



# ORGANIZATIONAL PERFORMANCE AS PREDICTOR OF CORPORATE SOCIAL RESPONSIBILITY UNDER MEDIATION OF TOTAL QUALITY MANAGEMENT

Muhammad Luqman<sup>1</sup>, Faisal Azam<sup>2</sup>, Waleed Aamir

1, 2, & 3 MBA, Department of Business Administration, University of Sargodha Gujranwala Campus

## KEYWORDS:

Corporate social responsibility, Organizational performance, pharmaceutical Sector Total quality management

## ABSTRACT

In recent years, society and many organizations have been paying increasing attention to the social responsibilities of organizations towards various stakeholder groups. To ensure the fulfillment of social responsibilities of organizations towards society, corporate social responsibility should be embedded in day-to-day operations and managerial decision-making. Total quality management is also a commonly used managerial tool that takes into considerations the interests of various stakeholder groups. This paper investigates how the relationship between corporate social responsibility and total quality management affect the organizational performance. The results of the analysis, using structural equation modeling on 250 completed questionnaires sent to the pharmaceutical companies in Pakistan, suggest that social responsibility is significantly associated with the integration of this responsibility into quality management programs. Quality management, in turn, has a significant and positive effect on organizational performance. The results provide contribution to the earlier studies that have found reliable results on the direct association between social responsibility and organizational performance by demonstrating that quality management mediate the relationship between social responsibility and organizational performance. Managers can strengthen their relationships with stakeholders and ultimately improve organizational performance if social responsibility towards stakeholders is embedded in operational routines.

## 1. INTRODUCTION:

Total quality management (TQM) is an all-encompassing administrative approach that looks to incorporate every authoritative capacity to constantly satisfy client necessities and upgrade framework quality in associations to build benefit and profitability (Wang et al., 2012; Mehralian et al., 2016). At the point when executed together, TQM and CSR have the potential to make a feasible upper hand in today's unique business condition (Wang et al., 2012). The execution of TQM empowers associations to convey better an incentive than clients, and consequently accomplish hierarchical destinations.

Quality management is one of the most important commitments to society and consumers by companies in general and the pharmaceutical industry in particular. The pharmaceutical industry faces a diverse group of stakeholders, including patients, health professionals, the media, regulators, political authorities, and the general public, all of which increasingly expect companies to recognize their social and environmental responsibilities to mitigate the negative impacts of their operations and, ultimately, to contribute to the communities in which they operate (Herremans et al., 2016). Hence, these ethical and operational responsibilities towards various stakeholders have prompted many global corporations to adopt CSR policies (Mehralian et al., 2015).

CSR, however, is a broad concept, and there is no consensus on its definition and boundaries. CSR is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders (Carroll and Shabana, 2010). In the last decade, there has been an enthusiasm towards embracing more intricate types of CSR, which goes for delivering more supportable advantages for the groups (Mory et al., 2015). Generally, CSR is often considered as a management philosophy (Berger et al., 2007; Carroll and Shabana, 2010) that can be defined as Corporate Social Responsibility is a management concept whereby companies incorporate social and environmental concerns in their business functions and interfaces with their stakeholders (Herremans and Nazari, 2016; Herremans et al., 2016; Omidvar, 2009). It should be embedded in the organizational culture and, from this perspective; social practices should be taken into account even if they are not directly related to financial outcomes. There are several reasons for an organization to implement CSR, including responding to specific demands of stakeholders, improving the firm's performance, enhancing corporate reputation, generating customer loyalty, and avoiding legal sanctions (Basu and Palazzo, 2008).

In recent years, the concept of CSR has been adopted by many business sectors such as the pharmaceutical industry. This growth in attention to social responsibilities is not limited to developed countries. Rather, due to globalization, many business sectors in developing countries are adopting CSR practices in their operations. Although there is not much academic and practical research on CSR in developing countries such as Pakistan. One of the sectors in Iran that is of particular importance by the nature of its operation is the pharmaceutical sector. Pharmaceutical distribution companies act as an important intermediary in the drug supply chain as they connect manufacturers to pharmacies either through community pharmacies or through hospitals in the pharmaceutical sector (Mehralian et al., 2014). With this in mind, the role of efficient management in such companies that paves the way for the purchase of materials from reliable suppliers and maintains appropriate conditions to deliver medicines to pharmacies is undeniable. These circumstances make this sector socially accountable to final consumers and necessitate the implementation of quality management practices. Such an approach will protect a company's brand and reputation among consumers and other stakeholder groups. In addition, lack of proper care about and attention to these responsibilities can jeopardize the operations of pharmaceutical companies in today's competitive market environment.

Despite the fact that TQM and CSR and the benefits of adopting these practices to address current challenges in the pharmaceutical industry are interrelated, earlier` research has focused on investigating the individual impact of TQM and CSR on organizational success. For example, some earlier studies have analyzed the impact of TQM on performance, including financial and non-financial, in the pharmaceutical industry (Andersen et al., 2004; Hoque, 2003; Kumar et al., 2009). The findings from this previous research indicate that TQM can significantly progress buyer related performance (Kumar et al., 2009). Other studies found the positive effect of TQM on the internal

processes of organizations (Mehralian et al., 2013). Recent literature observations that TQM has a positive effect on education and growth in an organization (Kumar et al. 2009);).

