

## **The Impact of Corporate Social Responsibility on Firm's Productivity: A Comparative Study of Two Competing Firms having UN Global Compact Status**

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### **Abstract**

*This study explores that how CSR is related to productivity and what differences are there in the CSR practice of pharmaceutical firms Gsk& Abbott in Pakistan. The purpose of this study is to fill the present research gap by conducting a research on Pharmaceutical sector of Pakistan & to know what impact CSR has on productivity and whether both firm exhibit similar CSR practices. This study is a quantitative type of study. Data is collected through the questionnaire, distributed among the employees of two pharmaceutical companies i.e. Abbott and GlaxoSmithKline (Gsk). A stratified random sample of 150 employees of Gsk and 174 employees of Abbott was selected. The dependent variable of the study is productivity and corporate social responsibility is independent variable. The statistical tools i.e reliability, factor analysis, descriptive statistics, correlation, regression and independent T-tests were applied to obtain the results. The Analysis reveals a positive correlation between corporate social responsibility and productivity. The Regression Analysis predicts that corporate social responsibility effects productivity positively. The findings of the study show that CSR leads to higher productivity in these pharmaceutical firms located in Pakistan. In addition, the results also demonstrate that there is insignificance difference in the CSR practices of Gsk& Abbott.*

**Keywords:** *Pharmaceutical firms (Gsk and Abbott, Karachi, Pakistan) Corporate Social Responsibility (CSR) & firm's productivity.*

### **1.1 Introduction to the Study**

CSR is defined as a business strategy through which businesses focus on the interests of the entire society while performing its business activities. The presence of CSR practice plays a vital role in employees' retention, their commitment and ultimately enhances the productivity of the firm (Stawiski et al., 2010). The findings of many researchers' show that CSR involvement of businesses increases employees, motivation, commitment and overall growth of the company (Al binger and Backhaus et al., 2002; Markowitz,1972; Turban and Greening, 1996). Therefore it is important

for the businesses to be engaged in CSR practice to make employees more satisfied and to enhance the company growth and productivity. Here we elaborate what CSR is and how it has been defined by well-known researchers.

A generally accepted definition was offered by Leonard and Rodney Adams (2003). They view CSR as “Acceptance of responsibility of corporate actions would have a positive impact on the environment, employees ‘consumers and communities as a whole’”. Cochran and Wood (1984) defined CSR as “Businesses desire to achieve sustainable economic development, aspiration to work for employees, their families and the community/humanity thereby making efforts to improve the worth and standard of workers life and the society”. Lawrence and Weber (2000) conducted a research and defined CSR as “Communities, environment and people are affected by the activities of corporates thus it held liable for the effects of its actions/operation thus doing things in best interest of the community and protection of environment”. Another important definition by Carroll and Bachholts (2000) explained CSR as “having concentration on the collective interest of social system and taking the responsibility of every action the individual do in the community /society”.

Most often, the principles of UN Global Compact is more important here to elaborate the concept of Corporate Social responsibility. The sustainability of corporation is mainly dependent on its value system and approaches to these ten principles of CSR. The operation of a company should be in such way to accept the minimum responsibilities of human rights, environment, and labor and anti-corruption. Responsible businesses comply with these responsibilities in the areas where they operate. These principles are discussed as under:

Principle first refers to respecting and supporting the internationally stated human rights. Principle second refers to Business that should make sure that they are not involved in illicit activity or violating any human rights. Principle third recommends that Business should support freedom of association and acknowledgement of rights for the labors. Principle fourth advocates that Business should discourage force labor. The fifth Principle refers to discouraging /eliminating of Child labor. Principle six then forces Business to eradicate any kind of discrimination in employment, workplace and occupation. Principle seven suggests that Business should support tactics that help them to meet environmental challenges. Principle eight proposes that Business should take active steps for environmental protection. Principle ninth refers to the use of environmental friendly technologies i.e. businesses have to use such technologies that have least impacts on the environment. The last principle enforces the Business to work against corruption and any other kind of bribery.

