

## Title: Impact of Stakeholder's Power on Corporate Social Practices Adopted by Pakistani Subsidiaries

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**ABSTRACT:** The prime objective is to explore the relation of Corporate Social Responsibilities (CSR) with different stakeholders of subsidiaries. In Pakistan, local companies are not well awaked with CSR and the only reason of this unawareness is poor institutional system, especially poor regulatory bodies. So multinational companies when establish their subsidiaries in Pakistan, they try to escape from social responsibilities. But now in Pakistan, stakeholders are getting consciousness towards their rights and hence the concept of CSR is also gaining attention. In this situation, the adoption of right CSR practices is the major challenge in front of managers. Succeeding this objective, a research question is formulated that how stakeholders may influence the CSR practices. In pursuance of this research question quantitative data is collected from 280 managers, of subsidiaries of various MNCs working in Pakistan. The hypothesis is formulated to analyze the relationship between stakeholders of the organization and CSR practices. Hypothesis is tested by collecting data via questionnaire and by using non-probabilistic, convenience sampling technique. The results confirm that stakeholders are directly related with CSR and they put strong impact on subsidiary's CSR practices. Moreover, results of this research play significant role for managers of subsidiaries in Pakistan to adopt more appropriate CSR practices. It provokes them to consider stakeholder as a pivotal aspect of CSR and to analyze that CSR is ultimately belong to progress of company. It is inferred that, in Pakistan, stakeholders have strong influence on CSR.

[Anum Shahzad, Beenish Neik Chaudhry **Impact of Stakeholder's Power on Corporate Social Practices Adopted by Pakistani Subsidiaries**. *Rep Opinion* 2024;16(1):5-14]. ISSN 1553-9873 (print); ISSN 2375-7205 (online). <http://www.sciencepub.net/report>. 02. doi:[10.7537/marsroj160124.02](https://doi.org/10.7537/marsroj160124.02).

**Key words:** Corporate social responsibility, Subsidiaries, MNCs, Power, Stakeholders.

### 1. Introduction

The subject of CSR initiated in 1950's and started to expand after the second half of 20<sup>th</sup> century and has been in debate since years (Carroll, 1999; Pearce and Doh, 2005). CSR has now become the pivotal issue for organizations to consider in their strategic plans (Carroll, 1999; Pearce and Doh, 2005). After internationalization and technological advancement; multinational corporations have realized that to compete with other organizations, they have to steal a march on their competitors. So, in order to achieve sustainability in tremendously growing competitive environment only considering economic activities is not enough now but managers need to develop strong relations with all stakeholders of company and need to be responsible towards society. Researchers are now doing work on more complex aspects of CSR and have

developed different frameworks by following various methodologies.

Bowen (1953) proposed the first research on corporate social responsibility. According to him, corporate social responsibility is pursuit of those strategies and actions by the company which are aligned with the values and well-being of society. CSR practices adopted by the subsidiaries working in host countries can vary from CSR practices followed by their parent organization due to changed environment, economic policies and demands of stakeholders (Kolk, & Tulder, 2010; Hornstein & Zhao, 2011). But now CSR practices vary from developed countries to developing countries. Developed countries show deep concerns for environmental issues. Moreover, in developed countries institutional system is very strong due to which there prevail strong rules and regulations

concerning to management practices adopted by corporations (Philippe, & Jaclyn. 2009). On the other hand, institutional system is not strong in developing countries and also there is less accountability related to laws and regulations. Corporations in developing countries are less inclined to play their roles to uplift social development (Visser et al, 2010). Furthermore, concept of CSR in developing countries is less refined and due to this organizations perceive CSR a charitable action. But a remarkable thing is that MNCs working in developing countries are much focused to CSR adopt practices in order to build their image in society and to resolve environmental problems (Bethoux, Didry and Mias, 2007).

