"CSR practices of a company toward stakeholders"

The case of Pakistan Tobacco Company

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ABSTRACT

The performance of the companies in corporate sector is reliant greatly on the practices of Corporate Social Responsibility (CSR); therefore in today’s business environment companies are paying more attention to the sense of CSR. These companies also consider the aspects of socio-culture environment into business practices and compliance with other regulatory and ethical issues. However, it has been found that CSR is being practiced in Pakistani firms in tobacco industry because the concept is new for the emerging economies like Pakistan. The paper consists of brief study about the CSR practices on stakeholder dimension of Pakistan Tobacco Company (PTC). The basic aim of this paper is to examine that how companies engage their stakeholders in CSR activities and what is the role of stakeholders in CSR policies. This research was conducted by using a qualitative method and the case study of PTC. Data has been collected from relevant scientific articles, research books, and online resources regarding CSR and stakeholders theoretical framework while empirical data was gathered through interviews and company annual reports. However, PTC products are injurious for customers’ health but their efforts for the environment and community make a good image of the company in the minds of customer and stakeholders.

Key words: corporate social responsibility, stakeholder, health and safety, environment, community involvement, Pakistan.
AKNOWLEDGMENT

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Ghazanfar Ali Idrees

Irfan Ullah
**ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>NGO</td>
<td>Nongovernmental Organization</td>
</tr>
<tr>
<td>PTC</td>
<td>Pakistan Tobacco Company</td>
</tr>
<tr>
<td>BAT</td>
<td>British American Tobacco</td>
</tr>
<tr>
<td>CO2</td>
<td>Carbon Dioxide</td>
</tr>
<tr>
<td>NEQS</td>
<td>National Environment Quality Standards</td>
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<tr>
<td>EHS</td>
<td>Environment Health and Safety</td>
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<tr>
<td>NFEH</td>
<td>National Forum for Health and Education</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
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<tr>
<td>NFEH</td>
<td>National Forum for Health and Education</td>
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<tr>
<td>NIH</td>
<td>National Institute of Health</td>
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<tr>
<td>NWFP</td>
<td>North West Frontier Provence</td>
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<tr>
<td>LBRT</td>
<td>Leyton Rehmatullah Benevolent Trust</td>
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<tr>
<td>ABES</td>
<td>Adult Basic Education Society</td>
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<tr>
<td>TCF</td>
<td>The Citizen Foundation</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>CBO</td>
<td>Community Based Organization</td>
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<tr>
<td>CCB</td>
<td>Community Citizen Boards</td>
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<tr>
<td>PRO</td>
<td>Public Relation Officer</td>
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<tr>
<td>RSM</td>
<td>Regional Sales Manager</td>
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Chapter One: Introduction

1.1 Background

Today, the companies are voluntarily involved in the social and environmental concerns in their business activities, and specially their interaction with stakeholders. The concept of corporate social responsibility (CSR) entails the company incorporate environmental and social concern in business activities. The European Commission (2001, p.5) defines CSR as a “concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.” According to the European Commission, CSR is related to the complicated issues of the company i.e. environmental, health and safety issue, relations with distributors, suppliers and consumers, and company relations with their local community.

Corporate social reasonability (CSR) related to the company behavior, and their decision making is one of the vital ethical and moral issues. It’s known that if a company should avoid from doing certain activities or undertake such activities, it’s because of the beneficiary or harmful for the society. Such social issues deserve ethical concern of their own, lead manager in decision making and also judge the social impacts of corporate activities. Though, there are some argue such as Valor (2005, p.199), that the contribution of CSR idea is just a prompt, that through the social consideration the search of profit should be forced. According to the Branco and Rodrigues (2006) currently CSR is examining as a base for the competitive advantage and not as an end. The concept of CSR has been develop after observing the harmful to a company’s profitability and to how the company as a whole benefiting in the long run (Porter and Kramer, 2002).

According to historical perspective CSR was defined with different dimensions. At different stage the focus of researchers convert to different dimension. The term CSR has been conceptualized in various ways related to different ideas or views of a business role in society (Lantos, 2001). Basically these ideas or views are presented in the debates of shareholders and other stakeholders. The view
which motivated the shareholders perspective is that the manager basic responsibility is to seek the interest of shareholders and other stakeholder in the best possible way, to increase the wealth of the latter by using corporate resources (Friedman, 1998).

1.2 Company selection

The company Pakistan Tobacco Company is chosen because it is one of the companies that work since 1905 in subcontinent. PTC started its business in Pakistan since 1947 and from a very start PTC contributes to CSR in order to benefit its stakeholders. Pakistan Tobacco Company (PTC) is the most important company of tobacco industry in the country which is contributing a major part of its revenue to strengthen Pakistan economy.

PTC pays taxes on cigarette manufacturing and sales to make contributions in the country GDP every year. PTC is the leading company in the private sector of Pakistan, generating excise and sales taxes which is around PKR 16 billion. The company is also playing an important role in employment by providing jobs to needy people. The mission of PTC as “first choice of everyone” is being translated and reflected in its activities. PTC, being one of the pioneers in tobacco business at corporate level, has to show supreme level of ethical responsibility in comparison to other competitors to have reasonable level of acceptability from its customers. This is one of the bases for its survival in the tobacco industry. The core factor of survival as well as promotion of sustainable business of PTC in the eyes of stakeholders is the main study area of our topic. This was one of vital reasons to choose this company for this research study.

As far as stakeholder concept is concerned, in the current competitive business environment, PTC is focusing not only towards their shareholders with the aim of profit but also for the welfare of society to become a socially responsible company.
1.3 Purpose and Scope

The basic aim of this paper is to investigate how companies engage their stakeholders in CSR activities and what is the role of stakeholders in CSR policies. Today, due to the engagement in CSR activities businesses are reaping its benefits in long run and it is important to have a CSR idea to address its vital features.

