THE IMPACT OF MARKET ORIENTATION AND CORPORATE SOCIAL RESPONSIBILITY ON ORGANIZATIONAL PERFORMANCE OF COMPANIES

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ABSTRACT
This research paper investigates how the market orientation and Corporate Social
Responsibility (CSR) jointly affects organizational accomplishments. Firms can gain a competitive advantage when they focus on serving the needs of stakeholders and are responsive to changing market demands. Few numbers of studies and research paper have been published on the arbitrating role of corporate social responsibility in the relationship between market orientation and firm accomplishments. Data was collected by questionnaires survey has been done from listed company at Karachi Stock Exchange. The questionnaires were sent by mail and the survey generated 106 valid responses. For the hypothesis testing we used the regression analysis. Market orientation and CSR on firm performance shows positive impact. But, the direct outcome of market impulse on firm performance considerably diminishes once the CRS is considered as a mediator. The study corroborates the results of earlier studies about the role of CRS as a arbitrating of variable among market orientation and business accomplishments. This paper investigates the impact of MO on performance of Pakistani companies using corporate social responsibility as a mediator. This relationship has studied on context of developed and emerging economies as contributor. There will be showing the role of CSR in determining the performance outcomes of Pakistani companies because a growing amount of research point towards an actual relationship between business performance and CSR. This research shows that firm’s performance is affected by the market orientation and CSR.

CSR is emerging in Pakistan as more and more companies are moving from compliance to social responsibility. This is clearly reflected in our results which show that all market orientation efforts effect performance only through corporate social responsibility. Here is focused some limitation and future deration of prospective research in the business area.

Keywords: Market Orientation; Corporate Social Responsibility; Business Performance

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INTRODUCTION

Reseacher already in the past focused on the impact of MO on the organizational performance of firms [1,2]. These studies show the significance of the effect of MO on organizational performance. Companies can gain a competitive advantage when they focus on serving the needs of stakeholders and are responsive to changing market demands [3].

On the other hand some researcher did not found any important relationship between them [4]. Few studies have also focused on the arbitrating role of corporate social responsibility in the relationship between market orientation and firm accomplishment [5,6]. In Pakistan, fews books are published and limited number of research has been done on market orientation on organization performance. When the intervene role of corporate social responsibility is incorporated in this relationship, the study gains even more importance. Earlier this relationship is studied in developed and emerging economies [5,6]. The economy of Pakistan is quite different from these economies. In China and Dubai, there is greater regulation and companies have to be socially responsible. In Pakistan, on the other hand, the role played by CSR in determining the performance outcomes have not yet seen. Hence there is a need to do work and combined the roles of CSR and MO on firm performance in context of Pakistani firms. There is also a need to observe the role of corporate social responsibility in determining the accomplish outcomes of Pakistani firms because a growing amount of research point towards an optimistic connection between corporate social responsibility and business performance [5,7]. If this result is corroborated in Pakistani context, it will lead many companies towards CSR activities once they see the performance benefits of CSR.

This paper investigates the influence of MO on performance of Pakistani firms using corporate social responsibility as a mediator. This relationship has been studied in the context of developed and emerging markets, but does it hold in Pakistani companies too? This paper is going to address this question. Therefore this paper aims to test the generalizability of previous studies as suggested by those authors [5].

The concept of marketing and foundation of modern strategy to makes
sustainable, we need to identify customer need and makes more efficient than others competitors [8,9]. Much of the prolific market orientation literature examines the extent to which firms behave or are inclined to behave, in accordance with the marketing concept [10]. Market orientation has been conceptualized from both behavioral and cultural perspectives [11]. The behavioral perspective concentrates on organizational activities that are related to the generation and dissemination of and responsiveness to market intelligence [10].

Organizational norms and values always influence the reliability and market orientation. Overall, researchers are investigated most of the time to understand the market orientation history and to better understand the organizational key indicators. For the reason quantitative data, data analysis review help to understand the best practices for research. That’s why it’s divided by three decades.

First, we have to do evaluation of the existing market orientation research by approximating the mean values and range. Also we have to do find out the effect of relationship with various past research histories and significances [12].

