



## Is corporate social responsibility an industry sensitive phenomenon?

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### ABSTRACT

Through content analysis, this study is conducted to observe the understanding level, implementation stage and disclosure route/intensity within various nature of corporations operating in Pakistan. GRI (G-4) guidelines were taken to calculate the CSR's trends within sin and neutral industries. Overall, this research revolves around the extent of different CSR's dimensions, essence of its indicators and the nature of activities both in more and less sensitive (hazardous) corporations. Unlike proposition, it was noticed that neutral industries outperformed in almost every dimension. Government and other law enforcement institutions should act as watchdogs to monitor corporate activities, especially in sin industries. They should introduce and implement customized CSR guidelines which are not only acceptable to corporations but also fulfill the needs and priorities of all stakeholders, especially weak and silent stakeholders.

### ARTICLE INFO

**Keywords:** Corporate social responsibility, neutral industry, sin industry, GRI (G-4), Pakistan.

### Introduction

Corporate social responsibility (CSR) has recently become a hot topic among international business communities, non-profit organizations, social activists, and research scholars. Therefore, corporations are acting more responsibly by involving in socially responsible activities and behaving environmental conscious. Enterprises are disclosing various information about environment and other social deeds to their stakeholders, and act as responsible global citizens (Saxena & Kohli, 2012).

The significant impact of CSR is to reserve the planet for next generation, as the business operations cannot be conducted without interaction with general public (Linnenluecke et al., 2016). Similarly, George et al. (2016) urges to accept the grand challenge together, and resolve the global issues in harmony, full cooperation and collaboration between general public and the corporate world. They highlighted various platforms (e.g., sustainable development goals) to combat these challenges. CSR is the corporate ethical action irrespective of the legal spheres (Kilcullen and Kooistra, 1999) to scarify its resources for the prosperity of overall society.

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In fact, corporations are profitable organizations and

In the beginning, due to invisible advantages in the short run, the concept of CSR was supposed to be a unidirectional instrument (e.g., sacrificing corporate resources for the sake of stakeholders). Later, this perception was demonstrated incorrect in different studies when compared the overall impact of financial and non-financial advantages through “cost and benefits”. CSR practices can serve as strong bond which tie the core stakeholders with the corporation. Some authors (e.g., Dentchev, 2004; Husted, 2003) found out that maintaining better corporate reputation and sustain relationship with stakeholders are the most beneficial output of CSR. As a result, these outputs and stakeholder’s relationship build a strong corporate-stakeholders ground which is not only beneficial for internal organization (management & employees) but also for external organization (organization and external stakeholders). These intangible benefits indirectly contribute to minimize the operational cost and maximize the productivity and profitability. In this way, CSR can be used as a marketing strategy (cause related marketing) to build reputation and maintain corporate credibility. As a result, these corporations can get loan from financial institution with a lower interest rate, tax rebate and relaxation in government regulations by coordinating the state in their public activities. Credible organizations can also have lower employee turnover rate and thus retain the skilled human resources and minimizing the recruitment and training cost. CSR is basically the “hidden investment” which can dig out “hidden return” in long term in the shape of monetary or nonmonetary corporate benefits. CSR is not only enhancing the economic position, e.g., profit and firm value for owners, but also creating non-economic benefits, e.g., reputation in the eyes of customers, long lasting relation with suppliers, and retaining and motivating the workforce. Hassan et al. (2013) found that customers prefer the products brand that has CSR related to consumers and society. Therefore, every enterprise should disclose their CSR actions to all the stakeholders through different networks (e.g., email notifications, internal meetings and social network, media, annual and CSR reports). In this way, a clear message should be propagated across the board on corporate level.

There should be probability that the benefits of CSR may not be similar in developing countries as observed in developed countries. Due to the differences in regional institutional systems, the execution and implementation of CSR policies should be sensitized according to the specific nations

the only motive to involve in CSR activities are the financial gain in long term.

(Aguilera and Jackson, 2003; Jackson and Apostolakou, 2010; Matten and Moon, 2008). In another study (Baughn et al., 2007) conducted in 15 countries, statistically significant relationship was observed among CSR and national specific characteristics, showing the signs that encountering these issues play substantial role in formulating a solid specific CSR’s structure in that region. In fact, regional social needs and problems impact the organizational value chain (Porter & Kramer, 2011) to maintain corporate-community relations and tackle with harmony. It will be illogical to claim that government and corporations are not instigating or campaigning CSR concept: actually, they did and do. However, when it comes to application, it seems a bit fuzzy due to the recognition both from the local government and business world. Similarly, most of the time these ethical standards intersect perpetually and thus suppress the main highlighted agenda. Number of scholars investigated the regional impact of legal standards, social norms & values in specific context (e.g., Chapple and Moon, 2005., Campbell, 2007). Some scholars claimed in favor of universal CSR concept while others found variations in the needs and priorities of CSR across the countries. Holland and Foo (2003) compared various enterprises in USA and UK, and found that regional specific systems impact environment related practices. Similarly, Santema et al. (2005) observed the differences in various local forces based on culture variations in a study conducted in European countries. A number of researches have investigated that CSR activities are varying among the underlying context, and thus in differentiate across the borders (Maignan and Ralston, 2002; Chapple and Moon, 2005).