Study of this paper will help in realizing the authentic behavior and sensitivity of various stakeholders towards Corporate Social Responsibility and also help in assessing the business benefits with the help of responsible behavior of corporation. In order to assess the theory practically, the paper applies it on Pakistan Tobacco Company (PTC) which helps to analyze the role of stakeholders in corporate behavior.

Remainder part of the paper precedes the importance of CSR to Pakistan Tobacco Company, the stakeholder theory and how PTC engages stakeholders in their practices. After that development of hypothesis and research methodology which are adopted in the study is discussed, and at last the conclusion and discussion about the study is present in last section.
Chapter two Research Methodology

The research methodology applied in this paper is qualitative empirical research that is based on text from company website and reports. This mode of analyses and study has been selected to look into the situation in real terms and not rely on numbers, figures and mathematical calculations as the concept is unclear in the environment where the study is being carried out and is in the preliminary stages of adaption of the concept. In qualitative research, case study approach is applied as it is most suitable for Pakistan Tobacco Corporation to look deep into its operations.

Taylor (1976) had depicted that analysis on the bases of textual data is the function of all types of qualitative research. Ghauri et al. (1995) regarded this ability as the quality of understanding the situation in real terms, contextually and textually. This employs to have solid base philosophical exertion that is called by experts as Hermeneutics that deal with text and the overall interpretative process. This means to know the intention of the writer (Hirsch, 1976).

2.1 Case study

According to Yin (1984, p. 23) case study research method is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”. Case study research allows the investigation and perception of complex subjects with the help of historical background or past studies. On the other side Yin (1984) argue that case study approach is the one way through which researcher can observe any natural phenomenon with the help of accessible set of information. Role of case study approach becomes more important when issues related to education (Gulsecen & Kubat, 2006), sociology (Grassel & Schirmer, 2006) and community based problems (Johnson, 2006), move up. It is very important to design case study carefully because case study method must be able to show that it is the only
feasible way to draw implicit and open information from the issues, suitable to research question, and the case study connect to theoretical framework (Tellis, 1997).

Three categories of case study were clarified by Yin (1984) exploratory, descriptive and explanatory case studies.

- **Exploratory case study** is use to search those circumstances in which intervention being assessed has no understandable, single set of conclusion (Yin, 2003).

- **Explanatory case study** is use when researcher are trying to seek answer of a question that require explanation for recognized causal relations in real life interventions which are complex for survey or experimental approach (Yin, 2003)

- **Descriptive case study** is use to describe or explain an intervention or experience and the real life circumstance in which it take place (Yin, 2003).

Beside the importance of case study approach Tellis (1997) criticized that dependency on a particular case investigation some time makes it complicated to reach an appropriate conclusion.

Our study is about the investigation of the concept of Corporate Social Responsibility in corporations having bases of stakeholder thinking. It explores these elements according to Yin’s depiction about the characteristics of exploratory study in 2003. This validates the study to be exploratory and qualitative. The case study method allows to explore the concept by using implicit information as the understanding of CSR and the role of stakeholder is ambiguous to the corporations and interestingly to the stakeholders as well that calls for rigorous awareness programs. This exploratory study has pointed out this need by having the case study of PTC.
2.2 Research approach

The paper is composed of empirical data based on documented interviews and informational resources of the business organization that are rewritten in the light of present theory to see their harmony with the available literature and have a paper that could provide an academic understanding of the aim of this paper.

Telephonic Interviews have been used for data collection and total thirteen people were involved in this purpose. Totally two managers, Public Relation Officer (PRO) and Regional Sales Manager (RSM), four employees, two distributors and two management trainee marketing from the company and seven people from local community/local person have been interviewed for information gathering.

2.3 Data collection

There are different sources which may be used in case studies for information collection. These sources can be interviews, documents, direct observations and participant observation, and use of different sources for information gathering is the strong point for case studies. This evidence of various sources makes an opportunity for the researcher to have several measures regarding a single event and which provides more strength to the scientific study. In a case study any conclusions and findings are considered more reliable and correct when the information is gathered from different sources whereas single sourced information has no value in the research (Yin, 2003).

For data collection two sources of evidence are used i.e. first one is different documents and the other is interviews that is one of the main sources through which information may gather for case study. In case study research, usually open ended type of interviews are conducted, in which researchers are allowed to solicit the facts about the subject matter from key respondents and their view point about events (Yin, 2003).

In case study research, documents are the most specific and important source through which required information may gather (Yin, 2003).
Different types of documents are used in this research study i.e. articles, interviews, company annual reports and website.
Ticehurst and Veal (2000) describe the importance of primary and secondary data that which data must be used to answer the research questions. But usually it is necessary to have both primary and secondary data for the research process.

2.3.1 Primary Data

There are two techniques, passive and active, through which primary data is gathered. The passive technique contains studying characteristics of the factors under study, either by personal or non-personal means. Whereas in active technique, questions are asked from the participants via personal or non-personal means (Davis, 1999).
Qualitative research involves in a broad study of a few elements and usually engages less structured questioning or observation of the participants. On the other hand quantitative research is the study in which samples and well structured survey with numbers and statistics are involved (Davis, 1999).
Primary data the study was collected by interviewing management persons, employees of the company and from local community people in order to compare the secondary information.

2.3.2 Secondary Data

Secondary data is the information which was gathered before for any other research and now bring into use for the new research project. Secondary data is to be considered more important and valuable in research activities. It is an advantage for the researchers to have existing sources of data because through secondary data they may discover more aspects of related research and their methodologies. Furthermore, they describe that manual and online are the two ways through which secondary data can be gathered. Manual methods comprise reports, directories, guides, indexes, etc. while online methods contain data which can be acquired from the internet. Secondary data can be gathered from two
sources i.e. internal and external. Internal data is available from the organization whereas external data is acquired from different sources outside the organization (Ticehurst and Veal, 2000).

According to Davis (1999), internal data can be obtained from financial reports, financial releases, press release, newsletters, and different publications released by the organizations while external data can be collected from the sources published by government, universities, equity research reports, trade association newsletters, etc.