Second, market orientations past research history and significances are subset of individual studies. Using the Meta-analysis evidence, its help us to empirical finding and provide the more extensive diagram of factors that can lead the MO and arbitrate the performance impact [13].

Third, Others similar types of literature reviews on market orientation help to finding the large scale of ideas and provide the main direction of the organizational performance and or with in between relationship. While the main view about OR and performance is positively allied but lots of research shows that it’s non-significant and negatively organized. On the other hand, several research has found unequal effect of relationship on OR and organizational performance [14,15].

Meta-analysis can provide insights into these inconsistencies by identifying measurement and sample characteristics that affect the market orientation–performance relationship and can assess the generalizability of the relationship [13].

HYPOTHESIS DEVELOPMENT

Most of the research indicates that CSR making important play roles for the
sustainable development of any firms. CSR is the key of indicator for the dynamic and organizational change, growth and longevity performance [7,16,17].

All of the firms are too much concern about innovation for lead the market. Innovations and performance management can make strongest position to compare to others competitor. On the other hand, Innovative business model will help to more suitable existing market conditions.

Having recognized the benefits of innovation for the business, it seems the innovation approach can be associated with that of the CSR. For the sustainable development, government simultaneously supporting though various policy instruments and cumulative global competitiveness [18,19]. It’s time to set new innovation for the CSR because SMEs and large enterprises becoming aware on CSR impact and to take the leading position in the market condition. In addition, new research and policy will be more reliable for the firm perspective. In our research we will analysis the relationship among the corporate social responsibility (CSR) and innovation.

Not with standing all of contribution of reality, there is no explorative test and cluster analyses to narrative the immediate effect of corporate social responsibly (CSR) on innovation in small medium enterprises (SMEs).

In our research we tried to figure out the main debilitation of existing European research on corporate social responsibility (CSR) and realistic observation of the relationship among innovation and Corporate Social Responsibility (CSR). We adopt this perception and attempt to address the research gap pertaining to the complex relationship between innovation and CSR. In this paper we also explore if CSR has a direct effect on financial performance. Literature observation shows different types of inconsistent results an effect of Corporate Social Responsibility (CSR) on financial performance. The relationship speaks to those a large portion doubted range from claiming CSR on the components through which financial performance may be improved by CSR [20,21]. This absence of agreement may reflect model determination problems, for example, omissions from claiming immaterial holding assets. That association between CSR what's more financial performances might be an antiquity for not controlling for those impacts about R and D for CSR [22]. In this sense, Surroca et al. [23], likewise show that immaterial
holding resources, including innovation, may make a missing link on clarify associations the middle of CSR. What's more fiscal execution. The writing survey prescribes there remains an absence of seeing something like how CSR activities could make In light of advancement forms. Eventually Tom's perusing enhancing the execution about SMEs. Accordingly, those paper investigates if CRS need of mediating impact around execution 4 through an expand looking into advancement limit. The reason for this commitment is should better see all the joins that might exist between improvement furthermore CSR hones in the setting from claiming SMEs and highlight those included worth that might profit benefits of the business association. This paper contributes of the expositive expression to a number about routes What's more varies from former Look into with respect to CSR. Previously, a few viewpoints.

Firstly, it need been noted that examine once CSR to See may be exactly insufficient and minimal will be known observationally over the level from claiming social obligation to little organizations. This research visits particular thoughtfulness regarding those SME sector, subsequently contributes of the constrained group of work in this region.

Secondly, the destination of European Commission's reaction one task is will influence SMEs to actualize the entire corporate social obligation in the endeavor through the utilization for improvement exercises. SMEs would diverse on nature should substantial organizations which might sway on the execution for CSR. Those pertinent surviving written works on the learning hole that exists in the CSR-SME relationship will be still significantly from constructing a united and by acknowledged model with research such associations and additionally giving work to a capable point of view on the management about SMEs [24]. The leftover portion of the paper is composed as takes after: segment 2 holds our explanatory schema identified with CSR hones and their possibility connection for advancement also execution. Experimental confirmation also Scrutinize hypotheses would break down. Segment 3 depicts those exploration strategy (data accumulation what's more sample), and the variables and models to test those theory need aid portrayed. Clinched alongside area 4, the outcomes of the experimental Investigation would provide. Segment 5 summarizes the principle findings what's more outcomes and displays the finishes.
LITERATURE REVIEW