This unique relationship in various CSR’s actions give rise to few basic questions. If CSR interface is always for corporation and stakeholders: then, what are the main motives which have given rise to different frameworks for the same phenomenon? How can stakeholders assume that the responsibility of an enterprise is to generate economic value rather than involvement in any other social activities? Why is it expected from the business world to execute ethical activities? To which extent the corporations are supposed to be involved in conducting CSR activities? How can CSR be used to identify and resolve the potential problems? What are the basic indicators that affect the pattern of CSR within developing countries? Up to what extent, the globalization has affected the concept of CSR? What



are the CSR's trends (similarities and differences) of multinational companies in developing countries and developed countries? How will the developing countries react to the existing social and economic problems with the help of available resources (time, money, human resources)? How the social and ecological systems will be affected by the global business (multinational enterprises) operating in developing countries?

This study speculates the intensity of the domestic institutional forces varies according to the types of industries (behavior with customers), the limits of the scope while mediating the role to cope with uncertain circumstances while interacting homegrown forces, and the phenomenon of time that influence corporate activities in specific country. Similarly, authors will argue about the exceptional CSR approach that differs across the country and which enable corporations to attain social benefits attached to local institutions and cultural norms and values. In simple words, this is not necessarily that corporations will get the same benefits from CSR in less developed countries what they are getting in west, because of the changing social, economic and political context.

#### **CSR's parameters and industries classification:**

In 2009, Security Exchange Commission of Pakistan (SECP) introduced CSR's concept and implemented CSR related activities. Apart from these initiatives, other interrelated CSR's activities have been protected by the country constitution. These activities and laws are about how to do business while protecting the environment and respecting consumer's rights. Under the constitution, slavery, forced labors and child labor (under the 14 years) are prohibited. Enterprises are responsible to provide satisfactory and safe work place without any discrimination (e.g., religion, sex, cast and race). However, due to the lack of CSR disclosure format, most of the enterprises are using CSR activities to maintain public relation (reputation and publicity). Therefore, generally, stakeholders were not clear on how to measure and differentiate CSR activities (social cause) and corporate intentions (propaganda and promotion). Cavanagh (2004) recognized two initial international forces based on United Nations and International Labor Organization; beneficial for investors and all stakeholders. In addition, Kinder, Lydenberg, and Domini (KLD) is another social and environmental database which consist of 80 indicators to measure the qualitative disclosure of the corporation in different areas. KLD not only measure the positivity of the corporation but also the negative aspects in particular activities or specific industries.

These industries are labelled as sin industries, and are controversial in the eyes of stakeholders due to their business operation. For example, alcohol, gambling, firearms, nuclear power and tobacco industries (KLD STATS, 2012). Williams (2004) argues that the corporations can learn more ethical practices and can achieve a leading position globally by incorporating global impact guidelines in their business decision. These regulatory and reporting organizations are equipped with human resources and think tankers from all over the world and every field.

The industry classification and firm's nature can be categorized in the light of literature review in the previous studies. Those studies have already bifurcated different corporations according to their operations and social impacts. Similarly, there is a rich literature about the firm's specific nature in previous studies regarding financial and non-financial variables. Business activities can be classified in many industrial sectors according to their operation and impact on economy, environment and society. The word "Sin" is a religious terminology, having no connection with legal, and law of the land, but close to ethics. In specific sense "Sin industries" are those which have direct effect on human health and money. For example, tobacco industry, wine industry, gambling industry, adult entertainment industry and weapon industry are all considered to be "Sin industries". The consumption of alcohol and gambling is prohibited in almost every religion, i.e., Christianity, Islam and Hinduism. In addition, there are other "debatable enterprises" which are involved in controversial activities and responsible to harm the wealth, health of stakeholders and surrounding. In broader sense, sin industries include any business which has contradictions with the religious code of conduct, social norms, cultural values and economical manipulation. These include natural resources explorative industry, biotechnology industry, chemical industry, nuclear and financial institutions. In this regard, the definition of sin industry also differs from culture to culture and religion to religion. Salaber (2007) argue the reason about sin industries that alcohol and wine industries are selling the product which cause addiction and health hazard and ultimately leads to higher financial expenditure of household budget to consume these products and medication after using these products. The consumption of these products not only creates social problems but also financial problems for consumers and whole family. These controversies create mistrust among the stakeholders and externalities to society, culture and environment. Other less controversial but damaging industries such as the fast-food industries, tourism, pharmaceuticals,



insurance, the stock exchange and even banks are also under attack and increasingly branded as “sin” industries (Isani 2006). According to Morgan Stanley Capital International (MSCI 2011), alcohol, civilian firearms, gambling, military, nuclear power, tobacco, adult entertainment, and genetically modified organism (GMO) businesses are classified as sin industries.