We used PTC annual reports available on company website to collect secondary information for the empirical background whereas the information regarding theoretical framework was collected from articles and journals available in the university databases i.e. Business Source Premier and Emerald.

2.4 Limitations

The information available related to Corporate Social Responsibility in the paper is somehow not defined well and in reliable arrangement because sometime it is very difficult to collect and organize information which are collected from different sources. On the other hand the information available on web also has its limitations and sometime it did not provide the clear image of the problem. Meanwhile information related to company also has some limitations because company did not provide some information on company website therefore it need to collect these information directly which need more time.

In this paper, up to date information is one of the limitations because the available information is not adequate to meet research requirements. Time is another limitation in this research study because PTC is a big organization with a wide range of operation, so it is not easy to cover its all aspects within a given time period.
2.5 Reliability and Validity

Bo Enquist, Bo Edvardsson and Samuel Petros Sebhatu (2008) in article “Corporate Social Responsibility for Charity or for Service Business?” used case study approach which is qualitative research method to study corporate social responsibility concept and practices. Meanwhile Mikael Johnson (2007) in his article “Stakeholder Dialogue for Sustainable Service” used a qualitative research approach in order to investigate the problem of Sustainable Development and CSR into value dimensions.

We believe that our outcomes for the research study are reliable and valid because we chose to study a broad range of information of PTC from annual reports and website; and did not only depend on the company internal information but we also looked sources outside from PTC by interviewing people from local community in order to investigate their views about PTC and its products.
Chapter Three Theoretical Framework

Theory of case study states on such manner that answered the research question with the historical background. In this chapter we collect information for research question from historical background with referencing many articles in which many researchers contribute their efforts and present their views about CSR, and from these researchers we stick ourselves to our research question which is related to business stakeholders.

3.1 Corporate Social Responsibility:

Companies are very promising for the betterment of their communities and trying their best to transform their societies and environment with the help of corporate social responsibility practices. Employees’ growth is concerned with the development in corporate social responsibility to some extent and management must be familiar about this approach, however, this approach could be beneficial gradually for the employees as well as for the corporation. Despite the fact that there may be fewer chances of instantaneous positive results but it is possible that the significance of CSR will boost in coming years because everyone is more curious in the community and environmental effects of business. Those members of management who remain in touch with the corporate social responsibility and engage for its development will be capable of more productive decisions and assessments.

As we know that the core purpose of companies is to have financial stability and maximum profit but now stakeholders have also expectations that organization would better perform in non-financial vicinities which are society development, business ethics, human rights, environmental strategies, corporate governance, and also problems regarding workplace. Accountability and transparency are very important to be considered in corporate social responsibility concept whether it would be financial matters of an organization or social and environmental affairs
because social and environmental performances are taken into consideration along with financial performance which are based on fair and true facts and results.

The concept of corporate social responsibility is being featured to all those corporations in the world where it revolves and exists. Corporations are being supported to perform well on the big platform even in the presence of different problems so that people would rely on their activities (Welford and Frost, 2006). Corporate social responsibility is hard to define in terms of both corporate as well as academic point of view. According to Jackson and Hawker (2001) there is no specific definition of CSR in the presence of different views and thoughts about this concept.

Van Marrewijk (2003) further mentioned that there are plenty definitions of CSR which is not constructive for the wellbeing of this concept and this problem is unfavorable towards the corporate social responsibility progress and practices. But different organizations positive activities for the concept of CSR and its practical implementation put behind those problems. The puzzlement regarding corporate social responsibility different definitions may be the reason of massive dilemma and everyone will consider the concept of CSR in their own way which can turn down the benefits of its activities. Therefore it is not easy to promote a specific definition of CSR because there is no authenticate method to confirm that whether this definition is fair or there are some problems in it. However, still there would be a need of proper implementation of CSR practices to resolve uncertainty even if a fair and neutral definition were to be promoted. These definitions of CSR are divided into five different dimensions and their rate of recurrence provides evidence that how these dimensions are vital and performing persistently. The study of these dimensions will be helpful to understand the concept and different definitions of corporate social responsibility in a better way.

3.2 Concept of Corporate Social Responsibility:

Bowen (1953) was the first who worked for social responsibility of businessman. Different researchers and practitioners have paid extraordinary attention to the
idea of corporate social responsibility but Milton Friedman (1970) explained daringly the certainty and dominance of firm’s self interest in involving in CSR by business companies. He stated “There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits as long as it stays within the rules of the game…” The modification in the business environment affects the approach through which businesses are assessed. Business performance is analyzed not only with the aim of economic and moral achievements but also due to its social contributions. Henry Ford II in 1969 stated: “The terms of the contract between Industry and society are changing.... Now we are being asked to serve a wider range of human values and to accept an obligation to members of the public with whom we have no commercial transactions” (Lantos, 2001).

Contribution of civil society in the concept of corporate social responsibility has influenced different companies and organizations since 1980. Different consumer groups, trade unions, and NGOs have included different matters like the rights of local people, poisonous chemicals, child labor, tropical deforestation, and environmental deprivation in their action plans (Utting, 2005). There have been a lot of demands and expectations from different firms that they have to convince general public about the idea of social responsibility and work according to a proper procedure so that at the end society would get overall advantage (Lambin, 1997). The balance of right and responsibilities is changed due to globalization and economic liberalization and these changes eventually transform actions and attitude of organizations (Change, 2001). Due to this tendency of CSR, numerous organizations have been starting charitable programs in order to improve corporate social responsibility records (Utting, 2005).

Corporate social responsibility may be considered as an organizational resource which supplies internal yield to organizations. Investments in CSR may make organizations able to build up new skills and resources, which are clearly reflected through an organization’s environment, technology, formation, and human resource (Russo and Fouts, 1997). These skills further discussed by Majumdar and Marcus (2001), they mentioned that these skills are achieved within organizational boundaries via corporate social responsibility process. These skills
afterwards would help towards professional use of resources. Corporate social responsibility may be helpful to develop managerial skills in a dynamic or complex structured organization when CSR is defensive because these defensive efforts demand for considerable contribution from employee, organization-wide coordination, and managerial approach of advance thinking (Hart and Shrivastava 1995). CSR can provide help to management in growing necessary skills, procedures, and information systems, which make possible for organization to be aware of external changes, instability, and disasters (Russo and Fouts 1997).