The aim of this research is to analyze that how MNCs adopt CSR practices in their strategic plans and how stakeholders influence the adoptions of CSR practices by subsidiaries. These practices are directly related to well-being of society. Organizations assume CSR strategies according to their resources, location of subsidiary, stakeholder's demands and objectives (Palazzi & Starcher, 2001). Stakeholders are pivotal part of any organization and corporation is accountable to its stakeholders (Jones et al, 2002). Any business cannot generate profit without fulfilling the expectations of stakeholders and the reason behind is that stakeholders enjoy legal as well as contractual obligations. So corporations adopt CSR practices and other business practices by considering the interests of stakeholders because it is necessary for organization in order to survive in society (Jamali, 2010).

Why this research is relevant? Due to globalization, multinational companies are fixing their roots in emerging countries. According to the United Nations conference on trade and development (UNCTAD), in 2005 there were around 75,000 multinational corporations working in the world, which corresponded at the time to 690,000 subsidiaries working outside their country of origin (Barbosa, 2005). MNCs have to face different stakeholders in home market as well as in host country. MNCs deal with all of its stakeholders across multiple stages and have differentiated operations system.

Why Pakistan is selected to study these aspects of subsidiaries and their relation with CSR?

Although Pakistan is suffering from various challenges but experts are assured that Pakistan is an emerging economy at international level and attracting foreign investment in different sectors. MNCs are expanding their subsidiaries in Pakistan and want the government of Pakistan to bring some effective policies and plans in this regard (Shah, 2012). In Pakistan, investment by multinationals is around PRs 60 million. Pakistan is

providing absolute environment for foreign investment by MNCs because there are no strict rules and regulations and also the Pakistan has large portion of rural market which is a great temptation for MNCs. Moreover, experts believe that bright future of Pakistan is linked with the MNCs and the advantages they bring for the economy of Pakistan (World Bank).

In context of developing countries, especially in Pakistan, there is strong need to research on corporate social responsibility and the factors which affect the practices of corporate social responsibility. The purpose of this research is to explore the factors which have deep impact on CSR practices adopted by the subsidiary. This research develops the new conceptual model to be tested to shed light on the issues of CSR in subsidiaries working in Pakistan. In addition to, value of this research also positioned on being one of the first researches about this topic in Pakistan. Pakistan being a developing country is facing poverty and poor governance issues. Moreover, surge of terrorism and rampant corruption in country have deeply affected the social structure of Pakistan. In such scenario, there is strong need to uplift the social issues and to solve them in order to enhance the morale of general public. So, research on CSR plays important role in social uplift as well. Hence this research presents the better approach to study CSR practices adopted by Pakistani subsidiaries of multinational corporations, by analyzing CSR in relation to different attributes of an organization such as stakeholders.

This research has academic value as literature on CSR and MNCs is embryonic yet. The findings of this research also have value because this can be useful for managers of MNCs working in Pakistan while formulating their CSR practices.

## 2. Review of literature

This section gives astute analysis of CSR and stakeholders, hence provides the theoretical background for this present study. Panorama of researches on CSR have studied in this section and observed that the literature inspecting CSR in developing countries context is still embryonic.

### 2.1. Corporate social responsibility (CSR)

The concept of CSR refers to the liability of businessmen to accompany those strategies and to pursue those practices which company wants in terms of the objectives and principles of our society (Bowen, 1953). It implies that resources which belong to the society either economic or human resources should also be used for the social benefits and not barely for the private interests of organization (Frederick, 1960). In business environment where many corporations are working and competing then it is required that

companies must do their business without any cheating and double dealing (Friedman,1962).CSR indicates the negative or positive aftermaths of a decision made by a manager of corporation and it highlights the corporation's accountability for effects of those decisions on society (Davis and Blomstrom ,1966).Due to this reason behavior of an organization should be compatible with the norms of society and corporate's nature should conform to the standards and moral values of social setup (Sethi ,1975).It encircles the expectations of a society from the corporation at certain time.

These expectations can have nature of legal, economic or ethical aspects (Carroll, 1979). A company which is working in a society is not liable for stakeholders only but also for all groups which exist in society (Jones,1980).Therefore, the logic behind the CSR is that, both the organization and society are interlinked to each other and they are not separated. CSR is all about managing the business in the way that it may create positive image of business on society (Baker.2003).They also refer CSR in terms of social, economic and environmental benefits to the society rather than generating only profit for its stakeholders (Kotler & Lee,2005).