The intensity of hazard and negativity of corporate operation varies from industry to industry and even firm to firm. Empirically it has been proved that chemical industry is one of the largest contributors to environmental pollution and big threat to biodiversity and labelled as “dirty industries” (Ochsner, 1998). Hahlo et al, (1997) stated that MNEs have exported outdated technology, medicines, environmental hazard products and harmful chemical to developing countries. The stakeholders’ activism and reaction also differ from person to person and industry to industry. The environmental conscious stakeholders are more concern to ask about the activities and the transparency from the industry having much and visible negative impact on the environment and biodiversity. Stisser (1994), the stakeholders’ expectations and environmental concerns are relevant to the operation and activities of specific industries. In this regard, the “dirty industries” are supposed to notify such concerns and involve in “social activities” to amalgamate overall corporate operation and thus minimize frustration or divert their attention from the issue. Apart from public activism, Government regulations also have strict criteria for dirty industries than “clean industries”. For example, the insurance industry and banking sector have minimum or negligible regulations for environment concern than explorative and chemical industries. Similarly, the dirty industries are always under the eye of the governmental regulation and public criticism. Generally, it is believed that public are expecting more from “Sin/dirty” industries than neutral and clean industries. On the other hand, the corporation also buffer their negativity with involvement in more CSR activities because of their “guilt” for social, ethical and environmental hazard.

These industries have already been classified by scholars in consumer sensitivity (Hackston & Milne, 1996) and environmental sensitivity (Monteiro & Aibar-Guzmán, 2010). Corporations working in industries like water, power, fuel, paper, chemicals and metallurgy are categorized as more environmental sensitive industries, while other industries are categorized as less sensitive (Monteiro & Aibar-Guzmán, 2010).

### **Impact of CSR’s concept on industry type:**

Due to increase business scandals, stakeholders are worried about the future endeavor of organizational operations. Investors are worried about their money, because of recent financial crises; they are in search to invest in a place where future uncertainty is measurable and controllable. On the other hand, consumers in modern era are more conscious about product features. They are not only interested in specific domain of their demands, but they are expecting overall transparency in business operation, ranging from supplier to end consumer. In recent years, the interests of scholars, managers, media, institutions and general public have been diverted towards CSR’s concept and sustainability issues. Due to this undue pressure, organization is on the weak end to escape from this phenomenon. Modern organizations are much aware of the importance of these issues, which can be reflected by their adaptation of various CSR initiatives and reporting to behave responsibly, such as UN Global compact, GRI and ISO.

It is clear that every organization is tackling CSR independently, but they are sensitive to their own characteristics and capabilities. An analysis of the academic literature, a wide range of differences and similarities were found in the operation of every industry regarding CSR determination depending on their corporate culture, sensitivity of their business operation. Some industries are under more inspection than others because of their public humiliation, e.g., Nike, Enron, Nestle, Shell. There are evidences that consumer’s industry is under strict scrutiny because of their exposure to public and have direct effect on consumer’s health and wealth. In similar vein, it was analyzed that business sectors like mineral exploration, financial, food & beverages and textile industries were more censured than other type of industries (Wu & Shen, 2013). Other studies have also claimed that the patterns of CSR reporting and disclosure format are varying from industry to industry. The survey conducted by Golden bee (2009-2014), in different industries of China. According to their studies, all industries under investigations are dealing CSR activities differently. They observed that manufacturing sectors are more conscious regarding CSR activities by issuing almost 500 reports in 2014. Financial sector was placed second by publishing 160 reports. It was analyzed further by WTO China that electronic sector got the highest position regarding quality in reporting. Although scholars and CSR specialists are agreed at this point that CSR activities are subjected to time and place, but unfortunately no study was conducted



in past few years to explore changing aspects of CSR in cross sector or industry (Carroll and Shabana, 2010; Aguinis and Glavas, 2012). There is partial, unstable and spilt academic research regarding CSR activities and business sector. Though the academic literature has recognized the impact of industry type on CSR operation (Beschorner et al., 2013a), still there is a need to further investigate and explore the association between CSR dimension and industry type (Beschorner et al., 2013b).