Research conducted by Roshima (2009) has defined CSR as “a business strategy to make parallel its business operation with environmental and social concern”. While discussing CSR, four components are more important to be discussed here; environment, workplace, market place and community. Marketplace refers to the connection of company/business with supplier, customers and competitors. Compliance with obligations/policies increases customer trust, customer retention and attraction which further appeal for the support of community. By having trusted and committed customers’ will further enhance the productivity of that firm (Vilanova et al., (2009). However, Juanita Oeyono, (2011) found a different results. He analyzed the impacts of CSR upon financial performance and observed that spending on social practices increases the costs of the company/ business which decrease the competitive advantages of the company. Juan-Gabriel (2009) conducted

a research and found positive outcomes of Corporate Social Responsibility (CSR). He argued that a company hires skillful employees and create better product and service image in the market while adapting to social practices. Having skillful and committed employees eventually boost the productivity of the firm. CSR activities have positive impact on productivity of the company (Dunn, 2009; and Aupperle, 1985).

However, no consensus result was found among the scholars in literature i.e. different scholars have different views regarding interrelationship of CSR & productivity i.e. how CSR is related to Productivity. Different opinions of scholars exist regarding what CSR responsibilities are and to whom they are concerned. Friedman(1970) is against CSR practice and argues that a business has no responsibility except maximizing stockholders profit by using legal ways. Many researchers view that corporations have a number of ethical and legal responsibilities towards their stakeholders (Carroll 1993, 1999; Donaldson and Preston 1995; Freeman, 1984). Frederick views are somewhat in between the two limits. He defined CSR as the “the reaction of business to the social prospects of the society / community”.

The current literature of CSR is more important in which Carroll (1979) defined the four main characteristics of the Corporate Social Responsibility i.e. He included four responsibilities in the definition of CSR. These are Economic responsibility; or profit maximization is the first and sole duty of the business. Legal Responsibility; refers to Submission of businesses to government laws and guidelines. Ethical Responsibility; this responsibility is not imposed by law but the companies itself practice it for their good name and reputation. Philanthropic Responsibility; It is also named discretionary responsibility. A corporation/business is an important part of the society cannot be isolated from the society where it runs. It has some impacts on the society in which it operate. Therefore it is necessary for the corporation to fulfill the basic essentials and wants of the society/community while performing it business actions. Eels and Walton (1974) broadly defined CSR as “embracing the social needs and goals of the society beyond the sustainable economic development, the continued existence of a business is more dependent on a free functioning and effective society thus corporate social responsibility is more concerned to support and develop the social order of society”. Eilbert and Parket (1973) termed Corporate Social Responsibility (CSR) as a good neighbor. He defined CSR as “performing the deeds that do no harm to the neighbor and involving in voluntary actions that solve the problems of the neighborhood (society). Studying the relationship between corporation and society, the Committee for Economic Development (1974) defined three levels of social responsibility. The first level of responsibility refers to economic responsibility i.e. creating job opportunity, delivering good products struggle for economic growth. The second level is using a portion of economic growth for bringing awareness and changing social values and priorities like environmental protection, workplace safety and responding to the expectations of customers and society as a whole. The third and final level of responsibility is to be engaged in improving social environment (Committee for Economic Development 1971).

In short, the concept of corporate social responsibility clearly defines that businesses should positive contribution to the social expectations of the society and not to hurt the society at the gain of self-interest”. Research conducted by Vilanova et al. (2009) examined that CS is positively associated with the productivity of a firm.

He proved this relationship in his research on chemical industry. He argued that CSR increases a firm level competition through learning and innovation cycle resultantly the firm achieves competitive edge and increased productivity. His findings view a positive association between CSR and productivity of firms. He argues that engagement of chemical firms in CSR activities leads to enhanced productivity in future time. He argued that the impacts of CSR on productivity for chemical firm are greater because of intense struggle in the marketplace.