The concept of CSR is strongly linked with the organizations and the reason behind this is that corporate social practices are performed by organizations so it is important to understand that how actually organizations see the concept of CSR and what they actually perceive from CSR. Organizations can utilize the CSR practices to generate more value for its business. Companies who use CSR approach, basically, integrate the environmental features and societal features and then use them to make the strategies. By following the CSR practices, organizations not only gain advantage on their competitors but can also minimize their cost of production and hence create more value for the business (Nolan, Norton and Co., 2009).

Companies are actually the organ of any society and they have to assure that by their operations interests of society will not be negatively influenced (The Corporate Responsibility Coalition, 2003).Society expects much from company so company is liable to play its positive role to enhance the living standard of people. So that, organizations consider CSR a tool for intercommunication with a society in form of donations and value chain which encompasses the aftermaths of their decisions on society (Unilever, 2003).

## 2.2. Stakeholder's influence on CSR

There is clear relationship between stakeholder and CSR which is extensively acknowledged by academics. Both CSR and stakeholder are interconnected because if CSR tends to explain duties of an organization then concept of stakeholder aims to address the matter of accountability that to whom the organization is accountable to (Jones et al, 1980).Freeman (1984) proposed the theory of stakeholder according to which corporation is composed of mixed type of contacts that may affect the firm .These contacts are those persons and bodies which may be affected by decisions and activities of that corporation. According to this theory of stakeholder, corporation should maintain balance among its stakeholders and should generate profit for them. This is the only way in which business is considered to be successful. Freeman (1984) believes that any group of members who can affect decisions made by corporation or are influenced by the decisions of corporation is known as stakeholders. Moreover, according to this theory a corporation can survive only if it can fulfill needs of all stakeholders otherwise it cannot survive in society.

There are two types of stakeholders, one is primary and the other is secondary stakeholders. Consumers, employees, shareholders and government are primary stakeholders and they can affect strategies made by company and company can change its strategies due to pressure of primary stakeholders (Freeman et al,2004). Contrary to primary stakeholders, there are, community, members of society and NGOs who are considered as secondary stakeholders of the company (Bondy, Matten & Moon, 2008).

Secondary stakeholders have less importance for the business compared to primary stakeholders and can affect the strategies made by company especially in developing countries (Tan, 2009).Prior to Freeman's theory of stakeholder; researchers considered the government as a secondary stakeholder of the business but Freeman pointed that, government is not secondary but a primary stakeholder of the business firm. Freeman (1984) has presented a model which represents stakeholder approach towards CSR. There are many internal and external stakeholders of a company which are affected by strategies and practices adopted by company. Internal stakeholders include employees, manager and owner of the company, while, the external stakeholders include suppliers, society, government, creditors, shareholders and customers. Demands and needs of internal as well as external stakeholders vary from country to country. So, at the time of implementing CSR practices stakeholders carry much importance because a company can't continue its functions without consent of stakeholders.

According to this theory managers need to consider all of these stakeholders as a collective whole. A business should not consider them as isolated because all these stakeholders work in form of group and business cannot ignore any one of them. Each of these stakeholders is important for a company to be successful. Theory of Freeman 1984 reprinted in 2004 and in this updated version Freeman (2004) argues the importance of stakeholders and expounded that business should consider needs of stakeholders and must assess their true expectations from organization. Company must plan their CSR strategies after recognizing the expectations of stakeholders.

On one side there are many researchers who have supported the notion of stakeholder but this concept of stakeholder also does not go without criticisms. According to critiques, stakeholder theory lacks in the context of managers. They say that, at one side, stakeholder theory emphasizes the interests of stakeholders but on the other hand it totally neglects the managers who actually deal with stakeholders. Business should consider all parties associated with organization and taking part in running the business, merely considering the stakeholder's interests is not the right approach (Vinten, 2000 and Weiss, 2003). Indeed, if the organizations want to assure their validity in the society then business should not follow the economic objectives merely.