Still, it has been found from the studies since 2005, that how a specific industry cluster can play a role in promoting environmental and ethical practices in their business operation (Accountability, 2006). Number of researchers have examined sectorial involvement of various enterprises in different parts of the world. These motives were formulated by public and private collaboration, partnership between different industries sectors and international humanitarian organization to ensure the objectives of economic, social and environment concerns (Lund-Thomsen, 2009). So far, evidences have found that industry type have significant relationship with the CSR activities. Hendry (2006) highlights the importance of industry type, which practitioners should consider the arising problem and industry type before pointing out a corporation. Such unusual pattern of CSR might be the negations in rules and regulations of CSR depending on industry type and nature, which reflect that every industry has different type of CSR motives, sensitivity and capacity. Industries in value-chain are emphasis more on workforce, business ethics and environmental issue, while consumer's sensitive industries have the tendencies towards charity and education in their CSR activities (O'Connor and Shumate, 2010). They further elaborate with the theoretical background of CSR's pyramid, that exploration and utilities industries have the inclination towards philanthropy, ethical and economic. Holder-Webb et al. (2008) investigates CSR disclosure in 50 US enterprises, it was analyzed that text, importance and disclosure layout of CSR disclosure change from industry to industry. Consumer oriented and community sensitive industries disclose more facts and data than Business to Business industries. Useem (1988) states that CSR disclosure in high public oriented industries, such as retailer, financial, banking and insurance industries can positively influence the corporate image than other low public-oriented industries, such as mining and mineral exploration industries. Few industries are under more consideration of stakeholders and have more negativity in stakeholders' eyes, so they compensate

their action by giving more public donation to minimize their negativity (Amato and Amato, 2012).

The intentions of a corporation to conduct CSR are subjected to product nature and market needs, which differentiate every industry from other in terms of reputation and other CSR output. Brammer and Millington (2005) analyzed that even the single dimension of CSR (i.e., charity and donation) have different corporate effect across industries. Positive relationship has been observed between CSR's pattern and type of corporation (Waddock & Graves, 1997) as for instance mineral and exploration industry disclose more about environmental issue than another dimension (Hackston & Milne, 1996). Such differences were found in CSR disclosure dimensions by (Gray et al., 2001; Hackston & Milne, 1996) in cross-industry studies. In simple words, organizational operation has significant role in adopting the specific CSR dimension (s); which has been supported in the studies of many authors (e.g., Ghazali, 2007; Hanafi 2006; Gray et al, 2001). In short, CSR activities have strong relationship with industry type and nature of business operation. The intention of this study is to examine the impact of industry specific characteristics on CSR activities across the countries.

### **Theoretical framework:**

It is justified to claim that there are as many models and theories of CSR as authors. However, these models are only restricted to CSR foundations. There is no specific model to elaborate the CSR's dimensions for corporations. CSR's models introduced by various scholars are enough to define doctrines and approaches of the concept, but these models are silent to quantify CSR activities. CSR studies were conducted on the basis of different theoretical backgrounds (e.g., reputation/brand image, legitimacy, resource-based view, stakeholders) by different researchers (e.g., Soobaroyen and Mahadeo, 2016; Ali et al., 2017; Lauwo et al., 2019; Khan et al., 2020).

CSR is basically the response of the corporation's pessimism arises from their operation by exploiting the societal resources. According to legitimacy theory, there is a connection between business and surrounding. Enterprises are supposed to act fairly; sustain corporate reputation, and respond to stakeholders in case of discrepancies. According to legitimacy theory, corporations are responsible to implement policies which encounter all the external forces (worries) required for the business survival and continuity (Deegan, 2002;



Suchman, 1995). To recognize the true implication of this theory, it is necessary to realize the meaning of the organizational legitimacy; that is “generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). To make it simple, business cannot exist and progress without the support of the outer stakeholders. Therefore, a corporation should practically implement this theory in business operation; which will guarantee the issuance of social license from the surrounding. In similar vein, Tilling (2004) defends the legitimacy theory by arguing that legitimacy is as important as money for the operation of a business. This theory is ethical-centered and corporations are liable for their environment and social conservation to excel properly and for long time. Davies (1997) states that it is essential for the corporation to respect the requirements of the society, otherwise there is no other way for a corporation to operate in a society. Suchman (1995) pointed out that legitimacy is not basically included in the core activities of the business but actually it was imported from the society. It was further stated that legitimacy theory can be divided in three types, i.e., pragmatic legitimacy, moral legitimacy, and cognitive legitimacy.

Community is comprised of different legal and social standards (formal and informal), which need to be obeyed and act upon according to the region of operation. The dynamics of institutional theory are looking more similar and near to capture overall picture of CSR from almost every aspect. The examination of CSR should be considered a consolidative technique to observe the limits of enterprise and society (Crouch, 2006). Institutional theory is much crucial to recognize various forces from outside and react as per the intensity in specific region (Scott, 1995). Similarly, the understanding of various formal and informal factors enables the corporation to formulate and implement the CSR strategy according to the specific country (Greenwood and Suddaby, 2006).