Porter and Kramer (2006) argue that engagement in CSR activities brings opportunities, innovation and competitive edge to the businesses. They view that maximum social and financial benefits may be accomplished through better performance in the society. Association between CSR and Productivity has also been explored by a number of researchers. (Li Sun, 2012) conducted his research on chemical firms and found that chemical firms in United State engaged in CSR activities lead to higher productivity. According to (Vilanova et al., 2009) CSR activities have positive impacts on productivity of chemical industry.

Gsk and Abbott are competing rivals having high market shares and there CSR activities have become the integral part of their business practices. This study is intended to inspect the impacts of CSR and productivity in Pharmaceutical firms' i.e. GSK & ABBOTT located in Karachi. This study will also deliver the indication to support the suppositions of Porter and Kramer (2006) Vilanova et al. (2009) and Aupperle (1985). Moreover, understanding the theory of CSR is based on the Social, economic and ethical and responsibility. It is cleared that the practice of Social activities of businesses have directly or indirectly affect effective training, innovation in technology, information sharing and positive & productive work environment which leads an enhanced productivity of the business/firm.

The literature of CSR has revealed that researchers have often observed the impact of CSR on other dimensions of CSR like the impacts of CSR on financial performance of the firm. Very few studies have been done to examine the impact of CSR and productivity of the firm. Inadequate attention has been given to the impacts of CSR on productivity in the pharmaceutical sector of Pakistan. Moreover, this study is unique in the sense it compares the CSR practices of two competing firms having Global Compact status which have never been investigated before.

### **Problem Statement**

The study on the impact of CSR on productivity is still comparatively small that has got an increasing interest to be explored. GSK and ABBOTT are the pharmaceutical firms in global compact exhibiting similar trend in the same market. It has been debated among researchers and academicians that whether these firms' exhibit similar CSR practices or not and what kind of relationship CSR has with productivity. This need to be explored and understand the CSR practices of these competing firms.

### **Research Objectives**

Previous research conducted in different sectors give inadequate/inconsistent results about how CSR is related to productivity. They presented quite different views about the relationship between CSR and productivity (Freeman, 2000; Greening and Turban, 2000; Stawiski, 2010; Wazzan, 1999). there is still little indication to support that CSR and productivity are related. Still the companies are making efforts to participate in CSR activities for achieving financial gains and enhanced productivity. This study aims to fill the existing gap which will encourage the companies to invest

in CSR programs if it has value for both company and investors. Following are the main objectives of the research:

Following are the main objectives of the research:

1. To examine and investigate the impact of CSR on the productivity of these pharmaceutical firms of Pakistan.
2. To Compare the CSR practices of both these pharmaceutical firms.
3. To suggest ways of improvement in CSR practices of these firms in the light of the findings of this study.

### **Research Question**

Viewing the above mentioned objectives of this study the following research questions are to be answered in this study.

1. What is the impact of CSR on the productivity of these two Pharmaceutical firms i.e. GskAbbott?
2. What kind of differentiation is there in the CSR practices of both these firms?