Corporate social responsibility (CSR) and view of stakeholder approach are crucial notions when exploring the role of organizations in society. Almost 60% companies follow the stakeholder perspective while practicing CSR (Longo et al, 2005). There are many actors that are connected with MNC. These actors are recognized with relation to micro and macro environment of the firm (Kotler et al, 1999). The micro environment includes suppliers and consumers while macro environment is surrounded by some forces which are named as political forces, technological forces, social forces and natural forces (Kotler et al, 1999). All these actors of micro and macro environment collectively named as stakeholders (Kotler et al, 1999).

Similarly, Yin et al (2013) noted growing popularity of the concept of CSR and its relation with the stakeholder and found that MNCs have acknowledged the importance of stakeholders and how CSR is related to the stakeholders. MNCs do not consider the CSR as a responsibility towards members of society instead MNCs see the CSR as a way to motivate its employees and to build good reputation in country which ultimately leads toward to achieve the objectives of the company (Yin et al, 2013). In short, for MNCs, CSR reflects the strategic importance for business rather

than a responsibility to make public happy. MNCs use CSR to reinforce the morale of employees and by this way MNCs try to manage their stakeholders (Yin et al, 2013).

In this regard, stakeholders recognize and evaluate the seriousness of a company for social responsible practices and on the basis of this they decide to work with those companies who have CSR practices in place (Schreck, 2011). Similar to schreck (2011) and Werther & Chandler (2006), freeman (1984) also explored the true importance of consumers for a business. The firms which can assess the changing behaviour of consumers and adapt products according to changed behavior of consumer may achieve advantage on their competitors and can survive in the market. Similarly, another side of stakeholders is that customer's interests are also important to consider at the time of strategy formulation because customer's perspective of stakeholder recommended that customers are directly related with the business of a firm (Werther and Chandler, 2006 and Roberts and Phelps, 2001).

If customers are not happy with the products or services produced by the firm then customer may stop buying the product or service of the organization. So, in this case company is automatically compelled to change his strategies to get customer back and to survive in the market (Werther and Chandler, 2010 and Roberts and Phelps, 2001). So at the time of enforcing CSR practices, subsidiaries need to strife hard to deal with stakeholders expectations towards companies because apprehensions of stakeholders vary from home country to host country especially if subsidiary is working in developing country (Yang and Rivers, 2009).

Researchers have view that many companies adopt CSR practices by keeping in mind the demands of their stakeholders. There is strong need to consider the stakeholders because a company in a society stands due to stakeholders so there is robust relation between stakeholders and CSR. In this regard, Yang and Rivers (2009) elaborated the association between CSR and stakeholder and considered the stakeholder as an intense challenge to tackle with. Authors defined the connection between CSR and stakeholder by proposing the definition of CSR as, a planned tactic of a company to deal with its stakeholders (Yang & Rivers, 2009).

Similar to Yang and Rivers (2009), McWilliams and Siegel (2001) and Schermerhorn (2002) also proposed same connection between CSR and stakeholder. Yang and Rivers studied that at the time of enforcing CSR practices, subsidiaries need to strife hard to deal with stakeholders expectations towards companies because



apprehensions of stakeholders vary from home country to host country especially if the subsidiary is working in developing country. Similarly Longo et al., (2005) studied the CSR in Italian context and found that almost 60% companies follow the stakeholder perspective while practicing CSR. Muller (2006) supports the previous mentioned researches and says that MNC can adopt local practices of CSR while establishing subsidiary in the host country by considering the demands of local stakeholders or either the company can follow the global CSR strategies for subsidiaries working in host country.

Starcher (2001) found that organizations adopt CSR strategies according to resources, location, stakeholder's demands and objectives of the company. Similarly, Kolk and Tulder (2010) explain in their work that MNCs play an important role in the development of the country by providing backbone to its economy and face various problems related to stakeholders and institutional structure of the host country.