Stakeholder theory claims that corporation should have to behave in ethical way to satisfy the needs and privileges of every stakeholder (Maignan & Ferrell, 2004) which will bring financial gain for the corporation (Tse, 2011). Corporation can get financial and non-financial benefits by incorporating stakeholder theory in their business operation, but still there are some drawbacks about this theory. It is hard to satisfy the demands of all stakeholders simultaneously, due to widespread stakes (Jensen,

2002). Ultimately the policy maker should have to set different goals and strategy to fulfil the demands of wide bunch of stakeholders, which might confuse the manager (Sundaram and Inkpen 2004) and snatch the decision-making power from manager (Jensen, 2002).

Carroll introduced CSR’s pyramid and claimed that financial performance (economic benefit) is the building block for an enterprise. Their primary responsibility is to earn profit within the legal circle of the state, parallel to the norms and values of the society and beneficial for the vulnerable stakeholders of the surrounding. In simple words, enterprises are supposed to enhance financial performance while observing the legal obligations, ethical standards and thus act as a good citizen. Basically, this pyramid supports multiple theories (e.g., legitimacy, shareholders and stakeholder) at the same time. It protects shareholders theory by affirming the argument that more profitable enterprises are more useful for the society and all stakeholders. On the other hand, extending stakeholder’s theory, it appeals that enterprise should not only restrict their activities merely for generating profit, but also cooperate legally and contribute socially.

#### **Methodology:**

On the basis of different corporate indicators and standards, Pakistan stock exchange (PSX) nominates best performing enterprises (top 25 companies) annually. The name of all these enterprises were exported to excel sheet year wise and searched for all types of CSR related documents on their corporate websites. In addition, Security and Exchange Commission of Pakistan (SECP) was approached for more information. Every possible effort was made to include every available document and enterprise having data for sample period. As CSR voluntary guidelines were introduced in the 2013, therefore; the sample period was taken since 2014 till 2018 (5 years) to analyze the impact of these guidelines too. Total 43 (27 neutral and 16 in industry) enterprises were found with complete data and thus documents were downloaded and arranged in different folders (individual enterprise). The sample corporations are from 12 different sectors; chemical/fertilizers (9.3%), automobiles (9.3%), food & personal care (11.6%), exploration & production (11.6%), engineering (2.3%), manufacturing (14%), banking & financials (4.7%), consumer products (11.6%), fuel/energy (7%), logistics (7%), insurance (4.7%), and construction (7%). Overall, various indicators were assigned to categorize and accumulate the weightage of different CSR’s



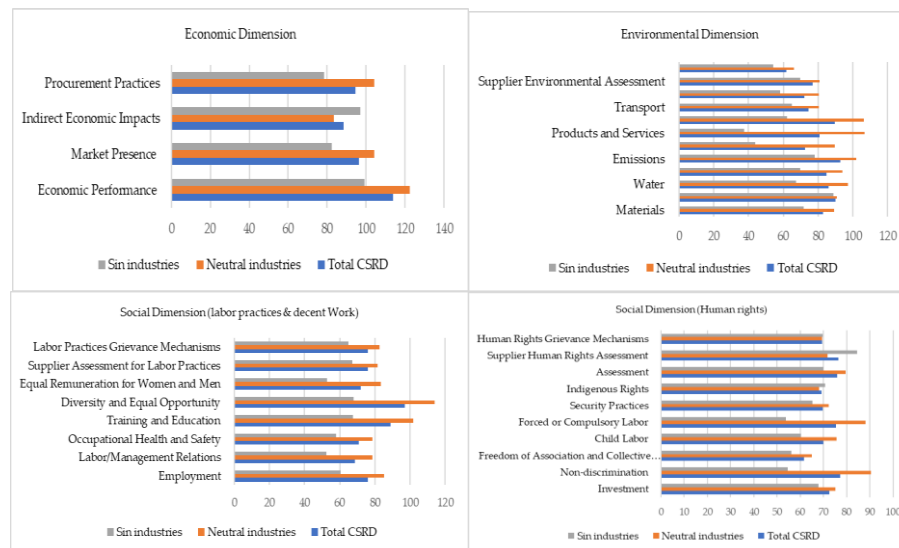
dimensions. These dimensions are mainly economic, environmental and social. Total 59,837 pages were scanned through content analysis which took around 4 months. Quantitative technique through content analysis (CA) was then applied to calculate CSR's dimensions with the help of Global Reporting Initiative (GRI); which is one of the most followed guidelines within corporate world (KPMG, 2017). From CSR literature it is reflected that the technique of CA provides much suitable outcomes either in advanced countries (Gamerschlag et al., 2011; Deegan, 2008) or emerging countries (Khan et al., 2009; Belal and Cooper, 2011). At first stage, all available indicator(s) was marked with "Yes" if available, otherwise "No" like previous researchers (e.g., Findler et al., 2013; Zahid et al., 2016). Following the procedure in past studies (e.g., Holder-Webb et al., 2008; Gamerschlag et al., 2011), specific codes were assigned to calculate the disclosed information. A single sentence was considered as a unit and dichotomous technique was applied. Any predetermined indicator (disclosed) will be marked with score "1" and "0" in other case. Many other scholars (e.g., Hossain and Reaz, 2007; Cooke, 1993) have also been applied the same technique in CA; which is also referred to unweighted approach.