Today, corporate social responsibility is a wide concepts using in business (Enquist et al., 2008). Bowen (1953) first time used and define the term CSR, but the discussion over business environmental responsibilities and its interaction with society still continued. But there is consensus on a CSR definition still not exist (Vogel, 2005). This broad discussion raises some questions related to both the significance of the company’s structure and universal inhabitants’ contents (Sethi, 1975, p.58). A broad definition of CSR presented by Prieto-Carron et al., (2006, p. 978)

“... An umbrella term for a variety of theories and practices, all of which recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behavior of others with whom they do business (e.g. within supply chains); and that (c) business needs to manage its relationship with wider society, whether for reasons of commercial viability, or to add value to society”.

This definition is so broad and also incorporate varies ideas of CSR. This essentially defines the strategies as well as the concepts through which almost all companies voluntarily related to environmental and social anxiety in stakeholder and business processes (Enquist et al., 2008).

3.3 Dimensions of Corporate Social Responsibility:

A plenty of efforts have been made to understand the concept of corporate social responsibility in order to formulate a healthy and solid definition. From 1980 to 2003, 27 authors derived and analyzed 37 different definitions of corporate social
responsibility. Most of these definitions were available for public from 1998 onwards. Dahlsrud (2005, p.6) demonstrated different dimensions of corporate social responsibility i.e. stakeholders, environmental, social, economic and voluntariness. He analyzed these dimensions in his study with the help of formula and found the result in the form of dimension scores and ratios. According to his analysis both stakeholder and social dimensions were on the top with score 1213 and ratio 88, which can also be seen in the table given below (Dahlsrud, 2005):

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Score</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder</td>
<td>1213</td>
<td>88</td>
</tr>
<tr>
<td>Social</td>
<td>1213</td>
<td>88</td>
</tr>
<tr>
<td>Economic</td>
<td>1187</td>
<td>86</td>
</tr>
<tr>
<td>Voluntariness</td>
<td>1104</td>
<td>80</td>
</tr>
<tr>
<td>Environmental</td>
<td>818</td>
<td>59</td>
</tr>
</tbody>
</table>

*Table 1: The dimension score and dimension ratio for each of the five dimensions in CSR definitions*

Different researchers focused on stakeholder dimensions in their research during different span of times which is also shown by the dimension score and ratio in the above table that stakeholders are very important to take into consideration.

### 3.4 Stakeholder’s theory:

The most important and essential theories that made the concept of CSR stronger in global world is stakeholder theory. The main objective of a company with stakeholder approach is value creation for multiple stakeholder group (Post et al., 2002). According to Freeman (1984, p.46) stakeholder is “any group or individual who can affect or is affected by the achievement of the organizational objectives”. Freidman and Miles (2006) wrote that Freeman (1984) categorize stakeholders as shareholders, management, customers, suppliers, distributors, employees and local communities. In order to sustain the organization, it is necessary for management
to build strong and affective relationship with different stakeholders group
(Ambler and Wilson, 1995). Due to strong and affective relationship with
stakeholders organization can easily know about the expectations of stakeholders
and performance of the organization.
According to Crane and Livesey (2003), definition of Freeman (1984) means that
every organization is implicated in a sequence of relationship to group of their
stakeholders and every group of stakeholder has its own and unique type of
expectations from the organization as well some needs. Time to time the
stakeholder’s expectation and needs change so organizations need to engage them
in a continuous process of communication. For every organization it is very
important and essential to have in touch with stakeholder which helps the
organization in learning process about different group of stakeholder. Stakeholder
approach is important for every business because due to that business pay
attention to the interest, needs, expectations and rights of multiple stakeholders
which is a useful way to make business socially responsible.
Freeman (1984) also distinguished between primary and secondary stakeholders:
that primary stakeholders are those whose ongoing and continuous involvement is
necessary for the continued existence of the corporation like owners,
management, suppliers, employees, customers and local community, and the
secondary stakeholders are not so essential for the survival of the corporation but
their actions or involvement in business, can considerably effect positively or
negatively, these stakeholders are government, market, trade unions, NGO,s and
environmentalist.
Furthermore Mintzberg (1999, p. 46) highlight in his research the highest
influence of stakeholders on business, with the help of model. In his model he
visualized his idea with the help of inner and outer circles. The most important
and influential stakeholders were placed in inner circle.
From ethical perception the strength of stakeholder theory is that it has more attention towards stakeholder rights and interest. It also strictly concern to manager-stakeholder relationship. Stakeholder theory is a managerial theory that is interconnected to business success (Mele, 2008). Due to stakeholders, corporate can easily identify the actual group of stakeholders in society to which a company have to show more attention and responsible. According to Clarkson (1995) stakeholder theory addresses the solid interest and practice, as well as envisions specific responsibility to specific people affected by corporate business practices and activities.

In today’s global market business environment stress on a wider range of social responsibility from businesses, corporations have to clearly communicate their routine activities of Corporate Social Responsibility to their stakeholders. According to Hopkins (2006, p.302) “business will only survive if they can show, and be evaluated to show, a clear social responsibility in their continual treatment with their stakeholders”.
3.5 Role of stakeholders in Corporate Social Responsibility:

In any society stakeholders for the implementation of CSR are the important components. The world now is like a corporate village, where his every action related to human rights, civil rights, social rights of workers and environmental protection are monitor and judged under various parameters. Every person associated with corporate have an important role in CSR directly or indirectly and also has the position of partner with organization in implantation of CSR. Corporations need serious efforts and effective procedures in order to activate strong coordination in all stakeholders. Sankar Sen and C.B. Bhattacharya (2001) argue in the, Journal of Marketing Research, that “all consumers react negatively to negative CSR information, whereas only those most supportive of the CSR issues react positively to positive CSR information” (p. 238). In order to practice responsive toward society, CSR manger should only follow the actions that are strongly supported by company´s stakeholders.

