



Full Length Research Paper

Impact of Corporate Social Responsibility on Firm's Performance

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Changing competitive business environment and consumer's trends has shed limelight on number of important factors and activities with the complete focus of gaining high profits. Today, importance of Corporate Social Responsibility cannot be neglected at any instance as it focuses on the integration of activities and actions by the businesses for the welfare of the society changing the aspect of the considering these activities as the expense rather one of the ways of seeking high market share. This research study revolves around the investigation and analysis of the impact of the CSR on the firm's performance through the influence of employee performance, and increased customer's satisfaction. This research is quantitative in nature and questionnaire instrument has being applied for the collection of data from the selected number of respondents working in the private sector of Pakistan. SPSS has being utilized for the analysis of the data. The findings have reflected that corporate social responsibility positively impacts on the firm's performance.

Key words:- CSR, employee performance, customer satisfaction and firm's performance

INTRODUCTION

Today, presence of the competitive business environment has put lime on the activities and approach of corporate social responsibility directly as well as indirectly impacting on the business market [1]. This research paper revolves around to analyze the impact of corporate social responsibility in terms of firm performance, employee productivity, market value and worth [2]. The concept of corporate social responsibility is not new to us, but with the passage of time, integration of advance information technology, global changing business environment and of gaining competitive advantage positively supports the Corporate Social Responsibility with respect to the various modifications taken place [3].

It is analyzed that the process of existence complex business internal and external environment has overall

increased its efficiency, quality service; work for more customer's services that influences the firm's performance [4]. Corporate social responsibility is interconnected with the transparency as well as rising that corporate measure, employee's productivity report and bringing continuous improvement in the social, financial, environmental, and economical performance [5]. Larger firm's performances have faced large number of changes as well as challenges including the aspect of the corporate social responsibility as considered to be one of the major problems. Thus, it clearly presents the importance of the CSR understanding by the firms leading towards society and community. Corporate social responsibility perform various operational functions, action and activities on the portion of the firm that seems to bring advances in the promotion of social goods as well

as services beyond the instantaneous firms as well as stakeholder's interest and beyond the legitimate requirements [6].

Firms engaged in the corporate social responsibility activities and actions are considered as extensively exceeding the compliance factors associated with environmental, social regulations, creating and developing the positive perception of the employee's productivity. Employee's outcomes always lead towards the accomplishment of firm's goals within specified timeframe. The operation functional activities of the business are correlated with corporate social responsibility. Corporate social responsibility is considered by the firms as investment rather cost and expense clearly presenting the relationship amongst the company and stakeholders, "such as the customers, investors, employees and society as a whole." According to [7] the purpose of the business is not for the earning of profits, rather is a concerned for the working of society's welfare. There are number of mixed reviews, information, and experiences being observed with respect to Corporate Social Responsibility [8]. It is analyzed that the impact of corporate social responsibility influences the firm performances correlated with present negative and positive values that shows upward and downward trends of the organization [9]. Every firm's performance are based on the different practical implementation of corporate social responsibility dependent upon number of factors such as human resource development, organization's culture, organization development, span of control, organization's size, demand of stakeholder and perform many other related function activities [10].

This research study focuses on the filling of various gaps that have being not effectively identified and analyzed by the past research studies. The research study [11] has emphasized on the customer satisfaction making a connection with the firm's performance, however, the factor of the CSR is not completely focused. Thus, one of the gaps that are filled by this research study is to focus on the relationship of CSR and the customer satisfaction. Secondly, the research study [5] investigates the role of the employee performance connecting more with other similar parameters with an absence of the CSR factor. This research study has bridged with gap by finding the relationship of employee performance with respect to the CSR.

Pakistan is a developing country and numbers of businesses are operated in the business market of Pakistan. However, very few numbers of companies are performing the corporate social responsibility activities working for the welfare of the society as they focus it as an opportunity rather expense. This research revolves around the investigation of the role of corporate social responsibility on the firm's performance.

Research Objective

1. To investigate and analyze the impact of the corporate social responsibility on the firm's performance through the influence of employee performance,

2. To examine the role of customer satisfaction on the firm's performance through the firm's integration in activities of the corporate social responsibility.

Corporate social responsibility is playing an important role for determining the actual firm's performance in the local and international market. Today, presence of the competitive business environment, firms cannot neglect the importance of corporate social responsibility to perform their operations effectively. In Pakistan, large number of businesses is ongoing; however, small businesses and companies are focusing on the integration of the CSR in their current operations as the only focus of the firms is to generate revenue and earn high profits.