By further elaborating the concept of stakeholder's association with CSR, Sabir et al., (2013) studied the antecedents of CSR in Pakistan's perspective. Authors studied the two factors affecting the CSR and concluded that there is a positive relationship of CSR with strategic planning and stakeholders of organization. Similarly, Slater et al., (2006) researched that the formal strategic planning is prerequisite for practicing CSR in organization. In the same way, Snow and Hrebiniak (1980) and Ramanujam and Venkatraman (1987b) studied that to deal with the demands of stakeholders, strategic planning of organization played a major role. Previous researches have analyzed this variable on the basis of two criteria:

1. (Mitchell et al., 1997) states that stakeholders play very important role at the time of choosing CSR strategy for the subsidiary. He highlights three dimensions of stakeholders due to which stakeholders play important role in the development of the CSR strategy which are:
  - i. Stakeholders have legal and contractual obligations.
  - ii. Stakeholders have enough power that they can change the decisions made by a firm.
  - iii. Stakeholder's pressure.
2. Rivers and Yang (2007) propose that the attributes of stakeholders vary from country to country. In this regard Donaldson and Preston (1995) highlight the list of different

stakeholders which includes government, employees, customers, community Investors, trade associations, and political groups.

Stakeholders can influence the CSR strategy by various ways. Stakeholder, if he is a supplier for the company, can discontinue the supply of resources which is as withholding strategy by suppliers. Stakeholder can halt the flow of resources, which is known as usage strategy by suppliers (Frooman, 1999). So, stakeholders have enough power that they can change the company's decisions concerning to CSR, because stakeholders have direct control over the flow of resources to the firm and they can use legitimate power in opposed to the target company. Stakeholders use the legitimate power against target firm on the basis of resource dependency model (Frooman 1999).

In the same way, Yang and Rivers (2009) support above mentioned research and state that there are two diverse situations in which a firm depends on stakeholders and those stakeholders can affect the firm.

1. If the stakeholder is the customer of the firm then customer can affect the firm by not buying the products or services. So the customer has power that he can stop buying the product of subsidiary (Yang & Rivers, 2009).
2. Stakeholder can also affect the flow of resources by using their legitimate power and can demand that subsidiary should follow certain rules and regulations (Yang & Rivers, 2009). When a subsidiary of MNC works in developing country then to fulfill the requirements of law it adopts the local CSR strategy due to particular environment of host country, institutional culture and demands of stakeholders.

Jamali (2010) supports the findings of Yang and Rivers (2009) and states that there is no doubt that subsidiaries set their CSR practices according to the preferences of stakeholders and in the scenario of MNC, local stakeholders and the stakeholders in parent country has significant importance. According to him, for the subsidiary of MNC, one of the most important variables in adopting CSR strategy is demands of local stakeholders (Jamali, 2010). Besides, stakeholders vary from host country to home country and possess different attributes according to their environment. So CSR strategy should be handled according to the touchstone and stakeholders of particular country.

### 3. Hypothesis

From the above theories, the hypothesis for the present research can be developed as:

H1: The greater the local stakeholder demands in host country, the greater the CSR of its subsidiary or Stakeholder's influence and CSR are positively related to each other.

#### 4. Research methodology

This research is dealing with numbers, logic and convergent reasoning rather than divergent reasoning. Research is based on hypothesis testing in which we reviewed the theories and came up with the hypotheses. In present research the focus is on determination of exact relationship between CSR (dependent variable) and stakeholders (independent variable) so that is why descriptive research design is used in this study. Questionnaire is devised to collect data from large number of respondents and also to discover the facts concerning to instant phenomenon. In Pakistan there are total 165 companies working at this time and out of 165 only 47 are multinational companies (Muzamil et

al, 2010). These 47 multinational corporations are the research population of this study. In Pakistan these MNCs are working in the sector of services, banking, medicine, automobile, telecommunication, electronics and food and personal care products. Furthermore, unit of analysis in present research is subsidiaries of these MNCs. Data is collected by using non probabilistic and convenience sampling technique. To perceive the level of importance of different matters the likert scale is used (Chapple and Moon, 2005). After data collection data is coded and analyzed by using SPSS (Statistical package for social sciences) version 20.

