use of renewable resources etc. It can add to the financial performance and non-financial performance and to maximize long-term financial returns.

Manufacturing firms are primary source of value added practices. In Myanmar, manufacturing firms employ and focus on labour force whether they are labour intensive or capital intensive firms. Thus, practices used by firms are important to obtain the employee satisfaction and motivation. Moreover, they have to comply with laws and regulations in the environmental concerns. They have to conduct ethical standards in the production of good quality products and providing after-sales service to obtain the customer satisfaction, retention and loyalty. The activities and practices of firms affect directly and indirectly other stakeholders especially residents and community. This leads to the research questions to be explored in this study. Therefore, the objectives of this study are as follows:

- (1) To identify the extent of internal and external corporate social responsibility practices of large manufacturing firms in the Mandalay Industrial Zone
- (2) To analyze the effects of internal and/or external CSR practices on non-financial performance of large manufacturing firms in the Mandalay Industrial Zone
- (3) To analyze the effects of internal and/or external CSR practices on financial performance of large manufacturing firms in the Mandalay Industrial Zone

From the above discussions, the study has developed the conceptual framework as shown in Figure 1.



Source: Own Compilation, 2016

**Figure 1** Conceptual Framework of the Study

This study mainly explores two parts concerning the extent of internal and external CSR practices of large manufacturing firms and the effects of internal and external CSR practices on performance of these studied firms in the Mandalay Industrial Zone. Extents of conducting internal and external CSR practices are firstly measured. And then the effects of internal CSR practices on employee satisfaction, customer satisfaction and resident perception are measured. Similarly, the effect of external CSR practices on employee satisfaction, customer satisfaction and resident perception are also measured. Besides, the effect of total CSR practices (the combination of internal and external) on non-financial performance (the combination of employee satisfaction, customer satisfaction and resident perception) is also analyzed. Finally, the effects of total CSR practices on financial performance are measured.

Independent variables are internal CSR practices related to employees and external CSR practices related to customers, community and environment. Internal CSR practices include working condition and safety, health-care and well-being, equal opportunities and supervision and training. Dependent variables are non-financial performance and financial performance. Non-financial performance includes employee satisfaction, customer satisfaction and resident perception on the image of studied firms. Financial performance contains growth of sales revenue and growth of net profit.

Financial performance is measured by quantitative measurement questions. The dependent variable and independent variables are determined by using Likert scale questionnaires and other qualitative measurement questions. The data analysis is applied with Pearson correlation and simple and multiple regression analysis.

## **Methods**

Regarding the study design and methodology, descriptive and exploratory research methods are used in this study. Descriptive method is used to describe the extent of conducting CSR practices of large manufacturing firms in the Mandalay Industrial Zone.

In Mandalay, there are three industrial zones: zone 1, 2 and 3. According to the Directorate of Industrial Supervision and Inspection Department (Mandalay Region), there are 387 large manufacturing firms at these three zones in 2016. In this thesis, 35 large manufacturing firms are selected by using number of employee criterion of the Private Industrial Enterprises Law (1990). Owner or responsible manager, five employees, five customers and five residents are selected from each studied firm.

Primary as well as secondary data were applied in this study. Primary data was collected by using structured questionnaires with five-point Likert scales, ranging from 1= 'strongly disagree' to 5= 'strongly agree'. Primary data is collected from four main types of respondents: owners or responsible managers, employees, customers and residents of selected large manufacturing firms. Secondary data were collected from published reports, documents, newspapers, journals, magazines and internet sources.

Owners or responsible managers are asked by conducting face to face personal interview with structured questionnaires to obtain the extent of CSR practices conducted in their firms and financial and non-financial performance data. Employees, customers and residents are also studied with structured questionnaires to obtain the satisfaction and perception on CSR practices of firms. Data collected were analyzed using descriptive statistics such as mean, frequencies and

percentage to identify the extent of conducting CSR practices and employee satisfaction, customer satisfaction and resident perception.

CSR practices are divided into internal practices and external practices. Internal CSR practices are subdivided into working condition and safety, health-care and well-being, equal opportunities and supervision and training. External CSR practices include practices related to customers, environment and community. Non-financial performance consists of employee satisfaction, customer satisfaction and residents perception. Financial performance includes growth of sales revenue and net profit. In order to identify the effects of internal and external CSR practices on financial and non-financial performance, simple and multiple linear regression analysis are applied in this phase.