There is a dearth of research on this important sector, and in developing countries, on how TQM and CSR can simultaneously affect performance. The recent literature on TQM and CSR calls for experimental research on how TQM and CSR relate to affect organizational results (Tarí, 2011). The present study responds to this call by investigating how TQM mediate the relationship between CSR and performance on the one hand and how TQM and CSR individually affect performance on the other. The OP uses financial and operational measures on customer satisfaction, internal processes, organizations' innovation, and improvement activities (mehrailian et al., 2016). This study offers a contribution to the literature by using an integrated approach in studying how embedding CSR in day-to-day operations can influence the development of TQM, and thus improve organizational performance.

This paper is structured as follows. The next section develops the research background, followed by the research model and research hypotheses regarding the link between the two management practices and the impact that these approaches have on the performance of pharmaceutical companies, using the BSC approach. Next, the paper explains the methodology employed in this empirical study and presents its findings. The final section discusses the results and draws conclusions. Theoretical and managerial implications, limitations, and recommendations for future research are outlined last.

## **2. LITERATURE REVIEW:**

The literature review in this section focuses on three main constructs of interest in this research: organizational performance, corporate social responsibility, and total quality management.

### **2.1. ORGANIZATIONAL PERFORMANCE:**

According to Cho and Dansereau (2010), Organizational Performance refers to the performance of a company as compared to its goals and objectives. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (Tomal & Jones, 2015). Organizational performance is very important to create interest in management studies. Organization focuses on continuous performance, because performance improvement enables organizations to grow (Gavrea et al., 2011). It is important to notice that the organizational success or failure of both profit and non-profit is based on organizational performance (Jarad et al., 2010). Therefore, the organization struggle to enhance their performance (Shuck, B. and Wollard, K., 2010). For the organizations, it is very important to identify and understand the factors which affect the performance of the organization, in order to take reasonable steps to make them available (Jarad et al., 2010). According to Cho, T. (2011) organizational performance is the result of many business factors such as work process, team/group communication, business culture and image, policies, leadership, and climate that encourage innovation, creativity and loyalty.

Measuring the performance of any organization is a difficult task as it provides information on the quality of processes performed within the organization, helps in developing strategic plans, assess the fulfillment of organizational objectives (Abu Jarad et al, 2010; Gavrea et al, 2011; Almajali et al., 2016). Usually using financial measures organization assess their performance, however these measures have been criticized as encouraged short-term views, produced management conflicts, not have strategic focus, and failed to provide information about customer requirements and the quality of competitors' performance (Shahin et al, 2014). Furthermore, without taking organizational objectives into account the evaluation of performance is not possible. Therefore, in today's competitive environment, organization must be able to evaluate their objectives (Moghaddam et al., 2015) such as product cost, profit, as well as subjective performance, and set up suitable plans to accomplish their objectives (Yunis et al., 2013) and competitive advantages (Gallardo-Vázquez and Sanchez-Hernandez, 2014). There are many measurement techniques available, for the companies who want fulfillment these objectives and increase organizational performance, among which balanced score card (BSC) is one of the most valuable performance measurement and management method that is commonly known and used. Kaplan and Norton (1992) developed BSC included non-financial indicators in performance measurement and management systems. This method provides a comprehensive framework for managers that help them to modify the strategies of their organizations into a set of performance measures.

## **2.2. CORPORATE SOCIAL RESPONSIBILITY:**

Since the 1970s great attention has been given on the concept of corporate social responsibility and it still continues to be a concept of interest today. Hemingway and Maclagan (2004) define CSR as the “degree to which companies should promote human rights, equality, social and community development and sustainable growth objectives through the world”. Taghian et al. (2015) stated CSR as the activities examined by governing bodies to benefit social and environmental causes that are accepted to the organization’s stakeholders.

Organizations are facing increased pressure to involve in CSR activities however organizations see CSR as a cost and thus are unsure to adopt it (Buciuniene and Kazleuskaite, 2012). Ali et al. (2010) stated that organization should consider the amount spent on CSR as an investment rather than an expense. This is because organization gets many benefits from CRS. These benefits include minimum clash with stakeholders, extreme loyalty from all stakeholders, achievement of competitive advantages, creating corporate reputation, financial reliability, effectiveness of running business, quality of products and services, innovativeness, enhance company image, the ability to charge superior price for company products, and the ability to attract and retain quality employees (Buciuniene and Kazleuskaite, 2012). Furthermore, Okwemba et al (2014) described organization used CSR as a strategy save them from unexpected risks and environment accidents, to protect their profit, and based on volunteerism create better relationship with employees. According to Carroll’s model (1991), CSR covered the full variety of dimensions that established an organization’s duty, which were four: economic, legal, ethical and philanthropic.

### **2.2.1 ECONOMIC RESPONSIBILITY:**

Economic responsibility is the company’s first responsibility. Here organizations produce products and services required by society and sell them for a profit (Jones et al, 2009). However, organizations need to recognize that their economic performance is not something they do just for themselves but also for society (Carroll and Shabana, 2010).

### **2.2.2 LEGAL RESPONSIBILITY**

Legal responsibility refers to the positive and negative responsibilities sited by the laws and rules of society on organizations (Carroll and Shabana, 2010). It contains following and respecting the rules, laws, regulations established by society (Grbac and Loncaric, 2009; Jones et al, 2009).