Performance and Market Orientation (MO)

A focal thought in the promoting writing will be the proposition that any firm that is fit will raise its level of showcase introduction will move forward its execution in the commercial center [3]. Showcase situated organizations are characterized Toward their unrivaled Comprehension for customer's current what's more future needs Furthermore Eventually Tom's perusing their capability to the suitable answers for the individuals needs that would better than rival's offerings [25]. Those relationships between market orientations what’s more execution might have been initially formalized in the twin papers from claiming Narver et al. [3] and Kohli et al. [10]. These writers furnished the theoretical premise for an exploration organization security which went should make embraced by large portions showcasing researchers working everywhere throughout the reality.

Others have speculated that those market orientation-performance connection might a chance to be amplified Eventually Tom's perusing those measure of the home advertise alternately those levels about investment advancement [26]. Yet conclusive finishes for every last bit focuses need aid needing. Singular investigations looking at various specimens (e.g. utilizing that MKTOR instrument flying for person test and the MARKOR instrument flying in the other) could main try part-way towards determining these issues [27,28]. Done contrast, an interesting quality of meta-analysis will be the chance should specifically inspect those impacts of different study configuration aspects that might direct those focal speculations. Indeed, meta-analysis is utilization full to recognizing “relationships Furthermore possibility impacts that need not been (and Might not be) evaluated in the relationship of a single experimental study” [29].

Consequently, this research wailing to location those accompanying three questions:
1. Are those market orientations-execution relationship widespread over distinctive particular nation settings?
2. Will be the market orientation performance association influenced by
estimation issues?

3. Will be that market orientation - execution relationship influenced by relevant issues identifying with culture, business size furthermore investment development?

For the market orientation there is two popular conceptualizations such as:

- An information-based behavioral perspective of Kohli at al. [10].
- Cultural perspective of Narver et al. [3] and Kirca et al. [4]. Marketing literature is sparse on market orientation before the seminal paper of Kohli et al. [10].

They have put primary importance on responsiveness to changes in market and understanding market orientation as “organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it” [10].

In marketing orientation of cultural perspective is defines as a corporate culture which is conducive for eliciting behaviors that provide customers with superior value [3]. Market orientation has four types of consequences namely the corporate performance and customer relationship, innovation and employee. Among the above consequences of MO, this study focuses on the organizational performance (Figure 1).

**Figure 1: Research model.**

![Diagram](image)

The relationship of MO and organizational performance is established by many researchers. Most of these studies point out a positive impact of the firm’s MO
on its performance [3,4,30]. Studies in different contexts corroborate this relationship [5,6,31,32]. Because of the plethora of such findings, Deshpande and Farley [33] suggested a “cross-national robustness of relationships between market orientation and performance”. In Pakistan there is no research and investigation on this relationship but basis of Deshpande and Farley [33] we hypothesize that:

**H1:** In there MO on organizational performance have direct impact

**Corporate Social Responsibility (CSR) and Performance Indicate**

According to financial theory, there exists one overlying destination of a corporation: On expand the worth for shareholder’s riches. This target will be direct also complements the fiscal premium of shareholders. However, enterprises are affected eventually Tom’s perusing stakeholders other than shareholders, constituents who would regularly roused by non-monetary investment for example, such that those company's effect on the group what's more nature's domain. With along these lines huge numbers clashing investment and objectives from claiming stakeholders, the meaning for CSR will be not continuously reasonable. For the reason for this study, I will define CSR as “actions that show up to further a portion social good, past the premium of the firm also that which will be required by theory comprehension this definition obliges the distinguish that CSR strategies need aid movements that try past complying with those law will positively sway culture (the community, environment, employees, and so forth). Hence, that enhances those prosperity of representatives by actualizing heartless whistleblowing procedures, for example, may be not continuously socially responsible, yet all the rather abiding by those theory (specifically, those Sarbanes-Oxley [34]). A corporate social obligation project incorporate movements to move forward that environment, community, and exists for every last one of stakeholders from claiming an association.