In many cases it was observed that without active cooperation with stakeholders, social corporate sector cannot serve some of their responsibilities to all stakeholders which are required for. Distant approach in this regard have to follow in implementing CSR activities and introduce meaningful way of exchanging ideas between all stakeholders in the country for CSR activities in order to gain maximum advantage from corporate practices. Society, costumers, consumers and media are the key stakeholders for any company among all stakeholders and their expectations, sensitivity and views about company´s products or services are the motivating factor for company´s success. They play a very important role in changing the perception about the company´s product of services that offered. It is necessary for a company, when they are going to start CSR programs, to assess their achievement and value. Company should determine expectation of the local communities and their stakeholders toward CSR. Walton (2010) argues that encouraging stakeholder’s feedback toward company´ s CSR practices are very important for the success of company in the global market.
Chapter four Empirical Background

In order to examine the validity of the different theoretical approaches mentioned in the previous chapter regarding CSR and stakeholder theory, we describe in this chapter PTC practices of CSR and the milestones for stakeholders with the help of which PTC tries to meet the needs and expectation of their stakeholders.

The information in this part of the research has been collected from PTC annual reports available on company website and interviewing managers, employees, and community members.

4.1 Profile of Pakistan Tobacco Company

Pakistan Tobacco Company (PTC) is a member of British American Tobacco (BAT), which is the largest multinational tobacco group in the world; its brands are sold around the world in more than 180 nations. After the creation of Pakistan in 1947 Pakistan Tobacco Company established. Being only international company in Pakistan on is establishment, which has only one warehouse in Karachi which was capital and port city of Pakistan at that time. PTC has gained famed very fast in the hearts and mind of Pakistani people through their innovative techniques in their productions. One of its famous products which are famous around the world is Benson & Hedges, John Player Gold Leaf, Capstan, Dunhill, Gold Flake and Embassy (PTC, 2011a).

Pakistan tobacco is ruled by three main principles in conducting business. Mutual benefits, Responsible product stewardship and Good corporate Conduct. Following are the principles of PTC:

i. Business should have high level of behavior and integrity

ii. Achieving standard environmental performance

iii. Respect human rights

iv. High level of corporate social responsibility should be in tobacco industry.

v. Tobacco industry should participate in the formation of government policies that affects it.
Bing first foreign Investment in Pakistan initiated cultivation of Virginia tobaccos which was its kind of species in the country. Their research in tobacco growing has leaded them to produce finest tobacco as well as the cigarettes in Pakistan (PTC, 2011a).

PTC has been involved in so many other aspects apart from their cigarettes which have been the finest throughout their history. It has grown within the country by research. Within 62 years of their existence PTC has always being first in the development of the country. It has been helping farmers with modern agricultural practices in order to develop the farmers and prosper them by new techniques (PTC, 2011a).

Throughout their history in Pakistan, it has been overwhelmingly investing in people, brand, and technology. Helping communities to reap their fruits in good way, PTC environmental, Health and safety standards are one of best and envoy for the local companies. It’s leading the Pakistan industrial relation practices. Their influence has made greater change within the country by going according to the norms and culture of locals. PTC has very trained corporate they sought world class training in their early career in PTC (PTC, 2011a).

The history of Pakistan tobacco Company is very much dominated but its development in other areas in which it has been operating, Such as corporate practices, social investment, innovations in agricultural techniques and researchers, new ways of marketing and distribution. It has been always unmatched in their advancement in their techniques. Pakistan Tobacco Company (PTC) is also famous for its social welfare activities. It performs this job through sponsoring the sports events, tree plantation, and free mobile dispensary for rural areas. Pakistan Tobacco Company is a consumer focused company. It’s providing the best to its consumer through their innovation techniques. It has been researching to understand it consumer with newer ways and inform its consumer what PTC is offering to them in the different products in the marker (PTC, 2011a).
4.2 Concept of Corporate Social Responsibility in PTC:

For good environmental practices, Pakistan Tobacco Company considers having an outstanding business performance. In order to be in command of their impact on environment they use 3R’s presumption i.e. Reduce, Recover and Recycle. Now the question is how this principle works? And what they now have until about environmental measures that arise (PTC, 2011b).

The main objective of the PTC is to reduce CO2 (carbon dioxide) control environment which is badly affected. To achieve the objectives towards environmental betterment they introduce several programs in their practices and business which include: Waste management, Energy conversation, Water management and CO2 emission. PTC also tries to direct other businesses to be environmental friendly, social and work on 3R’s theory in their practices. PTC believes that approach of their business to CSR let them to stay in market because beside doing risky business to health goods and still doing in the global market means that business and practices they adopted are socially and environmentaly responsible. In order to fulfill expectations and needs of society, PTC takes many social issues in focus and tries to be socially responsible to all these issues (PTC, 2011b).

PTC aims to show responsible corporate behavior in all aspects of operations, they like the business philosophy by which each spot have appropriate marketing, supporting users of mature tobacco control, respect for human rights, reduce environmental impact to the local community and fulfill the expectation of stakeholders. They continually work for engagement with their partners, balance and alignment of their views in a modern tobacco business Decisions Company with reasonable societal expectations. PTC claims that, we understand corporate social responsibility (CSR) for a tobacco company offers particularly challenging, Pose real dangers to health of tobacco products and how best to define responsible product stewardship raise important questions about. We consequently suppose that for our business, only consequential approach to CSR is to respond stakeholders according to their expectations and needs. PTC also hope that their
strategy, planning, and process toward CSR will attract more corporations to be socially responsible and due to which businesses will keep in mind the interest of stakeholders and local communities (PTC, 2011b).