### **2.2.3 ETHICAL RESPONSIBILITY:**

Ethical responsibility can be defined as “an organization’s intended activities to encourage and pursue social goals that extend beyond their lawful responsibilities” (Carroll and Shabana, 2010). It states to organizations doing what is right, just and fair (Grbac and Loncaric, 2009). However, it is difficult to know what right or wrong as ethical standards is are not clear or classified (Smirnova, 2012).

### **2.2.4 PHILANTHROPIC/DISCRETIONARY RESPONSIBILITY:**

The Philanthropic Responsibility is the obligation of above organization to go societal expectations (Carroll, 1991). Carroll and Shabana (2010) stated that philanthropic responsibility includes “those company activities that are in response to Society’s expectations that business be a good citizen, this includes actively engaging in performances or programs to encourage human-welfare or goodwill”. Philanthropic responsibility represents voluntary actions of organizations such as charity, donations, financial and other contributions that goal to increase the quality of life in the community (Smirnova, 2012).

## **2.3. TOTAL QUALITY MANAGEMENT:**

There are various definitions of total quality management (TQM); interestingly, no exclusive definition can explain the whole picture. TQM is a complete managerial way that search to combine all management function to always fulfill the needs according the customer requirements and make the organization profitable and increase productivity (Mehralian et al, 2016; Kumar et al., 2009; want et al., 2012). TQM as a logic set for giving any

educational institution with an arrangement of primary components for meeting and beating present and future customer' needs, wants and desires (Zwain et al, 2005).

A previous study examined that manufacturing company measuring and evaluates the quality performance of organization through TQM, using the nine-dimension customer focus (CF), employee training (ET), top management system (TMS), information system and usage (ISU), employee involvement (EI), strategic planning (SP), people management (PM), operation management (OM) and leadership commitment (LC) (Prajogo and Sohal, 2003). Furthermore, previous researchers have identified nine core dimensions of TQM, namely: LC, SP, continuous improvement (CI), CF, PM, EI, ET, rewards and recognition (RR), and management by fact (MF) (Bayraktar et al., 2008; Venkatraman, 2007; EFQM, 2016; MBNQA, 2015-2016; Zwain et al., 2011).

Today, the survival and development of associations rely on upon their capacity to meet and surpass client desires by conveying quality items. Organizations are outlining more current procedures to manage the both individual's people and framework to convey quality items and TQM is one such system. As of late, TQM is picking up significance as it is thought to be a powerful approach towards organization improvement process in accomplishing sustainable advantage. Manufacturing industry is thought to be one of the real contributions to the worldwide economy, furthermore, in this manner, TQM is strategically and intentionally vital for manufactures industry (Yang, 2006). TQM is a managerial way through which managers and employees may continuously improve the value-added processes of an organization in order to avoid rather than identify the defects (Mazumder et al., 2011).

#### **2.4. CORPORATE SOCIAL RESPONSIBILITY AND TOTAL QUALITY MANAGEMENT:**

Many organizations try to adopt and implement a set of operational management practices that allows them to monitor the variations in their environment and respond energetically to these changes through continuous progress (Asif et al., 2013; Lozano, 2012). From possible operational management choices in response to these changes, CSR and TQM have acknowledged huge attention over the last two decades (Akdere, 2009; Jung and Wang, 2006; Kull and Narasimhan, 2010). Mellat-Parast (2013) said that considering the current management and business excellence models and practices, CSR can most efficiently be integrated with quality management frameworks. Tari (2011) suggested that TQM can assist the development of CSR. He then described how each of the mutual dimensions of TQM practices, including leadership, planning, people management, customer focus, supplier management, process management, information analysis, and design can support the improvement of CSR practices.

To explore the relationship between CSR practices, TQM practices, and the performance of companies, this paper conceptualizes CSR within the quality management framework (Waddock and Bodwell, 2004). This research is mostly encouraged by the assumption that encompassing a successful management system to embrace new developments would lead to an important improvement in organizational performance (Corbett and Klassen, 2006). The earlier literature proposes that tools, techniques, and methods for quality management systems can be used in support of other "improvement" systems such as environmental systems (Boudreau et al., 2003; Corbett and Klassen, 2006). This parallel emphasis on quality management and CSR leads to an improvement in both environment and quality (product/process) outcomes, and hence recommending a synergistic outcome between quality, social, and environmental management (Vachon and Klassen, 2008; Zhu and Sarkis, 2004). Thus, consistent with the arguments in the literature, this paper discusses that socially responsible companies will implement quality management systems to confirm that the interests of several stakeholders are embedded in day-to-day operations. Hence, the following hypothesis is suggested:

***H1: CSR is significantly and positively associated with TQM.***

## 2.5. CORPORATE SOCIAL RESPONSIBILITY AND ORGANIZATIONAL PERFORMANCE:

One of the main challenges for organizations in applying new management practices is the degree to which those new practices enable achieving short-term and long-term organizational goals (AgudoValiente et al., 2012). In this assessment, CSR implementation is regarded as a strategy to increase competitive advantage through differentiating the firm from its competitors by emphasizing the reliability of the operation with societal expectations (Salton and Jones, 2015). Companies struggle to succeed, and thus the implementation of CSR to abide by societal beliefs can consequence in victory in growing rewards, sales, and company reputation (Márquez and Fombrun, 2005). There is conflict on the relationship between the CSR and performance. Some studies show positive relation, while others have resulted that the effects are negative (Aras et al., 2010).