#### 5. Analysis and Interpretation

Table 1: Descriptive of dependent variable, CSR

	certificate of environmental management	Selection of certified suppliers	Subsidiary organizes the environmental and social trainings	Subsidiary is famous in host country for its positive role in social or environmental issues.	CSR practices which are popular/In demand within host country's community
Strongly disagree	5.7	1.1	6.4	1.1	6.4
Disagree	16.1	11.1	28.6	11.8	21.4
Neutral	32.5	30	21.4	30	34.3
Agree	39.3	43.6	33.2	53.2	31.4
Strongly agree	6.4	14.3	10.4	3.9	6.4

One may infer from the table that, subsidiaries working in Pakistan are highly inclined towards selection of certified suppliers (43.6%+14.3%). Similarly, subsidiaries in Pakistan are famous for its positive role in CSR practices (53.2%+3.9%). Subsidiaries of MNCs working in Pakistan also have certificates of

environmental management (45.7%). Moreover, suppliers in Pakistan also have CSR certificates and subsidiaries select certified suppliers (43.6%+14.3%) and 43.6% managers in Pakistan consider that subsidiaries also organize the environmental and social trainings for its customers.

Table 2: Descriptive of independent variable, stakeholder

	Stakeholders play relevant role in the company's CSR development	Stakeholders have an obligation to ensure that the company adopts CSR practices.	Power of stakeholders can force the company to change its production processes	Local stakeholder's legal obligations can have profound impact on CSR	Stakeholders can pressurize the firm to change those decisions which goes against the society.
Strongly disagree	1.4	1.8	3.6	1.1	1.1
Disagree	19.3	15.4	4.6	6.1	6.8
Neutral	15.0	20.4	17.1	27.5	23.6
Agree	54.3	44.3	52.9	55	41.8
Strongly agree	10.0	18.2	21.8	10.4	26.8

Descriptive analysis of stakeholders shows that, among most effective incidences, almost 74.7% managers are agreed that power of stakeholders can force the subsidiary to change its production process (52.9%+21.8%). Similarly 68.6% managers are in favor that stakeholders in Pakistan can pressurize the

firm to change those decisions which goes against the society (41.8%+26.8%). On the other hand, stakeholders obligation to ensure that the company adopts CSR practices, comes in lowest incidences of stakeholder's influence on CSR(44.3%+18.2%).

Table 3: Correlation

		CSR	stakeholder
CSR	Pearson Correlation	1	.315**
	Sig. (2-tailed)		.000
	N	280	280
stakeholder	Pearson Correlation	.315**	1
	Sig. (2-tailed)	.000	
	N	280	280

In Correlational matrix, Pearson correlation coefficient is expressed by 'r'. This coefficient is used to determine the strength of relationship and measures scope of relationship between variables (Cunha and Coelho, 2007). The estimated range for this coefficient goes from -1 to +1. 0 value of this coefficient represents no relationship between two variables while value greater than 0 shows positive relationship and

value less 0 indicates negative association. However value representing a strong relationship between variables always rotates around -1 to +1 rather than to 0.+ sign represents the perfect positive relationship among variables while the - sign represents the negative relationship between variables.

Table shows that CSR is strongly correlated (+1) with stakeholder at (0.315; p0.01).

Table 4: ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.571	3	5.857	24.786	.000 <sup>b</sup>
	Residual	65.218	276	.236		
	Total	82.788	279			

a. Dependent Variable: CSR

b. Predictors: (Constant), stakeholder, autonomy, integration

Table shows that p. value is less than 0.05, correctly recalled, F (DF=3,276) =24.786, p<0.05 so there exists enough statistical evidence to conclude that

independent variable is useful for predicting CSR; therefore the model is useful.

Table 5: Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	.889	.289		3.077	.002	.320	1.458		
stakeholder	.224	.059	.212	3.771	.000	.107	.341	.905	1.105

a. Dependent Variable: CSR

Result shows that  $B_0=0.889$  and  $B_3=0.224$ , which represent the least square estimates of regression function whereas significance value of CSR is 0.002 and significance value of stakeholder's influence is 0.000 which both are less than 0.05. As  $p.value < 0.05$  so there is strong statistical evidence that stakeholder's influence is favorable independent variable for predicting CSR.