The structure of this research paper is interconnected with literature review based on past and previous research, theory and model related to Corporate Social Responsibility and firm's performance. Research methodology deals with sample size and statistical development tools helping for conduction of research data, data analysis and interpretation is connected with correlation analysis and regression analysis model for determining the actual position of the variables. In the end, conclusion is presented.

LITERATURE REVIEW

Corporate social responsibility plays a dynamic role leading towards the firm performance [12]. The process of corporate social responsibility business function activities are considered as the ones that exceed the inner compliance in the organization in terms of environmental changes such as well social regulation, developing the customers negative and positive perceptions, feedback of products or services, firm advancing and progression the social goals as well [13]. Importance's of corporate social responsibility is always changing the competitive business environment, providing the current new approaches and change the current operation business functionality [7]. Most of the well reputed firms performance are based on their aim for making the society free of pollution, processing manufacturing and introducing the innovative global information technologies make the world free of health [6]. It is observed from past literature many firms working all around the global emphasis their special intentions for maintaining the social environment through friendly, work for welfare, promote the process of green environment leading towards the corporate social responsibility activities [14].

For managing all of the activities firms are designing and developing the special new and changing the current department and also hiring specialized managers for more work promoting the corporate social responsibility [15]. Another important aspect of corporate social responsibility is interconnected with stakeholders and firm profitability [3]. Stake holders are very important for the

survival of any firm. Stake holder basically includes stake holders, employees, customers and their satisfaction is necessary for the corporations. Well qualified stake holders group are understand the thing that corporation responsibility is not only to increase sales and profit but also to perform some obligations toward the society that is to keep society green and clean for the welfare of people [6]. Now a day there is a rapid growth in socially responsible investment funds and this trend is seen to be going upward and this fund is basically invested by corporation all over world in order to make environment clean and pollution free.

Stakeholders and shareholders of corporations now clearly understand their responsibilities, positive actions and decision making skill always leading toward the society and they now intentionally involve themselves in betterment of people of a society [8]. Stakeholders are trying to make separate departments for maintaining CSR and also allocating budgets for financing more in this department and applied for funds so that they can give their best to the society. So, CSR is also a very important component for stakeholders of corporations [2].

According to the research study [7] that many firm use effective marketing strategies in order to corporate social responsibility functional activities provide support for promotion of products or services increasing sales, market value and worth as well. Corporate social responsibility activities are worked and considered as a function that transfers honesty, trust, strength and reliability among consumers satisfaction [11]. Corporations can sale products in high profits by linking their self's to the social responsibilities and to make their customers more satisfied and loyal to them. Firms that are performing social responsibilities are in actual producing good quality products and services no matter price of products are high and low [16]. Firms who are producing the experience goods are perfectly and properly engaged in the CSR activities than the firms which are involved in producing the search goods. Hence, strategic implications involving CSR activities proved to be beneficial for corporation [17].

CSR activities can overcome the gap between customer and firm. Customers are more attracted to the firms that are highly involved in CSR activities. But for firm it is necessary to aware its customers and for this sole purpose they use advertisements and marketing strategies [18]. Corporate social responsibility activities are always help a lot to its customer in making purchase decisions and changing the consumers behavior towards the products or services, because customer firstly review or think about firms CSR activities firstly and then about its quality [19]. The process of corporate social responsibility activities matters a lot for the firms because sometimes customer can buy products from those that are involved in these activities although they are not willing to pay high prices. For increasing the firms value it is necessary for them to aware their customers about

their involvement in corporate social responsibility functionality [12]. The advertisements, effective marketing strategies and media coverage may increase the knowledge of customer about the firm's involvement in corporate social responsibility and also make customer aware about corporate social responsibility activities to well perform the firm performance. Customer are more likely to know about all the elements of corporate social responsibility functional activities performed by any firm either they are positive or negative no matter. Corporate social responsibility performance of any firm can be shown to customer and make them aware about this through advertisements [20].

Customer can decide either the activities performed is positive or negative because consumer can assume corporate social responsibility activities performed by one firm positive and same activity performed by another firm negative this is due to priority given by customer [21]. The previous reputation of any firm can badly affect the corporate social responsibility value relation because customer can less prefer corporate social responsibility activities of those firms which have poor prior reputation. So, value of firm can increases by customer awareness about corporate social responsibility activities performed by any firm or organization [6].