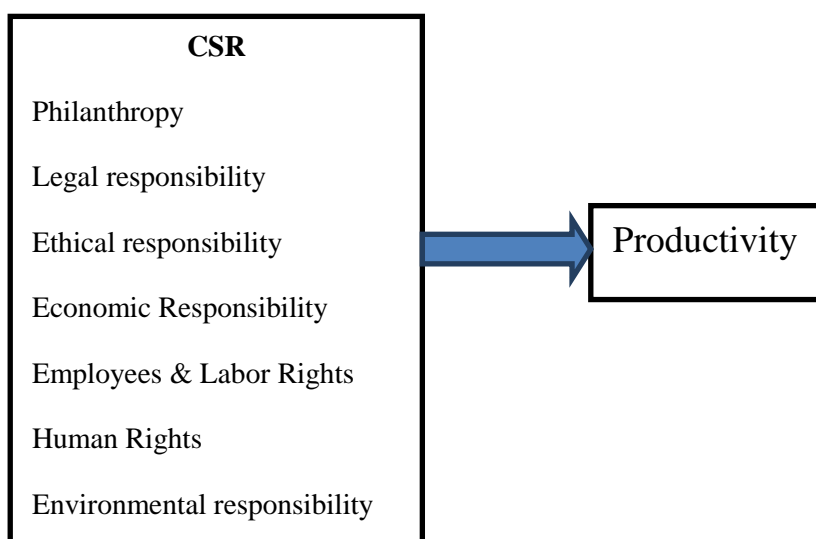
### **Review of Literature**

The topic of CSR is inexplicit which has got increasing attention of the researchers. Many studies have been done to explore the relationship of CSR and productivity in different sectors. Friedman (1970) defined responsibility as a “contribution” given from shareholders wealth to stakeholders that decrease a firm’s profits. Markowitz (1972); Turban and Greening (1996), Backhaus et al. (2002), Peterson (2004); Dawkins (2004) viewed that corporate social responsibility activities play a vital role in appealing inspired new employees and also develops devotion of present employees which further increase the productivity of the firm. Stawiski et al. (2010) proposed that CSR activities are more fruitful when employees are supposed to participate in decision making concerning their activities in the environment and community. The more employees are influenced by CSR actions, the greater will be their organizational commitment, and resultantly it will enrich employee’s productivity. “Fleishman-Hilliard (2001) says that sale and reputation of a company is enhanced by engagement in social practices. Wright and Ferris (1997) found negative impacts of CSR on firm Productivity. Posnikoff (1997) reported a positive relationship, while Welch and Wazzan (1999) found no relationship between CSR and productivity. Aupperle et al. suggested that CSR is negatively related to firm performance. Karnani (2010) argued that CSR activities increase costs without sufficient offsetting benefits and hurt performance of the firm. Kremer (2006) and Vilanova et al. (2009) argue that CSR activities lead to higher productivity. Luo and Bhattacharya (2006,) found no relationship between CSR and firm performance. Cochran and Wood (1984) find a positive link between CSR and financial performance. Stanwick and Verschnoor (1998) argued that CSR is positively related with sale growth and that return on sale is positively related to CSR. Simpson and Kohers (2002) find a positive association between CSR and financial performance in banking sector. They view that the costs of CSR cannot be compensated by employee’s morale and productivity. According to (Vilanova et al. (2009), CSR activities have positive impacts on productivity of chemical industry. (Porter and Kramer (2006) Russo and Fouts (1997) conducted in their research that Chemical firm engaging in CSR activities make them more productive. According to their view CSR and productivity are positively related with each other.

All these studies have adopted various research methodologies but they presented quite different views regarding CSR results. None of the study has been conducted regarding CSR and productivity association in the pharmaceutical sector. Studying relevant views of CSR indicate a vacuum in the literature regarding impacts of CSR on productivity of the firm. The purpose of this study is to cover this research space and to examine the impacts of CSR on productivity of the firm in Pharmaceutical sector (Gsk& Abbott) of Pakistan.

**Theoretical Framework**

Theoretical framework of this study consists of Corporate Social Responsibility (CSR) as independent variable and productivity of the firm is used as dependent variable.



**Fig: 1**Theoretical Framework

**Hypothesis Development**

This research study is based on the following research hypotheses framed with the help of the previous literature.

- H1: Human Rights have positive impact on productivity.
- H2: Employees & Labor rights have positive impact on Productivity.
- H3: Philanthropy has positive impact on productivity.
- H4: Environmental protection has positive impact on productivity.
- H5: Ethical practice has positive impact on productivity.
- H6: Anti- corruption has positive impact on productivity.
- H7: Suppliers having compliance with standard codes of conducts have positive impact on productivity.
- H8: Economic gains have positive impact on productivity.
- H9: Compliance with legal obligations has positive impact on productivity.
- H0: There is no difference in the above mentioned CSR practices of GSK and Abbott.