### Analysis & Discussion:

As business is surrounded by numbers of stakeholders; e.g., employee, customer, supplier, shareholder, environment, Government & non-government organization, media, civil society and

general public. These stakeholders are not similar regarding their importance, stake, activism and influence. This is very important for enterprise to categorize these groups and identify the vulnerability and urgency among them. Every group of stakeholders have different interest and worry in different stage of corporate operation, one stakeholder group might represent more than one group at the same time. McGuire et al. (1988) notified that the scope of corporate activities ought to be beyond financial gain and legal obligations; e.g., wellbeing of the society, uplifting literacy and provision of favorable workplace.

Figure 1 shows the total and individual CSR activities of each industry (neutral and sin) against the GRI-G4 indicators. These values (aggregated) were calculated on the basis of number of sample enterprises (43 total, 27 neutral and 16 sin). It reflects that neutral industries have outperformed than sin industries and even ranked above the aggregated total values in almost every dimension. Unlike suppositions, sin industries did not disclose more CSR activities especially in economic and environmental dimensions. They surpassed neutral industries in 6 indicators (out of 30) in social and 1 (out of 4) in economic dimensions only; e.g., indirect economic impacts (1 economic dimension) and indigenous rights, supplier human rights assessment, human rights grievance mechanisms, local communities, anti-corruption and anti-competitive behavior (6 social dimension).



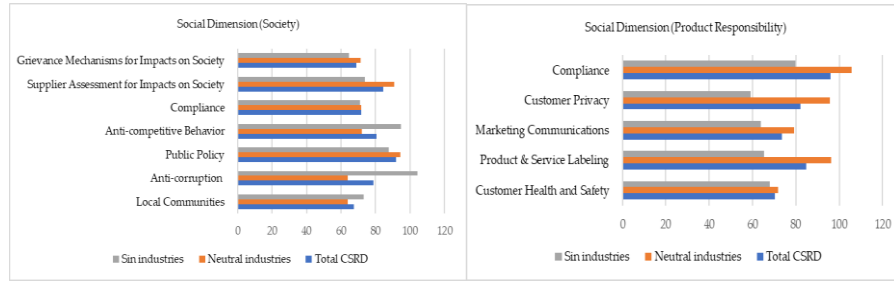


Figure 1. Aggregated CSR's dimensions (total, neutral and Sin industries)

Figure 2 shows year-wise CSR activities of accumulated CSR's dimensions (economic, environmental and social). Overall, neutral industries occupy 36.60%, followed by aggregated (total) 33.90% and then sin industries with 29.50%. In individual CSR's dimensions, sin industries have outperformed in 2014 in overall economic dimension; however neutral industries have shown remarkable position in all subsequent 4 years (2015-

2018). Similarly, neutral industries have outperformed throughout sample period of 5 years in environmental dimension too. In social dimension, sin industries have only outperformed in 2016; while neutral industries have disclosed outstanding activities in all other 4 years. Overall, it reflects that neutral industries have more participation and disclosure in CSR process than sin industries operating in Pakistan.

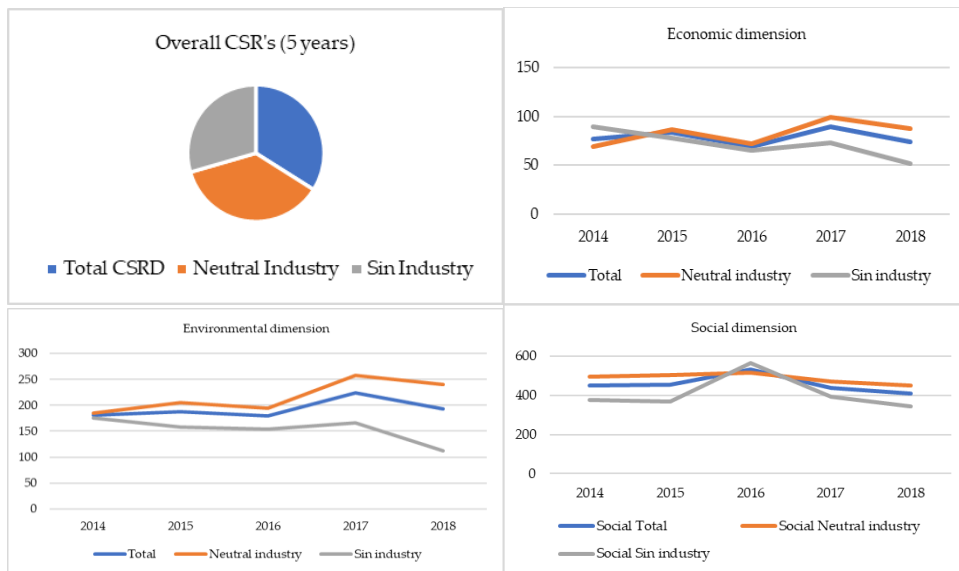


Figure 2. Accumulative CSR's dimensions (year-wise)