After the 1950 CSR has attracted more attention in writting of 20th century [35]. Carroll [36] has described CSR as having four area : Legal, Economic, Ethical, Voluntary or philanthropic. He defines CSR as involving “the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive” [36].
According to Epstein [37] CSR is “the normative correctness of the products of corporate action”. Corporate social responsibility is related with organizational performance and some researchers have equated it to the environmental and social performance of the firm [22]. Many researchers have investigated the connection of CSR with organizational performance. The subsistence of a trade-off among corporate social responsibility and organizational performance due to the costs incurred for implementation of CSR activities suggested by Aupperle, Carroll, & Hatfield. Some early studies had reported a negative impact of CSR on performance [38]. However, Soloman and Hansen [39], inter alia, contrarily suggest that employee morale and productivity benefits of CSR outweigh its explicit costs, so CSR is actually beneficial for firms in terms of financial performance. Most of the recent empirical evidence has consistently shown that an optimistic connection occurs between CSR and organizational financial performance [40-43]. This type discrepancy might be because of the business environment changes that have happened over time [5]. On the basis of the consequences of recent experiential studies it is hypothesized that 40,42):

**H2:** CSR on organizational performance impact is positive

**Market Orientation, CSR and Performance**

Market orientation research is cumulative in nature. Yet past reviews of the literature have failed to provide a definitive answer to the question of whether market orientation is a truly generic determinant of firm performance [44-46]. And only those issues will be that past reviews have been narrative, advertising best case scenario of broad-brushed outline judgment about surviving fill in. Outcomes are commonly arranged under a couple classes about impact span (e.g., strong, medium, and powerless or no effect).

In turn and only those issue stems from the disappointment to separate between bivariate discoveries linking market orientation with performance (r) starting with multivariate analyses incorporating other performance-enhancing elements. Solid advertise introduction impacts would at times inferred on the foundation for
various coefficients of determination (R) indeed going the point when bivariate r what's more, the lion's share of corps parts don't stay in their starting work areas once their comm would absent [47] or opposite [48]. An a greater amount powerful elective to surveying the generalizability about connections will be gave by meta-analysis, which need been characterized likewise “the factual examination of a huge accumulation from claiming investigation effects starting with singular investigations for the purposes of coordinating the findings” [49].

Meta-analysis concentrates on the amassed what's more correlation of experimental discoveries drawn from different investigations such-and-such every investigation comprises a free perception in the last example from claiming impact sizes. All things considered meta-analysis is a capable device for Building experimental generalization in marketing [12]. Past meta-analyses need been used, for example, with assess the predictive force of different drivers from claiming new item triumph [50]. What does more will analyze those associations between ad-evoked affections what's more reactions should publicizing [29]. Meta-analysis obliges that discoveries must make both conceptually tantamount and arranged on statistically proportional types [51]. Market orientation examination fulfills both necessities. In the dominant part of answer studies, business sector introduction need been measured utilizing things drawn from a standout amongst two instruments; in particular the MKTOR instrument flying of Narver and Slater [3] alternately the MARKOR instrument flying for Kohli, Jaworski and Kumar [52].

Previously, those larger parts about investigations have received the correlation coefficient (r) likewise their measure of impact size. An as a relatable point applied groundwork and impact extent metric tolerance the serious correlation about outcomes gotten in distinctive settings. The certain association between business sector introductions furthermore benefits of the business execution need been well-documented [46,53].

Yet the accessible proof is distant from decisive with an amount about investigations reporting weight best powerless or non-significant outcomes [1,44,45,54,55].