Choi and Yu (2014) argued that the perceived CSR has a significant impact on the organizational performance. Brammer et al. (2006) shows a negative relationship between CSR and performance and said that firms are at a competitive disadvantage by spending resources on CSR. According to McWilliams et al. (2006) there is no relationship between CSR and financial performance. Another study Post et al. (2011) found the various impact of corporate social responsibility on firm performance as well as strategy decision making, internationalization strategy, research & development and share price. Giovanni (2012), found that environmental and organizational performance can be improve through environment management. Some of the other recent studies, containing the study by Gallardo-Vázquez and Sanchez-Hernandez (2014) and by Larrán Jorge et al. (2015), shows a positive relationship between CRS and the organizational performance. In the US airline industry, a recent study about CRS, support that operational-related CRS practices can bring financial performance (Lee et al., 2013). In this regard, the following hypothesis is proposed on the relationship between CSR and organizational performance:

**H2:** Perceived CSR activities have a positive effect on organizational performance.

## 2.6. TOTAL QUALITY MANAGEMENT AND ORGANIZATIONAL PERFORMANCE:

Many studies have been showed to check the relationship between quality management practices and organizational performance. For example, previous research has exposed the relationship between TQM application and many dimensions of company performance such as financial performance, the long-run stock price performance, employees' work-related attitudes, customer performance, innovation performance, and organizational learning (Mehralian et al., 2016). According to Cetindere et al. (2015), there was significant and positive relationship between TQM and OP. With respecting to Maistry et al. (2017), the study was found out the strongly affiliation between TQM and performance of R&D organizations. Regarding to Benavides-Velasco et al. (2014), there was positive and significant link between TQM, CSR and hotel performance industry in Spain. With respecting to Bouranta, N et al. (2017), it's noted that there is positive and significant relationship between TQM and OP in Greek hotel industry and the research questions were examined using a sample of 153 top and Middle-level hotel-quality managers and also exploratory factor analyses, coupled with multiple linear regression analyses, were used to examine the extent to which elements of TQM influence hotel performance. Decreasing product variation will increase output and decrease the need for rework, errors, and waste in staff, machine time, and ingredients. In order to meet the challenges of ruthless competition, the TQM philosophy claims on constantly improving performance. Continuously improving processes, products, or service quality will decrease scrap and rework costs, reduce waste and non-value-added activities, and improve efficiency and lead time (Esin Sadikoglu, and Cemal Zehir, 2010). Thus, the following hypothesis is introduced to be examined:

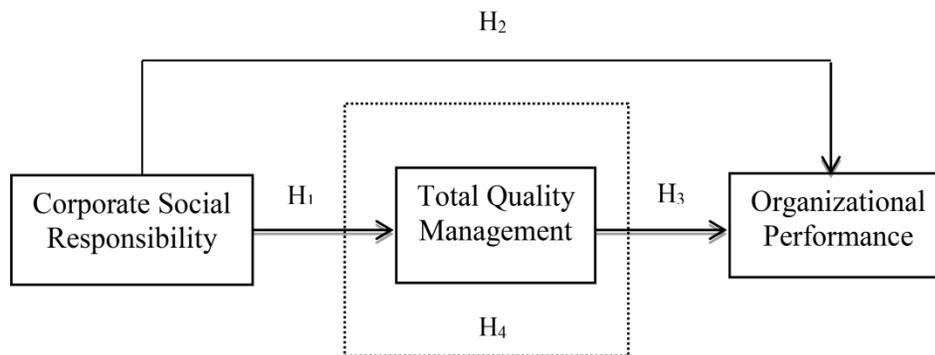
**H3:** *Total Quality Management has a positive and significant effect on Organizational Performances.*

## 2.7. Total Quality Management as Mediator:

Implementing TQM strongly and positively effects, first, operational and quality performance of the local authorities; second, citizen satisfaction and society results; and, finally, employee satisfaction. The purpose of the study is to determine the core total quality management (TQM) factors adopted and the respective effects achieved by local authorities, i.e., municipalities. Determining the degree to which TQM effects the respective results also is a purpose of this study (EvangelosPsomasFotisVouzaz Nancy Bouranta Mary Tasiou, 2017). Dinial & Arnik (2005) examines the fit of total quality management (TQM) practices in mediating the relationship between organization strategy and organization performance. The objective of this study was to examine the relationships between TQM practices and various performance measures and to examine the mediating effects of employee performance and innovation performance on the relationship between TQM practices and firm performance. The study suggest that employee performance partly mediates the associations between TQM practices and innovation performance, as well as that between TQM practices and firm performance, and that innovation performance partially mediates the relationship between TQM practices and firm performance (Sadikoglu, E., &Zehir, C, 2010).

**H4:** *TQM mediates the association between CSR and OP*

### RESEARCH MODEL:



## 3. RESEARCH METHODS

### 3.1. DESIGN AND SAMPLE

This is a cross sectional study among a sample of employees of 10pharmaceutical industry of Pakistan. The data were collected by using questionnaire as research instrument. In April 2017, 350 questionnaires were distributed and 250 (71%) respondents filled out the questionnaires. Under the light of the present study's hypotheses, we probed the relationship between corporate social responsibility and organizational performance under mediation by total quality management.