### Results/ Finding

Owners or responsible managers of studied firms are studied to obtain the awareness of CSR and the activities conducted in their firms. It can be concluded that because size of firms are larger, term of CSR is more familiar with them. The largest factors for exercising CSR practices are to improve employee motivation and to improve the reputation of the company. Moreover, senior management involves in practicing and implementing CSR with the highest extent and follows by middle level management and lower level management.

Majority of firms have a small extent of barrier in the use of time for conducting CSR practices. However, some firms have constraints to a small extent and a few has to a great extent in spending of money to conduct CSR practices. Majority of firms agree that CSR is related to the activities of their firms and they are interested in CSR practices.

### Extent of CSR Practices Conducted by Studied Firms

Mean score of each internal and external CSR practices and overall mean scores are summarized in the Table 1.

**Table 1 Extent of CSR Practices Conducted by Studied Firms**

CSR Practices	Mean	Standard Deviation
Internal CSR practices		
Working condition & Safety	3.91	0.268
Health-care & Well-being	3.40	0.330
Equal Opportunities	3.58	0.382
Supervision & Training	3.54	0.454
Internal CSR practices	3.61	0.273
External CSR Practices		
Practices related to customer	3.74	0.367
Practices related to environment	2.97	0.493
Practices related to community	3.49	0.490
External CSR practices	3.36	0.350
Overall CSR practices	3.49	0.160

Source: Survey Data, 2017

According to the Table 1, working condition and safety is the largest exercising factor. Health-care and well-being is the lowest exercising factor. According to total mean score, studied firms conduct internal CSR practices between medium and large extent.

Among the external CSR practices, CSR practices related to customer are the largest exercising factor and CSR practices related to environment is the lowest exercising factor. According to total mean score, studied firms conduct external CSR practices between medium and large extent. In comparing the two main factors, internal CSR practices are conducted to a larger extent than external CSR practices.

According to the layer of CSR pyramid developed by Carroll (1991) is analyzed, all studied firms aim to get economic profit for owners or stockholders except one firm which aims to use the whole profit in its educational foundation and philanthropy. Among the internal CSR practices, almost of all practices related to working condition and safety, health-care and well-being, equal opportunities and supervision and training are enforced in the laws, regulations and guidelines. Majority of studied firms exercise CSR practices related to laws and regulations to a large extent except some practices.

Studied firms conduct internal CSR practices related to ethical concern to a large extent. In the external CSR practices, studied firms exercise ethical behavior to a large and medium extent. Majority of practices related to environment are required to be enforced by Laws and majority of firms exercise these practices to a large extent. Some are ethical concerns. Majority of studied firms exercise these ethical practices to a small and medium extent only.

CSR practices related to community mainly relate to the philanthropy. Majority of studied firms exercise these practices to a medium extent only.

### **Non-financial Performance of Studied Firms**

Employee satisfaction, customer satisfaction and resident perception are summarized as non-financial performance of studied firms in the following Table 2.

**Table 2 Non-financial Performance of Studied Firms**

<b>Satisfaction and Perception of Respondents</b>	<b>Mean</b>	<b>Standard Deviation</b>
Employee Satisfaction	3.54	0.409
Customer Satisfaction	3.81	0.118
Resident Perception	3.63	0.144
Non-financial Performance	3.68	0.135

*Source:* Survey Data, 2017

According to the Table 2, customer satisfaction is the largest and employee satisfaction is the lowest in the non-financial performance. According to total mean score, employees and customers are moderately satisfied with and residents moderately agree upon CSR practices of studied firms.

### Financial Performance of Studied Firms

**Table 3 Growth of Sales**

Sales Growth %	No. of Firms					
	2013		2014		2015	
	No.	%	No.	%	No.	%
<5	5	14.3	3	8.6	-	-
5-10	7	20.0	3	8.6	3	8.6
10-15	8	22.9	5	14.3	3	8.6
15-20	6	17.1	8	22.8	6	17.1
20-25	1	2.8	3	8.6	6	17.1
25-30	3	8.6	5	14.3	3	8.6
≥30	5	14.3	8	22.8	14	40.0
Total	35	100.0	35	100.0	35	100.0

Source: Survey Data, 2017

Sales revenue of studied firms in 2013, 2014 and 2015 are higher e than base year 2012. Besides, sales revenue of firms increased year by year.

### Growth of Net Profit

Growth of net profit in 2013, 2014 and 2015 based on 2012 are presented in Table 4.10.