**Brief Research Methodology**

The study is quantitative type of research. Data was collected through questionnaire. Questionnaire was adopted with slight modification as per the

requirement of the study. The questionnaires were distributed among the employees of two pharmaceutical companies i.e. Abbott and GlaxoSmithKline (GSK). The dependent variable of the study is productivity and corporate social responsibility is independent variable. Quantitative Analysis approach is used in this study to statistically observe the relationship between CSR and productivity of pharmaceutical firm of Pakistan. The population of this study was consisted of the total number of employees of the two pharmaceutical firms of GSK and Abbott. A stratified sampling technique is used in this study.

The whole population of employees is divided in three groups' managerial level, middle level and operational/lower level employees. After this a random sampling of 150 employees of GSK and 174 employees of Abbott (total 324 employees) were selected which was the sample of the study. The instrument (Questionnaire) was distributed among the employees. The questionnaire is consisting of five Likert scale having items starting from strongly agree to strongly disagree which was suitable to measure the feelings of respondents. Respondents are supposed to tick the items of the Likert scale by indicating their level of agreement and disagreement. Data collected on the basis of above sample size was analyzed through Correlation, regression analysis, Factor analysis, Confirmative Factor Analysis, Reliability and T-test.

#### **Statistical tools and Models**

Descriptive statistics, Factor analysis, Confirmative Factor Analysis, Independent T-test, correlation, regression & regression assumptions, reliability, validity and questionnaire were the techniques which are used in this study to get the true intended results of the research.

Factor analysis is used to define the inter correlation in the questions in a variable. Cronbach's alpha test is used to test the internal consistency or reliability of measurements. KMO and Bartlett's tests have been applied in this research study to know the adequacy of sample size in this research study. Correlation analysis is used to understand the nature of relationship in the variables. Regression analysis used here is to determine the impact on dependent variable caused by independent or predictive variables i.e. it shows the changes caused by independent variable in the dependent variable.

#### **Operational Definitions**

In this section various dimensions of corporate social responsibility and productivity of a firm are discussed.

#### ***Corporate social Responsibility***

CSR is defined as "Concept whereby companies assimilate social and environmental actions in their business operations and in their business interaction with their stakeholders on a voluntary basis" (Crane et al., 2008). Implementations of CSR strategies are different in different firms. Some firm focus on Human rights and labor rights while some firms have aspiration for clean environment during operations. Frooman (1997) defined CSR as "actions done by the businesses for the social welfare of stockholders" CSR is used as a business philosophy to develop the growth of business by keeping the interest of the whole society. Thus the costs of CSR practice do not go waste but bring good revenue to the business. CSR is a voluntary action through which companies meet the expectation of the general people who demand good and social practice. Thus by delivering good services the companies create a positive image among the general public. The significance of this

research is that it takes into account several dimensions of CSR comprising of human rights, employees and labor rights, anti-corruption, ethical, economic, legal and environmental responsibility.

***Human rights***

This dimension is concerned to discourage child labor, forced labor, employees' discriminations and ensuring safe working environment. It is related to prevent inhuman treatment like sexual harassment and protection of all kinds of human rights.

***Philanthropy***

It assess donation of funds and charitable contribution for the welfare of society and community. It refers to donate some money for the good cause of society. The company's actions and practices must meet the need of environment customers, society, community, employee and other key stakeholder.

***Legal Responsibility***

This responsibility refers to Abiding government laws and regulations. Corporate should obey the rules and laws of govt. A company operation and activities must be in accordance with the rules and requirements of law. A company is profitable but it should ensure that it follows and obey laws of corporate social responsibility. A company should not be involved in any illegal or unlawful activity which is against the government law. All aspects of legal responsibilities like security and labor law, criminal Law, environmental laws must be followed by company if it obeys the law.