Least square regression line can be defined as:

$$\hat{Y} = 0.889 + 0.224x$$

It shows that there is positive relationship between CSR and stakeholder's influence.

## 6. Limitations of the study

- i. It is a descriptive study and descriptive study only represents the norms rather than standards (Johnson, 1953). Descriptive research only finds that what is happening in field and what managers are doing concerning to CSR, not what managers should do or what could they do. Researcher cannot determine logical reasoning of problem by using descriptive study (Johnson, 1953).
- ii. Secondly, with regard to the data collection, sample size of this study is limited to 280 respondents and these respondents are managers of MNCs not CEO's. Thirdly, in context of generalizability, this study cannot be generalized on other developing countries due to small sample size.

## 7. Managerial Implications

This research also contributed by providing practical implications for managers of subsidiaries. Analysis shows that stakeholders have strong influence on CSR and also they have legal obligations and can pressurize the managers by following their contractual rights. So, managers should acknowledge the importance of stakeholders and always consider them which adopting CSR practices. Managers should understand from this research that stakeholders of subsidiaries in Pakistan have great influence on CSR

practices so their demands should be analyzed before decision making. Hence this research provides a guideline for managers that what attributes they need to consider while planning their CSR strategies.

## 8. Conclusion

First of all, regarding to CSR practices, result shows that in Pakistan, subsidiaries are developing CSR practices by selecting those suppliers who are following CSR practices and are certified from different bodies of corporate social responsibility. Subsidiaries of MNCs working in Pakistan are positively contributing to enhance the social and environmental conditions of Pakistan. Likewise, Barin and Cruz (2010) also defended the issue of suppliers regarding to adoption of CSR practices as the results of this research confirmed it. However, Pinto et al (2012) supported that subsidiaries are more focused to entail social and environmental certificates in order to align themselves with CSR practices, the case which is not seen in Pakistani subsidiaries, because, according to the results the issue of environmental and social certification is less important for subsidiaries working in Pakistan. But it is remarkable that, subsidiaries of MNCs working in Pakistan are now more inclined towards environmental and social issues rather than earlier. Subsidiaries of MNCs in Pakistan are adding value to society by donating their products, giving charity and promoting education, health and infrastructure sector for well-being of society in which they are working. Subsidiaries of MNCs are also following business practices, like, controlling pollution levels and recycling to ensure their responsibilities towards society. Moreover, subsidiaries are also working on quality control practices in order to provide standardized quality product to their customers in Pakistan.

Moving onwards, the result reveals enough evidence to declare that CSR and stakeholders are strongly relevant and they are positively related to each other. Stakeholders are considered as primary pillar of any corporation and survival of corporation also depends



on stakeholders. Results show that subsidiaries in Pakistan face intense challenge to deal with stakeholders and in order to satisfy their stakeholders, subsidiaries adopt different CSR practices. Stakeholders have contractual obligations and power and can pressurize the subsidiary to adopt required CSR practices. Stakeholder's have enough power that they can influence the various practices adopted by subsidiary in host country. The demand of stakeholders is linked with high share prices. So they want good returns on their investments and hence want growth of corporation otherwise they can sell their all shares. In general sense stakeholders may play a role of restrictive force on activities accomplished by subsidiary. This way, stakeholders put pressure on managers to adopt more CSR practices because CSR practices ultimately are linked with company's growth (Uddin et al, 2008). Starcher (2001) also supports this argument that corporations consider their stakeholders while adopting CSR practices in their strategic plans. Jamali (2010) and Yang & Rivers (2009) claimed that primary as well as secondary stakeholders have significant importance and managers cannot eliminate them while considering CSR strategies. They declared that local stakeholder's interest in host country is the important driver of CSR by subsidiary. However demands of stakeholders vary from country to country and managers of subsidiary are required to acknowledge the demands of stakeholders and play their role to uplift the society.

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