4.3 Environment Health and Safety (EHS)

PTC organized an appropriate way in their business practices in which employees or workers are not in danger because management uses hygienic technology, safe system for workers and make sure to provide safe and sustainable environment for employees in order to minimize the use of natural resources. All these operations are done in considering the NEQS (National Environment Quality Standards) (PTC, 2011c).

PTC guarantees that the strategies they use in their EHS policy is according to international standards and also fulfill the standards of BAT (British American Tobacco). They also use GRI (Global Reporting Initiative) in order to fulfill standards of monitoring their performance towards environment. A nongovernmental organization NFEH (National Forum for Health and Education), in 2006 awarded Pakistan Tobacco Company (PTC) “Environment Excellence Award” on the reason of PTC’s performance toward environment, health and education. In 2007 British American Tobacco Company also awarded “EHS Excellence Award” to Pakistan Tobacco Company (PTC, 2011c).

PTC claims that we handle almost everything, tobacco, paper, timber are now grow in natural environment, so it's good for understanding economic and environmental utilization of our raw material is as to ensure sustainable. They also believe that good work environment is good business practice. Sound business environment to improve performance through technology, products, processes, conservation of energy and natural resources can optimize. PTC continuously improves their performance against goals and objectives of measurement and monitoring of their progress report. PTC is so concern to their operations and focus to sustain work environment in order to protect health and safety of workers, that’s why they adopt the approach which is proactive and practical for
all employees or workers. When PTC recertified with ISO 14001, they have been awarded Evergreen status with two facilities. Pakistan Tobacco Company always kept their integrity of sustainable business and it has showed by the previous surveillance audits (PTC, 2011c).

4.4 Stakeholder Milestones by PTC:

Pakistan Tobacco Company claims that, they are very concern with the development of communities where they operate. In this regard, some serious community involvement actions have been taken by management in different time and different areas whenever needed related to common people and for maintenance of stakeholder’s expectation toward CSR. As corporate responsibility is changing expectations of society, the way PTC deal issues of concern are somehow change from other companies. PTC believes that they don’t know the right answer of any issue, and don’t claim that they get everything right all the time, But if all parties are involved and help each other to find the right way for problem solving, and deal the issue with viable solutions then it will be the real opportunity to achieve expectation of community stakeholders and CSR approach. Some of PTCs initiatives for stakeholder’s involvement in CSR practices are:

1. Inclusion of pesticides in tobacco for cigarette manufacturing is to be considered the cause of hepatitis in public which PTC has proven wrong by testing tobacco leaf samples in Advanced Research Institute of UK. PTC made a joint venture with National Institute of Health (NIC) for the prevention and control of hepatitis and started their activities in the area of Yar Hussain district Swabi by funding hepatitis patients. PTC also provided funds for the installation of water filtration plants in district Akora Khattak (PTC, 2011b).

2. PTC has been providing basic health facilities since 1980 through mobile doctor programs in those remote and rural areas where people are very poor and cannot afford medical expenses to fight against diseases. According to PTC report the mobile doctor units provide facilities of medical check-up, diabetic screening,
eye care and general health advice through these mobile doctoral programs to around 7000 patients on monthly basis. The company arranged different medical programs in emergency either alone or collaboration with NGOs or government health department by establishing Rehabilitation Center in Batagram after 2005 earthquake and medical camps in different flood affected areas during 2010 flood (PTC, 2011b).

3. PTC is playing an important role to educate people and poor children, specifically farmers’ children who cannot afford financial burden, through different educational programs and in this purpose PTC has collaborated with NGOs i.e. Adult Basic Education Society (ABES) and The Citizen Foundation (TCF). PTC started a TCF school in Nowshera in August 2006 and currently another TCF school has been added in the pool which is providing education in Buffa Mehra, district Mansehra in the earthquake affected region. The company offers not only scholarships to the deserving people but also give financial grants to build schools in remote areas. PTC also focuses on IT education and operates seven IT Learning Resource Centers providing IT skills and knowledge to make people able enough to survive in today’s advance labor market (PTC, 2011b).

4. PTC strictly denies and disfavors child labor which is clearly mentioned in its company code of conduct therefore under age candidates are not employed for business operations. In order to minimize the risk towards child labor, PTC educates farmers and introduces non formal schools in different communities where they operate (PTC, 2011b).

5. PTC is very keen towards society and people health and safety. They always get in touch with government, supervisory bodies and produce those products with the consultation of scientists which are less harmful for the people and society (PTC, 2011b).

6. Every year PTC contributing Government of Pakistan’s welfare schemes through NGOs, for worker community, to support education system in local community. In order to support students of local community PTC offer many
scholarship programs. In 2005 Pakistan Tobacco Company funds for Worker’s Welfare and Worker’s Profit Participation were 35,743,791 PKR and 111,517,751 PKR respectively (PTC, 2011b).

7. PTC facilitated the local farmers by building roads so that the farmers can transport their goods to the markets. PTC has been speaking on the behalf of local people to be developed the transportation to them which is in fact the role of local government but PTC has been overwhelmingly involved in lobbying on local to have improved infrastructure. PTC has developed the depot for the farmers in the local areas so that they can save their cost of transportation. PTC properly pays the federal tobacco tax annually which is aimed for development of the tobacco growing areas of Pakistan (PTC, 2011b).

4.5 Response from PTC Stakeholders

In order to cover gap in the paper, specific information was required to answer the research question. A lot of information was collected from PTC website and annual reports but there was still gap and the answer was not quite satisfactory because of limited information related to CSR and stakeholders milestones. For that reason interview played a vital role in this research study. We found different types of thoughts and views during interviewing different stakeholders which was difficult to handle because of irrelevant information. We asked various questions from the respondents but the main theme of these questions was rotating around two areas. First the concept of CSR in stakeholders’ mind and second the unhealthy product of PTC which is served to stakeholders and due that reason all information used in the paper is only concerned to the same theme either it was collected primary or secondary.