Theoretical Framework model

The theoretical framework model of this paper is composed of two main variables that are independent variables and dependent variable. Both of these variables are positively interconnected with each other. The theoretical framework model of this paper is given below:

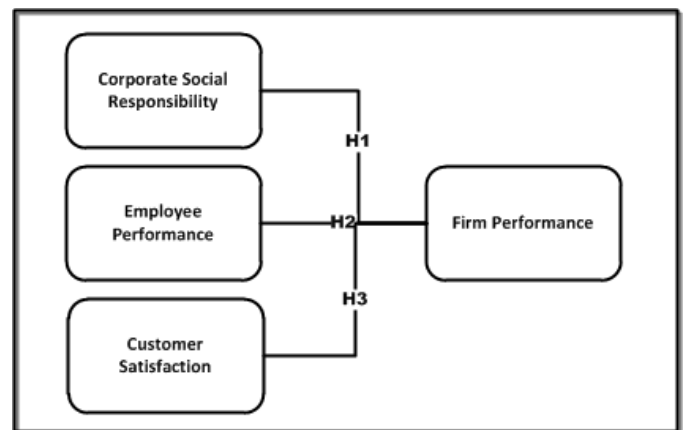


Figure 1: Framework

Hypothesis 1:	Corporate social responsibility is positively correlated with firm performance.
Hypothesis 2:	Employee performance is positively correlated with firm performance.
Hypothesis 3:	Customer satisfaction is positively correlated with firm performance.

METHODOLOGY

Methodology of the research revolves around the integration of number of complex interlinked phases. The research initiates from the definition of the research problem. This research presents the problem of the investigation of the role of corporate social responsibility on the firm's performance. The problem is not very specified or very broad. On the basis of the research problem, literature review section is constructed. Past research studies and previous research findings are presented in the similar domain conducted by the past researchers.

The parameters indicated by the research studies are integrated in the form of the development of the theoretical framework model identifying the dependent and independent variables. The dependent variable is firm performance, whereas independent variables are corporate social responsibility, Employee performance and Customer satisfaction. Their relationship is constructed in the form of the research hypotheses. A next phase deals with the identification of the design research presenting various research strategies adopted by the researcher for the practical conduction of the study. Research design acts as the road map for the study. After presenting the research design, the data is collected by the researcher from the selected number of respondents in a form of questionnaire.

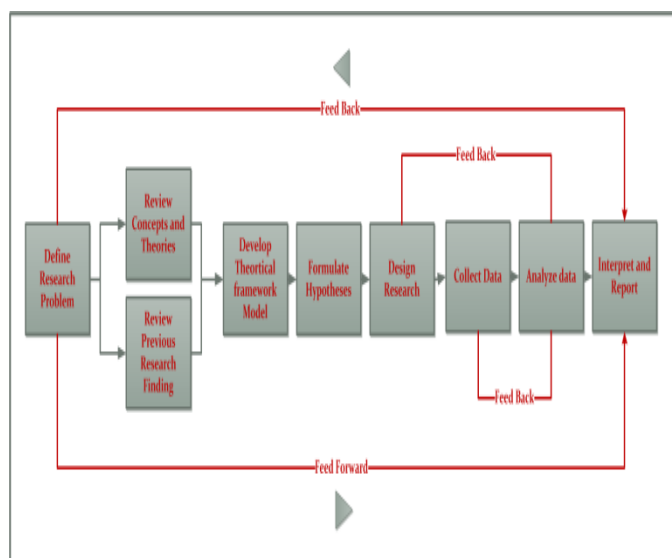


Figure 2 Research Methodology

The data collected is deeply analyzed through the implication of various tests and the presentation of graphical figures. However, if the phases are not conducted appropriately, then the feedback component is

utilized until or unless, positive feedback is received. Accordingly, the interpretation and report is presented.

The selection of appropriate sample size is one of the critical tasks as the complete research is dependent upon it. The data is collected from the selected number of respondents in a form of filling the questionnaire as the research study is quantitative in nature. The sample size of the study is 101, taken from the employees working in the private sector of Pakistan. The main statistical development tools used in the conduction of the research study is SPSS. SPSS is the predictive software used for the effective analysis of the data collected from the selected number of respondents identifying the appropriate relationship of the variables, that are dependent and independent variables. MS excel is also used for the entrance of the data.

DATA ANALYSIS AND INTERPRETATIONS

Data analysis and interpretation plays a dynamic role in conduction of the research paper. In this data analysis and interpretation is associated with two main analyses such as correlation analysis and the other one is regression analysis.