Concerning illustration others bring noted, this dissimilarity prescribes that the relationship between market orientation Also execution might make directed toward
extra variables for example, showcase alternately innovative turbulence [54,55] and aggressive force [11,30]. Be that again, surviving outcomes would uncertain for a few researchers distinguishing a part for, say, aggressive power [1] also how discovering no such part [47]. Theoretically, CSR can have an effect on MO-performance relationship because the perception of social responsibility enhances the trust of customers and employees on organization [56,57]. This study keeps tabs on the relationship between market orientations, CSR, Also firm execution in the setting for a rising economy. Provided for those later selections for market orientation [58]. Furthermore CSR methodologies Eventually Tom's perusing organizations to rising economies [59], we accept that it will be chance to explore those possibility sway about packaging those two methodologies on execution. The successful researcher of the impacts of these methodologies on organizations over developing economies shuts a number of holes to our information something like the cooperation between showcase orientations, CSR, Furthermore execution. Contrasted with investigate for created countries, investigate on the relationship between business sector introduction furthermore performance on rising economies may be set [60]. Very nearly the greater part examination on the key esteem of CSR need centered once organizations that work for created nations [59]. Whilst surviving examination ahead produced western nations will be informative, this constitution from claiming examination means with extraordinarily expands those restricted knowledge under those sway for market orientation and CSR around execution for rising economies.

This kind of point will develop the firms performance. Qu [5] has shown in his study that CSR has a mediating role in MO-performance relationship in Chinese context. However, this mediating role of CSR needs to be tested in Pakistani context because CSR in Pakistan is now on increase because the companies here have to comply with the international CSR standards of ISO and WTO etc. if they wish to do business with foreign customers, though until recently CSR was a “buzzword” in Pakistan [61]. On the basis of earlier evidence from China, we hypothesize:

**H3:** CSR arbitrates the relationship between performance and MO.
METHODOLOGY

Data Collection

For data collection questionnaires were sent through mail to CEOs and top managers of 300 companies, drawn randomly from a list of 771 companies listed on Karachi Stock Exchange. Out of this sample, the questionnaire could not be delivered to 14 companies due to wrong mailing addresses. This reduced the effective final sample to 286 companies. It was instructed to respondents to give response within 3 weeks of receiving the email. 123 responses were received during the “cut-off period” out of which 106 were complete in all respects. This resulted in a response rate of 37 percent which is impartially better judgment to preceding studies on market orientation [5,15]. Among the respondents, 89 percent were males. 73 percent of the respondents were above 40 years of age, since we had addressed the questionnaires to top managers.

To check the non-response bias, early (within the first week) and late responses were compared on the basis of key variables e.g. MO and CSR. We found that there is no major different between these mean of responses , rendering the non-response bias insignificant.

Measurements and Scales

The scales used in this study were originally developed and refined by Qu [5]. Market orientation scale was adopted from MARKOR [52]. It is a 10-items scale, comprising 4 items for market intelligence cohort, 3 items for intelligence distribution and 3 items for responsiveness to intelligence. The 5-items scale for corporate social responsibility was adopted from Maignan et al. [62].

In both of the above two scales, measurements are taken using and from the liker scale we are getting five point from strongly disagree to strongly agree. the performance scale is adopted from Jaworski and Kohli [63], it measures performance through “judgemental approach” by assessing the performance against main competitors in three aspects (3 items): Sales growth, overall performance and
Return on Equity (ROE). Another of five points liker scale ranging from poor to excellent is used.

The α-reliability of the above three scales are 0.852, 0.881 and 0.872 respectively. To check the validity of this scale, confirmatory factor analysis was performed which yielded values all above the critical worth of 0.60 [64], indicating that the scale is valid in Pakistani context.

**RESULTS**

Hypothesis were tested using regression analysis. For testing mediation, this study employed Barron and Kenny [65] procedure. This procedure is as follows:

1. It was tasted that Market orientation (MO) has a direct effect on organizational performance (OP). The results were found noteworthy β=0.506, p=0.000. It shows that Market orientation has a direct real impact on the performance in the firm. Thus, first condition of mediation is met.

2. It was tasted that Market orientation (MO) has direct effect on corporate social responsibility (CSR). The results show that MO, independent variable, has a noteworthy positive effect on CSR, the mediator, (β=0.687, p=0.000). This is the second condition of mediation.

3. It was tasted that corporate social responsibility (CSR) has direct effect on organizational performance (OP). A significant positive effect of CSR on organizational performance was found (β=0.610, p=0.000). Hence, the third condition of mediation is also fulfilled.