**Table 1: Demographics Factor**

<b>Demographics</b>	<b>Demographics Factor</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Age</b>	Below 25 years	133	64.88%
	26-35 years	50	24.39%
	36-45 years	12	5.85%
	Above 45 years	10	4.88%
	Total	205	100
<b>Education</b>	Diploma	10	4.88%
	Technical	51	24.88%
	Bachelor	71	34.63%
	Master	60	29.27%
	Above Master	13	6.34%
	Total	205	100%
<b>Experience</b>	0-5	75	36.58%
	5-10	70	34.15%
	10-15	35	17.07%
	15-20	15	7.32%
	Above 20	10	4.88%
	Total	205	100%
<b>Job Title</b>	Stock clerk	63	30.24%
	Accountant	98	47.32%
	Marketer	26	14.63%
	Manager	10	4.88%
	Supervisor	10	100%
	Total	205	

### 3.2. Measures

All scales used in this study were measured by using 5-point Likert scale and ranged from 1 (strongly agree) to 5 (strongly disagree). We adopted the Duygu Turker (2009) corporate social responsibility Scale to measure corporate social responsibility and this scale consists of sixteen (20) items. To measure organizational performance 16-items scale was adopted. Neena Sinha & Garg Neelam Dhall, (2016) was developed this scale. To measure Total quality management, 25-item scale of (Anupam et al., 2008) was used.

**4. Finding:**

**4.1 Correlation:**

**Table 2 Correlation**

Variables	Mean	SD	CSR	TQM	OP
CSR	1.98	.335	1		
TQM	2.23	.523	.790**	1	
OP	2.22	.232	.356**	.335**	1

\*\* $P < .01$ ;  $N =$  number of participants;  $SD =$  standard deviation;  $CSR =$  Corporate social responsibility,  $TQM =$  total quality management,  $OP =$  organizational performance.

The mean value of corporate social responsibility is 1.98 close to 2 it means the majority of the respondents were agreed and the value of standard deviation is .335 which showed 33.5% variation among responses. Moreover, CSR is positively and significantly correlated ( $r = .790^{**}$ ,  $.356^{**}$ ) with total quality management and organizational performance at  $P < .01$  respectively. Moreover, the mean value of total quality management is 2.23 close to 2 it means the majority of the respondents were agreed and the value of standard deviation is .523 which showed 52.3% variation among responses. Moreover, total quality management is positively and significantly correlated ( $r = .335^{**}$ ) with organizational performance at  $P < .01$  respectively while the mean value of organizational performance is 2.22 which is close to 2, it means the majority of the respondents were agreed and total variation among their responses is .232 which showed the 23.2% variation among responses.

**4.2. Regression:**

**4.2.1. Relationship between CSR and OP**

**Table 3 CSR and OP**

Variable	B	SE	B	T	Sig
Constant	3.521	.250		9.08	.000
CSR	.142	.124	.140	9.76	.000

$R^2 = .14$

$F = 1.298$

$P = .000$

Table 3 showed the interplay of OP as the dependent variable with CSR as a predictor. The results indicated that CSR was positively and significantly related with OP. Moreover,  $R = .14$  indicated 14% total variation in endogenous variable can be elucidated by the predictor variable. Table showed the interplay of OP as the dependent variable with CSR as a predictor. Table 3 also showed  $F = 1.298$  and  $p < .01$  which portrayed the model is significant statistically that means predictor caused change in endogenous variable. These findings supported the H1 of the study which was formulated as CSR has positive relationship with OP.

#### 4.2.2. Mediating Role of TQM between CSR and OP

**Table 4:  
Path Analysis**

Paths	Coefficients	SE	t	Sig.
Total quality management and corporate social responsibility (a path)	.218	.059	20.6554	.0000
Organizational performance and total quality management (b path)	.3253	.1494	11.1766	.0000
Direct effect of Corporate social responsibility and organizational performance (c path)	.1251	.1264	9.896	.0000
Total effect of corporate social responsibility and organizational performance (c' path)	.2711	.2210	12.2270	.0000

P<0.05

Table 4 signifies that all paths (a, b, c and c') fulfill the conditions of partial mediation. Results indicates that total quality management positively and significantly associates with corporate social responsibility (Path a) with (b= .218, t= 20.655, p<0.05). Similarly, total quality management also significantly and positively relates with organizational performance (b= .3253, t= 11.1766, p<0.05). Which shows that path b is also significant.

Table 4 divulges that path c and c' also significant by explain the direct and total effects. There is significant relationship between corporate social responsibility and organizational performance with (b= .1251, t= 9.896, p<0.05) and coefficient value shows the direct effect of corporate social responsibility on organizational performance (Path c). Total effect of corporate social responsibility on organizational performance is also significant with (b= .2711, t= 12.227, p<0.05) at presence of mediating variable. These results illustrate that total quality management significantly and partially mediate the relationship between corporate social responsibility and organizational performance.

#### 5. DISCUSSION:

In the current competitive environment, companies struggle to thrive and adapt to the changes in the business environment by creating a sustainable competitive advantage through managerial approaches such as TQM and CSR (Gallardo-Vázquez and Sanchez-Hernandez, 2014; Larrán Jorge et al., 2015). Thus, the main purpose of this study was to examine the relationship between CSR activities on organizational performance, using a sample of Pakistani pharmaceutical companies.