***Ethical Responsibility***

This responsibility is not imposed by law but the companies itself practice for their good name. Following moral path of business that does not harm other. A business cannot earn profit unethically and irresponsibly. Fair wages safe working conditions, employees satisfaction welfare funds donations to local communities, care for society and using environmental friendly technologies all come in the range of ethical responsibility.

***Economic Responsibility***

This responsibility refers to profit maximization of the business. The first obligation of the firm is to maximize the wealth of shareholders. Thus a company is initially concern with economic gain because it is a fact that a company existence depends upon money, if a company does not earn money it will not be able to retain its employees and even to continue its operations so it will not care about social responsibility. Therefore a company definitely thinks about social actions or social welfare after earning profit. To get a good corporate citizenship and reputation a company needs to be profitable in its business career.

***Environmental Responsibility***

This area focuses on protection of environment and use of environmental friendly technologies that reduce the pollution. Corporation should adopt strategies for protection and safety of environment. A business should be careful for its operation and must avoid any activity that have bad impact on the environment. At the same time a business must have management policy for its wastes in order to have a clean and safe environment.

***Employee and Labor Rights***

This area focuses on gender equity, non-discrimination among employees, discouraging child and forced labor and prevention of inhuman treatment like sexual harassment.



**Anti-corruption**

This area focuses that businesses should work against corruption and it's all sorts.

**Productivity**

Productivity refers to the effectiveness of a company to utilize and use resources for generating income. Productivity of is reflected in term of productive and committed employees, employee retention and ultimately sale and profit of the company. Babinchak (2007) views employees become more productive by perceiving fairness and transparency in the organization. Employees' satisfaction also leads to higher productivity. Best (2008) argues that an enhanced productivity is possible by keeping employees fulfilled their needs and safe environment. Satisfied employees are more committed to their companies which further results in high productivity. Similarly investment on human training (employees) is more important for productivity. Investment on human resources increases the Skill, knowledge and experience of employees which further enhance productivity of the company. Costs of human capital are used to motivate, retain and train the employees that results in high return in term of enhance productivity, sale and profit (Flamholtz and Lacey, 1981). Suhendah (2012) argues that effectiveness of a firm depends upon how it uses its resources to generate return. A research conducted by Irfan&Aslam (2010) suggests that Employee productivity is increased through organizational justice. In this study the productivity of the firm is measured through eight questions mentioned in the questionnaire indicating staff opportunities learning, training, productive work environment and familiarity with new technology.

**Data Analysis****Reliability Analysis****Table No 1 Reliability**

Variables	Cronbache'sAlpha	No. Item
Human Rights	0.788	9
Philanthropy	0.789	5
Employees & Labor Rights	0.709	9
Legal Responsibility	0.734	3
Ethical Responsibility	0.767	3
Environmental Responsibility	0.702	5
Economic Responsibility	0.781	3
Anti-Corruption	0.877	3
Supplier	0.711	3
Productivity	0.762	8

The above table 1 shows the reliability of the data collected for the variables mentioned. The results show that the data is reliable due to the Cronbach's value above the acceptable ranges. The researchers argued that alpha value of above 0.60 is acceptable; however the value of alpha of this variable is well above the desired and acceptable level. So the scale is highly reliable for further analysis of this study.

**Validity and Explorative Factor Analyses**

As the questions were self-designed in the light of the previous studies, so face, content and construct validity conducted. Factor analysis is a statistical method used to describe variability among observed correlated variables in terms of a potentially lower number of unobserved variable called factors. Factor analysis is

used for data reduction. Factor analysis is used for large sample size. For example, it is possible that variations in four observed variables mainly reflect the variations in two unobserved variables. Factor analysis searches for such joint variations in response to unobserved latent variables. The observed variables are modeled as linear combinations of the potential factors, plus "error" terms. In short, Explorative Factor Analysis conducted and found that all questions of all variables loaded above 0.6 each, which signified the validity of different questions used in the variables of this study. The KMO test was performed for knowing the sample adequacy and results reported value above 0.6 for each variable of the study, which confirm the sample adequacy (Tobachnic and Feidel, 2007).