4. When mediator was incorporated in the model, the independent variable (MO) which was previously significant (β=0.506, p=0.000), became insignificant (β=0.164, p=0.125). Also, after the mediator enters the relationship, the change in $R^2$ induced by market orientation is negligible and insignificant. This is the evidence of full mediation by CSR between the relationship of MO and OP. CSR fulfills all the four conditions of mediation as mentioned by Barron and Kenny [65].

These results of correlation and regression analysis are presented in Tables 1 and 2 respectively.
Table 1: Pearson correlations.

<table>
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<tr>
<th></th>
<th>Mean (SD)</th>
<th>Correlations</th>
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<tr>
<td></td>
<td></td>
<td>MO</td>
<td>CSR</td>
<td>OP</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>MO</td>
<td>2.923 (1.140)</td>
<td>(0.852)</td>
<td></td>
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<tr>
<td>CSR</td>
<td>3.013 (1.266)</td>
<td>0.687''</td>
<td>(0.881)</td>
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<tr>
<td>OP</td>
<td>2.880 (1.368)</td>
<td>0.506''</td>
<td>0.610''</td>
<td>(0.872)</td>
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Note: **shows significance at 0.01 level (2-tailed); N=106, α values in parenthesis; MO=Market Orientation; CSR=Corporate Social Responsibility; OP=Organizational Performance

Table 2: Regression analysis.

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<tr>
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<th>CSR</th>
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<tbody>
<tr>
<td></td>
<td>β</td>
<td>R²</td>
<td>ΔR²</td>
<td>β</td>
<td>R²</td>
<td>ΔR²</td>
</tr>
<tr>
<td>Direct Effects</td>
<td>MO</td>
<td>0.687''</td>
<td>0.472</td>
<td>0.472''</td>
<td>0.506''</td>
<td>0.256</td>
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<tr>
<td></td>
<td>CSR</td>
<td>0.610''</td>
<td>0.372</td>
<td></td>
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<tr>
<td>Indirect Effects</td>
<td>MO</td>
<td>0.164 (ns)</td>
<td>0.386</td>
<td>0.014 (ns)</td>
<td></td>
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<tr>
<td></td>
<td>CSR</td>
<td>0.497''</td>
<td>0.372</td>
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</table>

Note: **significant at p < 0.05; Dependent Variable=Organizational Performance

CONCLUSIONS AND IMPLICATIONS

This research shown that how the organizational performance are influence the market orientation and CSR. Corporate social responsibility is emerging in Pakistan as more and more companies are moving from compliance to social responsibility. This is clearly reflected in our results which show that all market orientation efforts effect performance only through CSR. The results of this study are of particular importance as very little research has been done on corporate social responsibility in Pakistan. Moreover, it is yet another evidence of the growing importance of corporate social responsibility.

Our study showed results consistent with Qu and Maignan et al. [5,62]. Since
this study is conducted in Pakistan, where very few regulations exist on corporate social responsibility and those which exist are not acted upon, the importance of this study is unequivocal. These results show that in Pakistan too, no market orientation is effective without paying heed to corporate social responsibility. The results also annul the misperceptions that costs associated with corporate social responsibility do not payoff in terms of increased performance. Thus this study will prove to be a motivational force for CSR investments in Pakistan.

For the manager and corporate leader, this study is very important. Quite often, the managers think that their MO efforts are bound to increase performance. This is not always the case. If CSR is not paid due attention, all market orientation efforts may fall flat, without giving any boost to performance. Market oriented companies should in particular take into account the vital role of corporate social responsibility for achieving their goal of superior performance.

LIMITATIONS AND FUTURE DIRECTIONS

The final research results are interpreted keeping in view the following limitations: First of all, organizational performance is measured subjectively. Although there has been strong evidence that the perceptual and objective measures of performance are closely, the extent to which they are correlated in Pakistan is not known. Therefore, it is recommended to use more objective measures of performance like balance sheet data or stock market returns. Moreover, it is common in Pakistan that business executives glorify the performance of business if subjective comments are sought from them. The use of objective figure will also eliminate this bias. Also, due to the peculiar business environment of Pakistan, they take initiative while interpreting the results of this research in supplementary contexts.

REFERENCES