Figure 3 shows sector-wise overall and aggregated CSR's activities of sample enterprises. In overall disclosure, the outperformers of sample period are consumer's products, manufacturing, exploration & production and food & personal care. Similarly, in aggregate CSR activities (yearly), exploration & production, manufacturing, consumer's

products industries have outstanding performance: followed by automobile, construction and engineering in overall sample period of five years. In short, majority of the neutral industries have more CSR activities than sin industries operating in Pakistan.



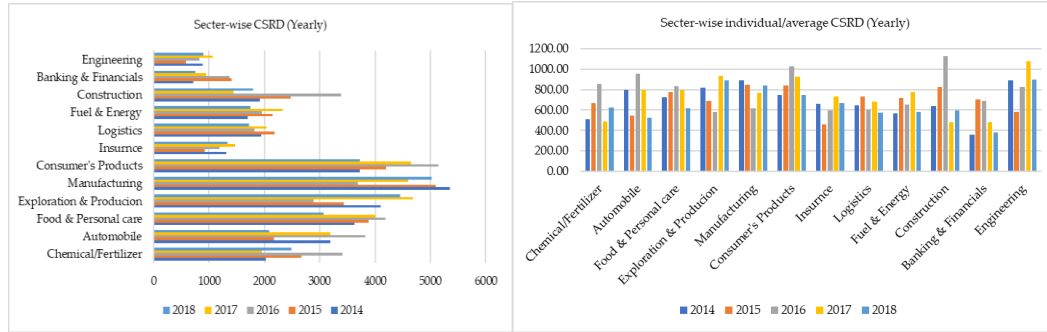


Figure 3. Yearly sector-wise CSR activities (2014-2018)

Usually, enterprises don't bother to voluntarily disclose all corporate actions honestly. Rawlins (2008) claimed that merely propagating corporate operations to stakeholders should not be considered as corporate transparency. In other words, if they want to attain the status of corporate credibility, they need to provide complete and neutral information to their stakeholders. Islam and Deegan (2010) highlighted that generally all those enterprises having adverse corporate activities are scrutinized more by the stakeholders; and thus, they propagate relatively more CSR information to moderate the negative impact of their corporate actions. However, the importance and priorities of stakeholder's scrutiny varies according to the needs of local culture and the capacity of institutions. In this regard, number of domestic forces influence enterprises operating in different places of the world. In such cases, the corporations are disclosing more transparent information to mitigate the negativity (Du & Vieira, 2012). If CSR activities were not aligned with the internal capacities and external needs, then it will go on wrong side of the corporate goals and objectives. Few authors are in the view that the corporations are involved in CSR activities just to maintain their positive image and build relationship with general public. To gain corporate edge, they should adopt specific strategy for CSR implementation and thus can escape from the public enquiry. Otherwise, stakeholders will think that this type of CSR activities are conducting to manipulate the information or hiding the moral gaps as the result of corporate activities. In addition, CSR practices which are according to the expertise and core business activities are more visible and praised by stakeholders. The reaction of stakeholders is more positive when the corporations have private association with the CSR practices (Ratner et al., 2011). For example, arranging free medical camps from health industries and providing food to hungry people by food industries. The reason is that the cause of the CSR practices in this case is aligned with

the corporate mission and goals. As a result, it will act as a tool for corporate legitimacy, sustain stable relationship with stakeholders and lessen commercial negativities. In addition, CSR activities can also serve as an advertisement tool to snatch the market share in given market via potential customers and increase financial performance.

Characteristics and nature of an organization categorize corporations regarding the relevancy of information in CSR reports. For instant environmental sensitive industry, such as mining and oil exploration companies have visible impact on environment and threat to their surroundings. Therefore, stakeholders are forcing such enterprises to act in more responsible ways and thus liable of their operational activities not only to economical liability but also their social and environmental responsibility. In this regard, organizations are in close contact with their stakeholders for shaping a CSR structure; fulfilling their demands and endorsed by all stakeholders with mutual consents. These activisms have enforced the corporations to minimize their internal and external negative impacts. In Pakistan, the main issues are fragile political system, extensive corruptions, unethical practices, human rights exploitation, unemployment, and environment humiliation (Jhatial et al., 2014). Ahmad (2006) stated that in Pakistan, donation and philanthropy activities are the main CSR contribution (disclosure) of many enterprises. In addition, other such activities are related to ethical standards, environmental protection and other workforce related activities. In simple words, the widespread concept of CSR has been restricted to provision of basic needs; e.g., education, health, and other social development programs (Khan et al, 2013). Logically, as per specific institutional pressure, the involvement and fulfilment of these domestic needs guarantee the status of corporate legitimacy (Kostova et al., 2008). As a result, these enterprises can easily distract the possible corporate risk (social) which may be a big