**Table No 2 Correlation Matrixes**

Variables	Human right	Philanthropy	Employees & labor right	Legal responsibility	Ethical responsibility	Environmental responsibility	Economic responsibility	Anticorruption	supplier	productivity
Human right	1									
Philanthropy	0.095	1								
Employees & labor right	0.065	.163**	1							
Legal responsibility	0.05	.233**	0.182**	1						
Ethical responsibility	0.015	0.007	.297**	.115*	1					
Environmental responsibility	0.029	0.144**	.213**	0.301**	.173**	1				
Economic responsibility	0.177**	0.297**	.166**	0.028	.193**	.311**	1			
Anticorruption	0.177**	0.297**	.166**	0.028	.193**	.311**	1.000**	1		
Supplier	0.113*	0.172**	0.088	0.035	.156**	.148**	0.03	0.03	1	
Productivity	.143**	0.099	.275**	0.053	.168**	.172**	.263**	.263**	0.075	1

Correlation analysis was conducted to investigate the strength of association/ relationship between the productivity and CSR.

The results in the above table show that there is a strong correlation among the variables of interest. The results show that all variables of the CSR (Human rights, Philanthropy, Employees and Labor rights, Environmental, Ethical, Legal, Economic responsibilities, Anti-corruption and Supplier) have positive correlation with the productivity of these firms. The results of the above table also indicate that human rights, employees and labor rights, economic responsibility, environmental responsibility, ethical responsibility and anti-corruption have positive and significant impact on productivity of the firm while Supplier, legal responsibility and philanthropy have positive but insignificant impact on the productivity.

**Regression Analysis****Table No 3 Regression Analyses**

<b>Variables</b>	<b>Beta</b>	<b>St. error</b>	<b>T. values</b>	<b>P values</b>
Human rights	.088	.053	1.667	0.096
Philanthropy	0.109	0.050	2.188	0.029
Employees & labor rights	0.163	0.053	3.064	0.001
Legal responsibility	0.025	0.043	0.594	0.553
Ethical responsibility	0.026	0.031	0.835	0.404
Environmental responsibility	0.066	0.053	1.253	0.091
Economic responsibility	0.157	0.041	3.782	.000
Anti-corruption	0.044	0.016	2.626	0.010
Supplier	0.044	0.027	0.626	0.105

.Dependent Variable: Productivity, F Value= 12.752,  $R^2 = 0.364$ , T=B/St. error

The table above shows that all facets of CSR have positive impact on the productivity.  $R^2$  shows the change in dependent variable (Productivity) caused by Independent variable (CSR). Value of Beta shows a unit change in the predictor (independent variable) that will carry how many changes in the response variable (dependent variable), and F- value indicates the overall significance of the model. The value of  $R^2$  specifies the changes caused by independent Variable in dependent variable. The R-square value indicates that almost 36 % changes are incurred due to the changes in independent variables of this study. It means, if we increase CSR practices by 1%, it will increase productivity by 36%. The F-value is 12.75 which is above the required value 4, therefore this suggests that the model is significant. Table shows that Philanthropy, Employees and labor rights and economic responsibility have positive and significant impact on Productivity of these firms, as the t- value is above 2 and significant at 5% probability level. Similarly human rights, environmental, legal, ethical responsibilities, anti- corruption and suppliers have positive but insignificant impact on the productivity of these firms, as the T-value is less than 2 and is insignificant at 5% probability level.