**Four basic hypotheses were proposed to carry out the research objectives.**

Some earlier studies have identified the positive effect of CSR on quality management in the CSR literature (Mellat-Parast, 2013). Similarly, the outcomes of this study also show that CSR positively and significantly affects TQM ( $\beta=0.32$ , p<0.05). Mellat-Parast (2013) said that considering the current management and business excellence models and practices, CSR can most efficiently be integrated with quality management frameworks. Some companies are involved in supporting education, issues related to employees, and environmental protection activities, all of which are due to the humanitarian responsibilities of these companies to society and the nature of their operations. The results suggest that these activities subsequently increase their quality management systems, and thus provide support for the hypothesis on the positive relationship between CSR and TQM (H1). The support for this hypothesis also provides additional empirical evidence to the earlier literature that suggested improvement in quality management and that CSR leads to a development in the outcomes of both the environment and quality, approving a synergistic effect between quality, social, and environmental management (Zhu and Sarkis, 2004).

Moreover, the finding shows that CSR activities have positive and significant effect on organizational

performance. Post et al, (2011) found the various impact of corporate social responsibility on firm performance as well as strategy decision making, internationalization strategy, research & development and share price. Some of the other recent studies, containing the study by Gallardo-Vázquez and Sanchez-Hernandez (2014) and by Larrán Jorge et al. (2015), show a positive relationship between CRS and the organizational performance.

The relation between TQM and organizational performance has been examined in the literature. Based on the results of the present study, TQM positively and significantly effects organizational performance ( $\beta=0.91$ ,  $p<0.05$ ); therefore, H3 is supported. Previous research has exposed the relationship between TQM application and many dimensions of company performance such as financial performance, the long-run stock price performance, employees' work-related attitudes, customer performance, innovation performance, and organizational learning (Mehralian et al., 2016).

Finally, the results supported that TQM mediates the effect of CSR on organizational performance ( $\beta=0.29$ ,  $p<0.05$ ), providing support for H4. This finding shows that the full implementation of the CSR concept in the organizations can indirectly increase organizational performance and can affect organizational performance if it is embedded in organizational management systems such as TQM (Volodina et al., 2009). This finding shows that the commitment of a company to CSR practices encourages the company to enhance its quality management systems and practices, such as TQM. More specifically, the CSR practice can encourage a great atmosphere in a company such that all the members of the company act responsibly towards society, finding effective ways to achieve their tasks as long as it is incorporated into operational practices (Santhosh and Baral, 2015).

## **CONCLUSION:**

The results suggest that organizations perceive CSR as a valuable resource that leads to a sustainable competitive advantage by promoting and supporting TQM implementation. Two complementary aspects linking CSR and performance were identified: first, CSR promotes a firm's image and reputation, which will ultimately attract more qualified and loyal employees, consumers, and other stakeholders, leading to social license renewal; thus, helping the organizations to achieve a sustainable quality advantage. In other words, improving 'moral capital' as a result of implementing practices associated with CSR, promotes and supports practices such as employee involvement as well as employee participation, consumer and other stakeholders' approval of the operations.

## **SIGNIFICANCE:**

Previous studies note that, by focusing on practices related with CSR, managers are able to develop a culture and atmosphere that facilitates cooperation and employee involvement at different levels of the organization (Mehralian et al., 2013; Mory et al., 2015), promoting the firm's reputation (Agudo-Valiente et al., 2015; Gallardo-Vázquez and Sanchez-Hernandez, 2014), and thus differentiating their brand by appealing to ethics-conscious consumers (McWilliams and Siegel, 2001; Salton and Jones, 2015). Similarly, if companies integrate CSR policies into their activities during the early stages of development when corporate culture and the reputation among the industry are being shaped, it should help them improve their image among a wide range of stakeholders (Herremans et al., 2016), including intermediary and immediate suppliers and distributors. This also helps them avoid potentially harmful actions both to themselves, as an industry, and to society at large. In this regard, it is suggested that CSR be a source of competitive advantage to firms in today's business environment.

## **LIMITATIONS AND FUTURE RESEARCH DIRECTIONS:**

This study also provides some opportunities for future research. The sample was limited to one of the environmentally and socially sensitive sectors, the pharmaceutical companies. Future studies can investigate if the model proposed in this study can be applied to other environmentally and socially sensitive industries such as oil and gas, chemical, forestry, pulp and paper, and utilities. TQM was used as a measure of operational practice. Future studies can investigate the effect of CSR on other operational practices and processes. The focus of this study was on internal operational processes. Future studies can investigate how some business, environmental, and contextual variables can motivate these internal operational processes.