hurdle for corporate actions. Cahan et al. (2016) observed direct relationship between local institutional dynamics and CSR. Like other social issues, the concept of CSR in developing countries is not considered relatively much important as in developed countries. The main reasons are the lack of corporate resources and the awareness of the stakeholders and carelessness of local government. In developing countries, corporations have much power to convince the government if there is any violation. In other words, due to “envelop culture” these corporations can easily get a “license” by “investing” less amount in government offices than involving in CSR activities. In addition, due to weak and corrupt legal systems, these corporations using their power and wealth to build a “forward block” to threaten the local government and whitewash their corporate’s strains.

Developing countries are more vulnerable when it comes to environmental and social manipulation. These are all due to the reason that corporations operating in developing countries are enjoying ‘special privileges’ than in developed countries. CSR indicators like environmental protection, safe working place and corporate ethics comes secondary in a society where people are striving hard to fulfill their fundamental needs for living; e.g., food and shelter. In developing societies, most part of the earning is spent on buying the basic things (e.g., food) as compared to wealthy countries (Seale et al., 2003). Most of the corporations in developing countries think that involvement in CSR needs a huge budget which will not bring much differences in the race of competition; as this concept is not well-known here. All such corporations (in industry) are supposed to participate more in CSR activities and disclose more to all stakeholders than neutral industry. In developing countries, it is really a great challenge for government to implement CSR guidelines effectively. Therefore, international agencies should design such reporting guidelines which is easy to understand; and thus implemented, monitored and controlled by government machineries in all over the world.

### **Conclusion:**

Theoretically and practically, there is no univocal definition of CSR, however it is agreed that CSR is basically an attempt to generate profit for owners in such a way to bring prosperity among the general people and community without harming the surrounding. Corporate world should undertake all the ethical standards especially in developing countries; as the negligence from the government and

the weakness in local institutional system. Like other organizations, corporate world also faces various internal (economic, human resource, time etc.) and external (social, ethical, legal and political) challenges. However, they need to execute ‘good practices’ and avoid ‘bad deeds’. At least, they should take responsibility for their own corporate procedures which will ensure social development. Such types of efforts will eventually build/develop corporate reputation; appealing high skilled and motivated staff, loyal customers and thus government and civil societies.

There is a general assumption that involvement in CSR is purely corporate willingness and contributions. In fact, the involvement in CSR actions is due to other external forces that regularly pressurize them to consider the stakes of other stakeholders and act within ethical spheres. Local needs and priorities affect individual’s urgencies and thus the corporate decisions (CSR in this case). In this regard, the discrepancy in local needs will definitely cause the distinction in CSR perception and execution. CSR concept empowers the general public of society to restrict or award the operation of the corporation. Business community are supposed to be capable to identify various domestic issues and thus differentiate and prioritize them in balancing economic gain and societal needs. The meaning of the acceptability in this context portrays that corporations are liable to align their business operation with the rules and regulations of the government and other norms, values and culture of the society. Therefore, all the concerned departments and officials should take the obligation to introduce and implement the policies which can upgrade the individual ethical standards, corporate efficiency and ultimately the human development process. The identification and thus execution of new indicators (as per local needs) with the help of all type of stakeholders will be more efficient both for corporation and general public of local community. Ultimately, these indicators can be compared with other international CSR’s standards (GRI, ISO etc.), and formulate a customized reporting format suitable for developing countries. This method can open new era for both learning and implementation process; which will act as a fruitful tool to express groundbreaking ideas and point out new ranges for further research. Personal or collective approaches shape institution’s standards and influence corporate policies which further affect strategies for articulating and employing CSR’s actions. Unfortunately, the formation of such environment is not practically easy. It involves number of external forces; e.g.,



institutional and cultural dynamics; which act as 'enabler' if handled properly.

This study identified the general gap struggling for various international standards CSR's activities in Pakistan. These evaluations are supposed to be more significant in developing countries; due to government constrains (absence of mandatory CSR) by providing a 'free atmosphere' for corporate world. Likewise, the impact of CSR's guidelines (if any) should be studied thoroughly to examine its effectiveness and the efficiency of institutions and legal systems. Due to time consuming technique (CA), this study has taken only a small sample size and 'most efficient' companies for 5 years only. In addition, as GRI indicators are generally followed by high profile companies (especially MNEs); however, the concept of CSR is new and immature within the corporations operating in Pakistan. Due to these constrains, this study might face generalizability issue. Other studies should take big sample and overall corporations working in Pakistan and calculate CSR's activities with qualitative method to draw a general CSR's pattern.

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