**Regression Assumptions****Table No 4 Multi-collinearity Statistics**

	<b>Tolerance</b>	<b>VIF</b>
Human Rights	.944	1.059
Philanthropy	.706	1.416
Employees & Labor rights	.645	1.550
Legal responsibility	.614	1.629
Ethical Responsibility	.685	1.459
Environmental Responsibility	.792	1.263
Economic responsibility	.837	1.195
Suppliers	.786	1.272

a. Dependent Variable: Productivity, Durbin-Watson= 2.196,

Regression assumption Results shown in the above table shows that VIF (Variance Inflation Factor) values for the variables of Human Rights, Philanthropy, employees and Labor rights, ethical, economic, legal, environmental responsibilities, Ant-corruption and supplier are so small/below threshold value; therefore there is no auto correlation and multicollinearity.

### Independent T-Test

**Table No 5 Independent T-Tests**

Variable	Gsk Respondents Mean	Abbott Respondents Mean	Levant Test F value	P. Value
Human Rights	4.30	4.29	0.271	0.603
Philanthropy	4.27	4.30	0.123	0.736
Employees & Labor Rights	4.18	4.25	2.43	0.120
Legal Responsibility	4.40	4.49	0.375	0.541
Ethical Responsibility	4.06	4.18	2.38	0.123
Environmental Responsibility	4.19	4.26	0.471	0.493
Economic responsibility	4.12	4.12	0.126	0.723
Ant-Corruption	4.12	4.12	0.126	0.723
Supplier Responsibility	4.39	4.39	0.027	0.870
Productivity	4.28	4.29	0.164	0.668

The test was conducted to compare the difference in the feelings of Gsk and Abbott employees about CSR practices. The Levant test for variables of CSR is insignificant at 5% level for all the facets used to predict the CSR, thus there is no difference in the CSR practices of Gsk and Abbott.

### Conclusion

The trend of CSR activities in Pakistan has been increasing nowadays which attracted the business firms to engage in these practices. It is very obvious that engagement in such kind of activities have impacts on the firms' value/Financial performance/productivity. In this regard, different schools of thoughts have different opinions indicating positive, negative as well as no relationship at all. Thus the question of causality arises, that in which direction CSR impacts productivity of the firm. The connection of CSR with productivity can be found in both directions and there is no clear answer for this. However, there are evidences that CSR and Productivity are directly related.

The resolve of this study is to fill the present research gap by investigating the impacts of CSR on productivity of Pharmaceutical firms (GSK & ABBOTT, Karachi) having UN Global status (exercising ten principle).

The aim of this study is to fill the present research gap by investigating the impacts of CSR on productivity of Pharmaceutical firms (Gsk & Abbott, Karachi) having

UN Global status (exercising ten principle) and to compare the CSR practices of these two competing firms. This research finds that there is a noteworthy relationship between productivity and Corporate Social Responsibility (CSR) in the Pharmaceutical firms (Gsk and Abbot Karachi based) of Pakistan. The research found that there is a positive significant relationship between CSR and productivity. The results also prove that the member firms of UN Global Compact follow same CSR practices and there is no difference in the CSR practice of Gsk&Abbott. This study further suggests that the productivity of the Pharmaceutical firms increased with CSR activities. This research provides an opportunity to Pharmaceutical firms to invest in CSR practices to achieve an enhanced productivity. Having aspiration for higher productivity, the businesses will have to engage more in social and welfare activities to enhance its productivity. On the other hand, results also show firms with poor CSR reputation have low productivity. Therefore CSR practice should be exercised and implemented in these firms.

#### **Recommendations/Future Research**

This research provides a pathway to future studies to determine the value of CSR for the companies. This study can be studied in other sector as well. Viewing the conclusions of the study, it is therefore suggested that companies indulge in CSR activities increase its productivity thus future research should be done using a large sample size and other measures of variables. This study will also help to determine the relationship of CSR with other variables apart from productivity. Following are the recommendations for conducting future research;

1. The target population chosen in this research was all the employees of Pharmaceutical firms of Gsk and Abbott in Karachi. Future research may be conducted in any other set up using the same variables.
2. The same study can also be tested in any other organization indulged in CSR practices; hence their impacts on productivity can be assessed.

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