## References:

- [1] Abu Jarad, I., Yusof, N. and Shafiei, M.W.M. (2010) The Organizational Performance of Housing Developers in Peninsular Malaysia. *International Journal of Housing Markets and Analysis*, 3, 146-162
- [2] Almajali, D. A., Masa'deh, R. E., & Tarhini, A. (2016). Antecedents of ERP systems implementation success: a study on Jordanian healthcare sector. *Journal of Enterprise Information Management*, 29(4), 549-565.
- [3] Aras, G., Aybars, A., & Kutlu, O. (2010). Managing corporate performance: Investigating the relationship between corporate social responsibility and financial performance in emerging markets. *International Journal of productivity and Performance management*, 59(3), 229-254.
- [4] Al-Dhaafri, H. S., & Al-Swidi, A. (2016). The impact of total quality management and entrepreneurial orientation on organizational performance. *International Journal of Quality & Reliability Management*, 33(5), 597-614.
- [5] Brammer, S., Brooks, C., Pavelin, S., 2006. Corporate social performance and stock returns: UK evidence from disaggregate measures. *Financial Management* 35, 97-116
- [6] Bayraktar, E., Tatoglu, E., & Zaim, S. (2008). An instrument for measuring the critical factors of TQM in Turkish higher education. *Total Quality Management*, 19(6), 551-574.
- [7] Benavides-Velasco, C. A., Quintana-García, C., & Marchante-Lara, M. (2014). Total quality management, corporate social responsibility and performance in the hotel industry. *International Journal of Hospitality Management*, 41, 77-87.
- [8] Bouranta, N., Bouranta, N., Psomas, E. L., Psomas, E. L., Pantouvakis, A., & Pantouvakis, A. (2017). Identifying the critical determinants of TQM and their impact on company performance: Evidence from the hotel industry of Greece. *The TQM Journal*, 29(1), 147-166.
- [9] Cetindere, A., Duran, C., & Yetisen, M. S. (2015). The effects of total quality management on the business performance: An application in the province of Kütahya. *Procedia Economics and Finance*, 23, 1376-1382.
- [10] Carroll, A.B., Shabana, K.M., 2010. The business case for corporate social responsibility: A
- [11] review of concepts, research and practice. *International Journal of Management Reviews* 12, 85-
- [12] 105.
- [13] Cho, J., & Dansereau, F. (2010). Are transformational leaders fair? A multi-level study of transformational leadership, justice perceptions, and organizational citizenship behaviors. *The Leadership Quarterly*, 21(3), 409-421.
- [14] Cho, T. (2011) Knowledge Management Capabilities and Organizational Performance: An Investigation into the Effects of Knowledge Infrastructure and Processes on Organizational Performance. Unpublished PhD Thesis, University of Illinois
- [15] Choi, Y., & Yu, Y. (2014). The influence of perceived corporate sustainability practices on employees and organizational performance. *Sustainability*, 6(1), 348-364.
- [16] Das, A., Paul, H., & Swierczek, F. W. (2008). Developing and validating total quality management (TQM) constructs in the context of Thailand's manufacturing industry. *Benchmarking: An International Journal*, 15(1), 52-72.
- [17] Sadikoglu, E., & Zehir, C. (2010). Investigating the effects of innovation and employee performance on the relationship between total quality management practices and firm performance: An empirical study of Turkish firms. *International Journal of Production Economics*, 127(1), 13-26
- [18] Evangelos Psomas, Fotis Vouzas, Nancy Bouranta, Mary Tasiou, (2017), "Effects of total quality management in local authorities", *International Journal of Quality and Service Sciences*, Vol. 9 Iss 1 pp.
- [19] EFQM (2016), "European foundation for quality management: EFQM excellence model",
- [20] available at: [www.efqm.org/](http://www.efqm.org/)
- [21] Flynn, B. B., Schroeder, R. G., & Sakakibara, S. (1995). The impact of quality management practices on performance and competitive advantage. *Decision sciences*, 26(5), 659-691.
- [22] Gavrea, C., Ilies, L., & Stegorean, R. (2011). Determinants of organizational performance: The case of Romania. *Management & Marketing*, 6(2), 285.
- [23] Gallardo-Vázquez, D., Sanchez-Hernandez, M.I., 2014. Measuring Corporate Social Responsibility for competitive success at a regional level. *Journal of Cleaner Production* 72, 1422.
- [24] Giovanni, P.D. (2012), "Do internal and external environmental management contribute to the triple bottom line?", *International Journal of Operations and Production Management*, Vol. 32 No. 3, pp. 265-290.
- [25] Griffin, M. L., Hogan, N. L., Lambert, E. G., Tucker-Gail, K. A., & Baker, D. N. (2010). Job involvement, job stress, job satisfaction, and organizational commitment and the burnout of correctional staff. *Criminal Justice and Behavior*, 37(2), 239-255.