Correlation analysis is used for determining the correlation relationship between variables. First hypothesis is about the corporate social responsibility which is positively interconnected with firm's performance. So the correlation values of corporate social responsibility and firm performance is .593** having significant value i-e .000. Second hypothesis is about the employee performance is positively interconnected with firm performance. So the correlation values of employee performance and firm performance is .930** having significant value i-e .000. Third hypothesis is about the customer satisfaction is positively interconnected with firm performance. So the correlation values of customer satisfaction and firm performance is .917** having significant value i-e .000. Hence value is prove and support this study (Table 1).

Regression analysis shows the actual position of the variables. The main predictors are customer position of the variables. The main predictors are customer position of the variables. The main predictors are customer position of the variables. Regression is denoted by R having value of .954 and R square is .910. These values support this study (Table 2).

This coefficient table is emphasis on the value of standardized coefficient. This standardized coefficient factor is associated with beta value determine the actual strength of the predictors. So according to the results, it is analyzed that corporate social responsibility is considered as the best predictor having beta value i-e (.333) and second best predictor is the customer satisfaction beta value i-e .075. Both of these predictors influence the overall firm performance (Table 3).

Table 1: Correlations

		Corporate Social Responsibility	Employee Performance	Customer Satisfaction	Firm Performance
Corporate Social Responsibility	Pearson Correlation	1	.780**	.719**	.593**
	Sig. (2-tailed)		.000	.000	.000
	N	101	101	101	101
Employee Performance	Pearson Correlation	.780**	1	.968**	.930**
	Sig. (2-tailed)	.000		.000	.000
	N	101	101	101	101
Customer Satisfaction	Pearson Correlation	.719**	.968**	1	.917**
	Sig. (2-tailed)	.000	.000		.000
	N	101	101	101	101
Firm Performance	Pearson Correlation	.593**	.930**	.917**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	101	101	101	101

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.954 ^a	.910	.907	.28793

a. Predictors: (Constant), Customer Satisfaction, Corporate Social Responsibility, Employee Performance

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.043	1.193		2.551	.012
	Corporate Social Responsibility	-.229	.035	-.333	-6.641	.000
	Employee Performance	.737	.092	1.117	7.994	.000
	Customer Satisfaction	.102	.172	.075	.595	.553

a. Dependent Variable: Firm Performance

CONCLUSION

It is concluded that corporate social responsibility strongly impact on firm performance. Firm performance of the organization is determined with the help of employee performance and customer satisfaction. Employee performance and customer satisfaction both plays an important role for the organization and improves the overall system or efficiency. It is analyzed that corporate social responsibility perform activities contribution in term of enhancement of profitability, increasing market worth, value and stakeholder interest of firms. Today, competitive business market private organization has a goal to increase its value and profit all over the global market. But now, every organization also wants to aware

its customers about corporate social responsibility that they are performing for betterment of a society.

People have got more aware about the impact of the businesses as well as a specific company on the society and its environment. It is concluded from the above discussion and analysis that due to awareness among the people about corporate social responsibility, they can prefer the product of those companies which are performing corporate social responsibility activities and for them price does not matter, they don't think now that the product have high price is of good quality and less price of product has cheap quality, they give value to that products whose firms are involve in corporate social responsibility function and business activities, and for them price does not matter either high or low. Most of the private organizations are spending on well performing the

activities of corporate social responsibility increasing customer satisfaction. It is important to understand the relationship between CSR and satisfaction. We can elaborate this point in a way that what types of activities performed by corporations can satisfy customers. As we can now that it is not possible that always corporation's actions and activities can provide benefit to customer and satisfy them. So, it is a wise decision that is to be taken by bank community to invest or allocate funds in such corporations which are performing corporate social responsibility activities that are satisfying their customers, in this way that can build a strong relationship with customers and can make their society green and clean and their customers loyal. Company perform corporate social responsibilities it can create effective image in its consumer's eye and fulfill their expectations which in result increase their profits and they lead to success and this success can also enhances the economy of a whole country because production increases and by performing CSR activities companies can increase their profits as well as make the environment green.

Future Work

This research is conducted within a specified domain. However, more research studies should be carried on the similar domain investigating number of other parameters which are interlinked with the approach of corporate social responsibility so that overall business environment can be improved and more focus can be laid on the welfare of society with an aim of earning high profits.

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