**Table 4 Growth of Net Profit**

Net Profit Growth (%)	No. of Firms					
	2013		2014		2015	
	No.	%	No.	%	No.	%
<5	24	68.6	7	20.0	4	11.4
5-10	8	22.9	21	60.0	15	42.9
10-15	-	-	4	11.4	10	28.6
15-20	2	5.7	1	2.8	3	8.6
20-25	-	-	-	-	1	2.8
25-30	1	2.8	1	2.8	-	-
≥30	-	-	1	2.8	2	5.7
Total	35	100.0	35	100.0	35	100.0

Source: Survey Data, 2017

Net profit of firms slightly increased in 2013, 2014 and 2015 than base year 2012.

## Relationship between CSR Practices and Non-financial Performance of Studied Firms

**Table 5 Results of Simple Linear Regression Analysis between Total CSR Practices and Non-financial Performance**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	1.093	.322		3.393	.002
Total CSR	.686	.645	.814	8.041	.000
F Value	64.651				.000 <sup>b</sup>
R Square	.662				

Dependent Variable: NFP(Non-financial Performance)

Source: Survey Data, 2017

According to the Table 5, total CSR practices have large effect on non-financial performance of large manufacturing firms at Mandalay Industrial Zone. If the exercising total CSR practices are increased, non-financial performance would be largely improved.

**Table 6 Results of Multiple Linear Regression Analysis between Internal and External CSR Practices and Non-financial Performance**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	1.507	.344		4.388	.000
Internal CSR	.400	.047	.811	8.566	.000
External CSR	.185	.076	.231	2.440	.020
F Value	39.736				.000 <sup>b</sup>
Adjusted R Square	.695				

Dependent Variable: NFP (Non-financial performance)

Source: Survey Data, 2017

According to the Table 6, internal CSR practices have greater effect than external CSR practices on non-financial performance of large manufacturing firms at Mandalay Industrial Zone.

**Table 7 Results of Multiple Linear Regression Analysis between Internal and External CSR Practices and Employee Satisfaction**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	1.192	.945		1.261	.217
Internal CSR	1.268	.129	.845	9.864	.000
External CSR	-.563	.209	-.231	-2.693	.011
F Value	52.183				.000 <sup>b</sup>
Adjusted R Square	.751				

Dependent variable: ES (Employee satisfaction)

Source: Survey Data, 2017

According to the Table 7, increase the exercising of internal CSR practices, employee satisfaction would be largely improved. If the exercising of external CSR practices is increased, employee satisfaction would be decreased.

**Table 8 Results of Multiple Linear Regression Analysis between Internal and External CSR Practices and Customer Satisfaction**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	1.954	.396		4.935	.000
Internal CSR	-.019	.054	-.044	-.350	.728
External CSR	.498	.088	.708	5.686	.000
F Value	16.223				.000 <sup>b</sup>
Adjusted R Square	.472				

Dependent Variable: COS (Customer satisfaction)

Source: Survey Data, 2017

According to the Table 8, increase in the exercising external CSR practices, customer satisfaction would be largely improved. If the internal CSR practices are increased, it is likely to decrease the customer satisfaction.

**Table 9 Results of Multiple Linear Regression Analysis between Internal and External CSR Practices and Resident Perception**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	1.356	.463		2.926	.006
Internal CSR	-.047	.063	-.089	-.739	.465
External CSR	.625	.102	.730	6.098	.000
F Value	18.853				.000 <sup>b</sup>
Adjusted R Square	.512				

Dependent Variable: RES (Resident Perception)

Source: Survey Data, 2017

According to the Table 9, the external CSR practices have positively significant effect on resident perception, internal CSR practices have negative effect on resident perception. The results demonstrate that increase in the exercising external CSR practices, the resident perception would be largely improved. If the internal CSR practices are increased, it is likely to decrease the resident perception.

**Table 10 Summarized Results between CSR Practices and Non-financial Performance of Studied Firms**

Sr. No	Relationship	Independent Variable(s)	Dependent Variable	Results
1	Total CSR practices & non-financial performance	Total CSR practices	Non-financial performance	Significant positive effect of total CSR practices
2	Internal and external CSR practices & non-financial performance	Internal and external CSR practices	Non-financial performance	Larger effect of internal CSR practices than external CSR practices
3	Internal and external CSR practices & employee satisfaction	Internal and external CSR practices	Employee satisfaction	Significant positive effect of internal CSR practices Negative effect of external CSR practices
4	Internal and external CSR practices & customer satisfaction	Internal and external CSR practices	Customer satisfaction	Negative effect of internal CSR practices Significant positive effect of external CSR practices
5	Internal and external CSR practices & resident perception	Internal and external CSR practices	Resident perception	Negative effect of internal CSR practices Significant positive effect of external CSR practices