- [26] Kaplan, R. S., & Norton, D. P. (1992). The Balanced Scorecard: Measures that Drive Performance. *Harvard Business Review*, 12, 71-7
- [27] Kumar, V., Choisine, F., de Grosbois, D., & Kumar, U. (2009). Impact of TQM on company's performance. *International journal of quality & reliability management*, 26(1), 23-37.
- [28] Moghaddam, J.Y., Akhavan, P., Mehralian, G., 2015. Intellectual capital, ethical climate and
- [29] organisational performance: an interaction analysis. *International Journal of Learning and*
- [30] *Intellectual Capital* 12, 232-250
- [31] McWilliams, A., Siegel, D.S., Wright, P.M., 2006. Corporate social responsibility: strategic
- [32] implications. *Journal of Management Studies* 43, 1-18
- [33] Fombrun, C. J. (2005). A world of reputation research, analysis and thinking—building corporate reputation through CSR initiatives: evolving standards. *Corporate Reputation Review*, 8(1), 7-12.
- [34] Mory, L., Wirtz, B.W., Göttel, V., 2015. Factors of internal corporate social responsibility and
- [35] the effect on organizational commitment. *The International Journal of Human Resource Management*, 1-33.
- [36] Mehralian, G., Nazari, J. A., Rasekh, H. R., & Hosseini, S. (2016). TOPSIS approach to prioritize critical success factors of TQM: evidence from the pharmaceutical industry. *The TQM Journal*, 28(2), 235-249.
- [37] MBNQA (2015-2016), "Education criteria for performance excellence: Malcolm Baldrige National Quality Award", available at: <http://quality.nist.gov>
- [38] Mehralian, G., Mehralian, G., Nazari, J. A., Nazari, J. A., Nooriparto, G., Nooriparto, G., ... & Rasekh, H. R. (2017). TQM and organizational performance using the balanced scorecard approach. *International Journal of Productivity and Performance Management*, 66(1), 111-125.
- [39] Maistry, K., Maistry, K., Hurreeram, D. K., Hurreeram, D. K., Ramessur, V., & Ramessur, V. (2017). Total quality management and innovation: Relationships and effects on performance of agricultural R&D organisations. *International Journal of Quality & Reliability Management*, 34(3), 418-437.
- [40] Oakland, J.S. (2014), *Total Quality Management: Text With Cases 4e: Text with Cases*, Routledge, New York, NY.
- [41] Pearce, G.L. and Ensley, M.D. (2004), "A reciprocal and longitudinal investigation of the innovation process: the central role of shared vision in product and process innovation teams", *Journal of Organizational Behavior*, Vol. 25 No. 2, pp. 259-278
- [42] Post, C., Rahman, N. and Rubow, E. (2011), "Green governance: boards of directors' composition and environmental corporate social responsibility", *Business and Society*, Vol. 50 No. 1, pp. 189-223.
- [43] Prajogo, D. I., & Sohal, A. S. (2006). The relationship between organization strategy, total quality management (TQM), and organization performance—the mediating role of TQM. *European Journal of Operational Research*, 168(1), 35-50.
- [44] Psomas, E. L., & Jaca, C. (2016). The impact of total quality management on service company performance: evidence from Spain. *International Journal of Quality & Reliability Management*, 33(3), 380-398.
- [45] Prajogo, D. I., & Sohal, A. S. (2003). The relationship between TQM practices, quality performance, and innovation performance: An empirical examination. *International journal of quality & reliability management*, 20(8), 901-918.
- [46] Shuck, B. and Wollard, K. (2010) Employee Engagement and HRD: A Seminal Review of the Foundations. *Human Resource Development Review*, 9, 89-110.
- [47] Sahlin\_Andersson, K., 2006. Corporate social responsibility: A trend and a movement, but of what and for what? *Corporate Governance: The International Journal Of Business In Society* 6,
- [48] 595-608.
- [49] Sadikoglu, E., & Zehir, C. (2010). Investigating the effects of innovation and employee performance on the relationship between total quality management practices and firm performance: An empirical study of Turkish firms. *International Journal of Production Economics*, 127(1), 13-26.
- [50] Schonberger, R. J. (1994). Human resource management lessons from a decade of total quality management and reengineering. *California Management Review*, 36(4), 109-123.
- [51] Sabella, A., Kashou, R., & Omran, O. (2014). Quality management practices and their relationship to organizational performance. *International Journal of Operations & Production Management*, 34(12), 1487-1505.
- [52] Schonberger, R. J. (1994). Human resource management lessons from a decade of total quality management and reengineering. *California Management Review*, 36(4), 109-123.
- [53] Sabella, A., Kashou, R., & Omran, O. (2014). Quality management practices and their relationship to organizational performance. *International Journal of Operations & Production Management*, 34(12), 1487-1505.
- [54] Arunachalam, T., & Palanichamy, Y. (2017). Does soft aspects of TQM influence job satisfaction and commitment? An empirical analysis. *The TQM Journal*, 29(2).

- [55] Tomal, D. R., & Jones, K. J. (2015). A comparison of core competencies of women and men leaders in the manufacturing industry. *The Coastal Business Journal*, 14(1), 13.
- [56] Valiente, J. M. A., Ayerbe, C. G., & Figueras, M. S. (2012). Social responsibility practices and evaluation of corporate social performance. *Journal of Cleaner Production*, 35, 25-38.
- [57] Vlachos, P. A., Tsamakos, A., Vrechopoulos, A. P., & Avramidis, P. K. (2009). Corporate social responsibility: attributions, loyalty, and the mediating role of trust. *Journal of the Academy of Marketing Science*, 37(2), 170-180.
- [58] Venkatraman, S. (2007). A framework for implementing TQM in higher education programs. *Quality assurance in education*, 15(1), 92-112.
- [59] Wang, C. H., Chen, K. Y., & Chen, S. C. (2012). Total quality management, market orientation and hotel performance: The moderating effects of external environmental factors. *International Journal of Hospitality Management*, 31(1), 119-129.
- [60] Yunis, M., Jung, J., Chen, S., 2013. TQM, strategy, and performance: A firm\_level analysis. *International Journal of Quality & Reliability Management* 30, 690-714
- [61] Yang, C. C. (2006). The impact of human resource management practices on the implementation of total quality management: An empirical study on high-tech firms. *The TQM Magazine*, 18(2), 162-173.
- [62] Mazumder, B., Bhattacharya, S., & Yadav, A. (2011). Total quality management in pharmaceuticals: a review. *Total Quality Management*, 3(1), 365-375.
- [63] Zwain, A. A., Lim, K. T., & Othman, S. N. (2017). TQM and academic performance in Iraqi HEIs: associations and mediating effect of KM. *The TQM Journal*, 29(2).
- [64] Zwain, A. A., Teong, L. K., & Othman, S. N. (2011). TQM core elements and knowledge sharing: an empirical study of Iraqi HEIs. *British Journal of Economics, Finance and Management Sciences*, 3(1), 1-19.