As a market leader PTC has a number of stakeholders, and its practices are monitored by every group of stakeholders, it was difficult to interviews every group of stakeholder for the paper in a limited time to draw a clear image for answering the research question. But handling the gap in the paper we targeted three groups of stakeholders “Management”, “Employees” and “Local
Community”. The reason behind selecting these three groups of stakeholders was their easy access in a limited time and their direct relation in business practices.

4.5.1 Management

The response from the management at strategic level which included PRO and SM was that CSR is being practiced at PTC on three grounds; first is not to attract those who are non-smokers. Second is to train farmers of tobacco about best practices of tobacco farming to develop national agro-based economy environment. Third is about responsible profit by giving opportunities of employment and sharing gains with the society as well.

As for product is concerned various telecom and petroleum based businesses are having negative effects on human health, environment and society as a whole but they are doing activities to reduce that affect and return the gains to the society. Similarly, PTC is planting trees, not attracting non-smokers, and has been practicing healthy farming techniques to reduce their negative affects to considerable level.

PTC has already admitted bad effects of smoking on human health. The company intention is not to convince people towards smoking but basically their objective is about doing business by providing high quality brands to those adults who have already decided to smoke. PTC accepts that smoking must be only for adults who are well aware of its hazards. It difficult for the companies to change the nature of their product but their efforts to portray a socially responsible image in the eyes of customer is a big milestone. So PTC has been involved in different community activities like planting trees on non-forested land, youth smoking prevention, mobile doctors program and learning resource centers. Meanwhile inclusion of pesticides in the tobacco is a serious problem but PTC makes sure the exclusion of this issue from the tobacco leaves by having an efficient and modernized production process for the manufacturing of cigarettes.
4.5.2 Employee

The response related to CSR from PTC employees who include a fresh management trainees and distributors of PTC with almost 2 years experience, was that at every corner of practice management tries their best to monitor CSR activities. Management is continuously busy to aware employees about their rights. In order to create a sustainable environment where every employee feels easy and perform well. According to PTC, CSR policies towards employee management at every aspects monitor labor conditions, listens to employee concerns, workplace environment and health issues. Safety and hygiene management system for employee shows that PTC is highly focused for the welfare of its workforce and makes efforts to reduce the causes of risks at workplace with the cooperation of each concerned individual.

4.5.3 Local Community

CSR is also about the integration of companies in their local setting. Companies contribute to their communities, especially the local communities where they operate by providing jobs, wages and benefits, but when the response comes from seven community people by interviewing the uneducated farmers of community, the concept of CSR was totally different from the above statement. Five out of seven respond about CSR, that the company’s welfare activities are just their wish; there is no responsibility of a company by doing so. These welfare activities are the part of company charity.

About unhealthy product of tobacco, community response was so simple that it is personal choice of everyone but if due to these smokers the company is involved in social welfare activities then it is not so bad because the benefits from the company is not only for smokers, every person of community is reaping fruit from the company’s welfare activities.
Chapter five Analysis, Discussion and Conclusion

This chapter analyzes the empirical information with the theory to answer the research questions and also lead our final expression to the study. Structuring of the collected work and theories from the previous chapters, the interpretation and information are going to be analyzed in this chapter. This chapter aims to answer the central questions, why and how businesses or corporations are more concern to their stakeholders, at the same time this chapter also contain our discussion and conclusions about the paper.

5.1 Analysis

Freeman (1984) stated that primary stakeholders (owners, management, suppliers, employees, customers and local community) and secondary stakeholders (government, market, trade unions, NGO, s and environmentalist) both play a very important role in the success on business. Businesses have to give more attention to both of these stakeholders. According to Freeman statement it is analyzed that PTC tries to reach stakeholders need and expectations in order to achieve organizational goals. After interviewing PTC Public Relation Officer (PRO), we analyze that the company practices toward corporate social responsibility are according to stakeholders expectations, the way PTC are talking about issues of concern in any way is somehow change from other companies. they believes that we are not perfect every time during dealing any issue, but if all parties of stakeholders are involved in dealing some issue and support each other to solve the problem or deal the issue at right Way. At the time of any emergency or handling some issue PTC tries to take decisions from their stakeholders and according to their need and expectation PTC tries to deal the specific issue.

PTC arranged Health activities in Emergency response with Government departments and humanitarian organizations. In 2005 Earth quick PTC established Rehabilitation Center in Batagram, which were facilitated by National and International NGOs. In recent “Moon Soon” flood 2010 in Pakistan, PTC
arranged free medical camps in flood affected areas. PTC arranges medical camps in for long areas for deserving communities, with collaborative partners LBRT (Leyton Rehmatullah Benevolent Trust) and Merck Pakistan Ltd in normal situation.

In global market every Company promise to improve their community where they operate and try their best to establish a strong system where practices for the betterment of corporate social responsibility support and transform positively their societies and environment. Corporate social responsibility is also concerned with the growth of employees and it is administration’s responsibility to be familiar about their approach regard employee growth. Corporations must have the ability to perform in a good way on every stage even in the presence of difficulties that everyone would take interest in their activities (Welford and Frost, 2006). On the account of above statement PTC developed principles for its governance which show its high level of integrity and strong behavior toward corporate responsibility. PTC focus more on their governing structure and responsibilities, they develop a strong system in order to achieve standard environmental performance, respect human rights at every aspect, promote high level of CSR in tobacco industry and all the practices of tobacco industry should be perform in the boundaries of government policies.

Henry Ford II stated in 1969 that “The terms of the contract between Industry and society are changing.... Now we are being asked to serve a wider range of human values and to accept an obligation to members of the public with whom we have no commercial transactions” (Lantos, 2001). While CSR concept developed and was put in practices by corporations during last two decades but the importance of CSR was reviewed by Herald 41 years ago. He stated that it would be strange if company divorce itself from social life which concerns its business and profit because for their business Maintenance Company must have to take interest in social welfare (Herald, 1970).
Although throughout PTC history in Pakistan they every time invest in local community, helping the local community whenever they need. PTC approaches toward Environment, Health and Safety are the best for local community and present itself as a model for local companies. Its impact on local companies brings positive change within the country because local companies try to adopt its culture and approaches which strengthen the concept of CSR in the local community. PTC is very conscious about education, trainings, and empowerment of local people which indicates PTC try to be a part of community where they operate.