Source: Survey Data, 2017

According to the findings, total CSR practices have significant positive effect on non-financial performance of large manufacturing firms at Mandalay Industrial Zone. Although, both of internal CSR practice and external CSR practices have positive effects on non-financial performance, internal CSR practices have larger affect on the non-financial performance than external CSR practices. Internal CSR practices are significant positive effect but external CSR practices have negative effect on employee satisfaction. However, external CSR practices have significant positive effect but internal CSR practices have negative effect on customer satisfaction. Similarly, external CSR practices have significant positive effect but internal CSR practices have negative effect on resident perception. It can be concluded that internal CSR practices have significant effect on employee satisfaction and external CSR practices have significant effect on customer satisfaction and resident perception.

### **Relationship between CSR Practices and Financial Performance**

Effects of internal and external CSR practices on financial performance of studied firms are analyzed. Financial performance includes growth of sales and growth of net profit.

**Table 11 Results of Simple Linear Regression Analysis between Total CSR Practices and Financial Performance**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	26.439	31.312		.844	.405
Total CSR	.827	8.291	.017	.100	.921
F Value	.010				.921 <sup>b</sup>
R Square	.000				

Dependent Variable: FP (Financial Performance)

Source: Survey Data, 2017

According to the Table 11, total CSR practices have no effect on financial performance of large manufacturing firms at Mandalay Industrial Zone.

**Table 12 Results of Multiple Linear Regression Analysis between Internal and External CSR Practices and Financial Performance**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	23.000	36.213		.635	.530
Internal CSR	-.071	4.925	-.003	-.015	.989
External CSR	1.728	8.010	.038	.216	.831
F Value	.023				.977 <sup>b</sup>
Adjusted R Square	-.061				

Dependent Variable: FP (Financial Performance)

Source: Survey Data, 2017

According to the Table 12, the external CSR practices have no significant effect on financial performance and the internal CSR practices have negative effect on financial performance.

**Table 13 Results of Multiple Linear Regression Analysis between Internal and External CSR Practices and Sales Growth**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	7.395	2.549		2.901	.007
Internal CSR	.709	.347	.276	2.045	.049
External CSR	2.441	.564	.584	4.330	.000
F Value	11.495				.000 <sup>b</sup>
Adjusted R Square	.382				

Dependent Variable: SG (Sales Growth)

Source: Survey Data, 2017

According to the Table 13, internal CSR practices and external CSR practices have significant positive effect on sales growth. External CSR practices have larger effect than internal CSR practices on sales growth of large manufacturing firms at Mandalay Industrial Zone.

**Table 14 Results of Multiple Linear Regression Analysis between Internal and External CSR Practices and Net Profit Growth**

CSR Practices	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	15.605	36.373		.429	.671
Internal CSR	-.780	4.949	-.028	-.158	.876
External CSR	-.713	8.045	-.016	-.089	.930
F Value	.016				.984 <sup>b</sup>
Adjusted R Square	-.061				

Dependent Variable: NP (Net Profit Growth)

Source: Survey Data, 2017

According to the Table 14, the internal CSR practices and external CSR practices have negative effect on net profit growth.

**Table 15 Summarized Results between CSR Practices and Financial Performance of Studied Firms**

Relationship	Independent Variable(s)	Dependent Variable	Results
Total CSR practices & financial performance	Total CSR practices	Financial performance	No significant effect of Total CSR practices
Internal and external CSR practices & financial performance	Internal and external CSR practices	Financial performance	Negative effect of Internal CSR practices No significant effect of external CSR practices
Internal and external CSR practices & sales growth	Internal and external CSR practices	Sales growth	Larger effect of external CSR practices than internal CSR practices on sales growth
Internal and external CSR practices & net profit growth	Internal and external CSR practices	Net profit growth	Negative effect of Internal CSR practices and external CSR practices on net profit growth

Source: Survey Data, 2017

According to the Table 15, the effects of CSR practices on financial performance of manufacturing firms in the Mandalay Industrial Zone are measured. According to the findings, total CSR practices have no effect on financial performance of studied firms. Besides, there is negative effect of internal CSR practices on financial performance and no effect of external CSR practices on financial performance of studied firms. Internal CSR practices may effect in the long term and these practices cause increase cash outlay at present. When the elements of financial performance are analyzed, both internal and external CSR practices effect sales growth. External

CSR practices have larger effect on sales growth than internal CSR practices. Internal CSR practices moderately effect sales growth.