Since 1980 contribution in civil society, the concept of corporate social responsibility influence many corporations. Consumers, trade unions, and NGOs raise many issues like rights of local people, use of poisonous chemicals, child labor, tropical deforestation, and issue related to environment which compiles companies to change their action plans (Utting, 2005). PTC governing structure shows that PTC is famous in Pakistan for its involvement in social welfare activities like organizing sports events, tree plantation, and mobile dispensary for rural areas. PTC use 3R´s principle (Reduce, Recover and Recycle) in their practices for the betterment of environments. In order to control and reduce the CO2 emission they introduce many environmental programs like waste management, water management, energy conversation and CO2 emission. In order to meet expectations and needs of society, PTC takes many social issues like child labor, human rights and education in serious attention and tries to handle them socially responsible.

According to Change (2001) balance of right and responsibilities changed as a result of globalization and economic liberalization, and due to these changes organizational actions and behavior transform eventually. Pakistan Tobacco Company has a dominated history but it grows in other areas in which it operate like corporate action, social investment, agricultural technology and researchers, marketing and innovation in new methods of distribution. PTC also uses their EHS (Environment Health and Safety) policy according to international standards which fulfill BAT (British American Tobacco) standards. In order to monitor their performance PTC use Global Reporting Initiative (GRI).
Due to all these activities NFEH (National Forum for Health and Education) a nongovernmental organization awarded “Environment Excellence Award” to PTC in 2006. After one year BAT also awarded "EHS Excellence Award" to PTC.

5.2 Discussion

Economic stability is an important feature of any successful business and a few years ago the worth of every corporation was reliant only on its financial performance. But now stakeholders make it possible to know in a better way that how political, societal, and natural environments are affected positively or negatively due to business activities. Investors, customers, and employees, due to this amplified awareness, put stress on companies to think about the community and environment before formulation of any business decision. Due to unhealthy product of PTC, having fear from societal negative response about its business, engage them in social welfare activities and this stress has produced a driving force towards sustainable approach which concludes environment, societal, and financial information when business functions are assessed and evaluated. On the other side Stakeholders support those organizations which strengthen their business position financially and at the same time work for the welfare of community and environment.

Corporate social responsibility not only promotes but also supports business activities with communal ethics. Corporate social responsibility acts for all stakeholders who are exaggerated due to business operations and this CSR puts together the welfare of all these stakeholders towards company's strategies and dealings. The main focus of corporate social responsibility is on triple bottom line i.e. societal, environmental and economic accomplishment of a corporation; and its core purpose is to have positive impact on community as well as attaining organizational goals. Finally, the study discussion about CSR and initiatives taken by PTC advocate some implications for the other firms in Pakistani market. Corporate social responsibility has no longer social activity; it has become business activity in the modern world. Corporate which are following such principles it has been successful by making their image positive in the mind of
their stakeholders also they are showing improvement in their financial reports. All the decisions lies in the hands of the management which makes decision about their business how to handle them whether choose to face greater consequences in future or get greener today. Corporate are trying to be give positive image to their stakeholders no matter what service they have been providing to their customers just Pakistan Tobacco company for most of the people selling cigarettes are not something healthy but yet they are involved in sustainable business which itself is envy for many other companies which are involved in other sectors.

After interviewing management and employees we have analyzed that, CSR practiced by management and employees are going in direction of stakeholder demands while local community wasn’t agreed due to the fact that the stakeholder’s view of CSR is different than the people sitting in management or the employees of the corporate. The stakeholder consider CSR practices more than philanthropy which has been the old trick corporate are playing from long time to change their image by giving some money or work for the welfare of the local community.

There have been loop holes from laws regulation in implementation of the CSR practices such as government which lacks the knowledge of CSR or there is corporate influence on the government due to corporate fund their election campaign which is not obvious itself. Government has not properly implemented or made route for the CSR practices to be done by corporate. Local communities are not being part of CSR practices due to the fact that companies boost their publicity through such practices to gain market value while the fundamental rules of helping local communities is ignored for the Hippocratic policy. The Gap between emphirical and theoretical is due to major gap between the view of management, employees and the stakeholders. The corporate see their CSR practices to boast their image while the stakeholders want strong results for their promises.
5.3 Conclusion

After analyses and interviews from management, employees and community member, the study sheds some light on the CSR practices of PTC and it can be concluded that the behavior, actions and activities of PTC is closely dependent on social work and community involvement where they operate.

Pakistan Tobacco Company is trying to develop confidence of community in their business and practices. Although there is no such a strict rules and regulations about CSR initiatives for any company in Pakistan but PTC perform it on volunteer basis. On the other side facet of PTC initiatives toward society may be seen as, company stakeholders are receiving awareness about business processes that have impact on society and environment because the products they serve is not environment friendly and unhealthy.

We conclude that the community is not well aware about the concept of CSR in Pakistan due to the absence of proper implementation of rules and very rare practices of local organizations towards the concept. There is no development of social norms in the country regarding smoking i.e. people usually do smoking at public places. There must be effective awareness programs for local community that provide good understanding about CSR.
Chapter six References

6.1 References


6.2 Appendices

Appendix: Interview Questions

1. What is your concept about CSR?
2. How CSR is reflected in your business operations?
3. Kindly identify your stakeholders and what demands are put forward by your stakeholders?
4. What is the most important CSR activity of PTC?
5. How stakeholders think, perceive and value PTC’s CSR activities?
6. What are the company’s milestones?
7. What is the future plan?
8. How much awareness about CSR is present in employees?
9. What do you think about stakeholder’s knowledge regarding CSR?
10. Finally, Where CSR stands in PTCs overall operations and responsibilities?
11. PTC thoughts about the unhealthy tobacco industry.