Both of internal and external CSR practices effect inversely on net profit growth. Implementing both of internal CSR practices and external CSR practices cause increase costs of firms. It can be said that since costs of practices are high, net profit is lower. Moreover, the positive effects of CSR practices on firms and stakeholders would be in the long-term rather than short-term.

### **Discussion**

The following suggestions are proposed to improve and survive large manufacturing firms at Mandalay Industrial Zone. All studied firms conduct proactively CSR practices rather than conduct reactively.

#### **(a) Need for Improving Internal CSR Practices**

Manufacturing firms should provide enough safety awareness programs for their employees within their organizations because these programs are important not only for current safety but also for the whole life. All large manufacturing firms should exercise systematically and carefully both the use of restricted chemicals and inflammable materials. All large manufacturing firms should provide seminars for health-care knowledge both within and outside their organizations. Firms should hold their own seminar by inviting health-care specialists within organization. Quality of accommodation should be improve and ferry should be provided all for types of employees who have not been provided accommodations. Moreover, separate recreation center with enough space and facilities should be arranged. All large manufacturing firms should apply the systematic performance appraisal system to a large extent for all types and levels of employees because use of these programs lead to improve the employee performance. All large manufacturing firms should adjust with other firms within industry as well as they have to follow the minimum wage standards. All large manufacturing firms should identify the current and future skills requirement of employees and should provide the necessary off-the-job trainings. Similarly, suitable on-the-job trainings should be provided to be consistent with the skill requirement. Moreover, participation of employees in decision making should be provided for the success of firms and increased employee motivation. All large manufacturing firms should invest in the human capital for long-term survival and development of employees.

#### **(b) Need for Improving External CSR Practices**

All large manufacturing firms should try to fulfill customer orders timely. All large manufacturing firms should provide reliable services after making sales and commitment to customers. Large manufacturing firms should try to reduce the use of packing material and water consumption, recycle product and packaging, improve energy conservation, plant trees for green environment and use the environmental friendly packaging material. Reduction of water consumption, reduction in packing, reduction of energy consumption, pollution and recyclability in new product development and use of environmental friendly packaging material should be adopted in the future so that the green environment can be obtained for the people and society as a whole. Although planting tree is set as the guideline for wood-based products manufacturing firms, all large manufacturing firms should conduct planting trees as much as possible in the compound of their factories for absorbing the carbon dioxide. Large manufacturing firms should

increase in conducting the involvement of staff members in charity volunteer work on behalf of the firm, involvement in local health-care projects and local community supporting projects so that firms can improve the reputation in the society and this may turn to obtain long-term survival.

It can be summarized that both of internal and external CSR practices relating to employees, customers, environment and community need to be conducted and improved simultaneously for sales and net profit growth as well as to improve non-financial performance. All large manufacturing firms in the Mandalay Industrial Zone should join as the member of the UNGC and conduct CSR practices in accordance with the international standard of CSR.

### **Summary/Conclusion**

To achieve the sustainable competitive advantage, it is very important for the manufacturing firms to adopt the internal and external CSR practices. The study highlighted that some CSR practices are needed to improve in the future to obtain the better perception of stakeholders. These are health-care and well-being of employees among the internal CSR practices and practices related to environment in the external CSR practices.

With regard to the non-financial performance of firms, customer satisfaction is the largest and employee satisfaction is the lowest. In addition, residents moderately agree upon CSR practices of studied firms. In the financial performance of firms, sales revenue of studied firms in three years are more than the base year. Besides, sales revenue of firms increased year by year. Net profit of firms slightly increased in three years of study than base year. Growth of net profit is less than that of growth of sales.

When the effects of CSR practices on non-financial performance are analyzed, internal CSR practices have significant effect on employee satisfaction and external CSR practices have significant effect on customer satisfaction and resident perception. When the effects of CSR practices on financial performance are analyzed, both of internal and external CSR practices positively effect sales growth. External CSR practices have larger effect sales growth than internal CSR practices. However, both internal and external CSR practices effect inversely on net profit growth because the effects of CSR practices on firms and stakeholders are more long-term rather than short-term.

It can be concluded that current situation of using internal and external CSR practices at large manufacturing firms in Mandalay Industrial Zone is ranging from medium to large scale except environmental practices. CSR practices effect significantly on non-financial performance and effect inversely on financial performance of firms. Effects of CSR practices are long term in nature and financial performance of firms can be impacted by other factors such as, economic and market conditions, competition and technological innovation. Thus, it may be more beneficial of effects of CSR practices on the financial performance in the longer future.

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