



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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CORPORATE SOCIAL RESPONSIBILITY: ORGANIZATIONAL COMMITMENT IN THEORY & PRACTISE

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ABSTRACT

Corporate Social Responsibility (CSR) is a phenomenon that evolves from charity and stewardship principle reflects about business and society relationship over time. The concept of CSR entails unilaterally and voluntarily adoption of socio-environmental policies of good governance that accommodate socio-moral and ethical concerns. Amongst the industries being criticized on having under performed in CSR sector in Pakistan does include Pharmaceutical sector that has otherwise very important role to play in increasing availability of medicines to the marginalized and underprivileged groups. The phenomenal relationship between pharmaceutical industry and the human life where business and the health interests run parallel, calls for an in-depth investigation to measure true impact of CSR related obligations fulfilled by the pharmaceuticals industry in Pakistan. The article was undertaken to unearth true perspective of CSR practices in pharmaceutical industry of Pakistan with a view to formulate a befitting response that is fully socially driven and leading to the ultimate well being of the society. Hence, the research study is aimed at exploring and describing the level of knowledge, degree of attitude and practices with regards to corporate social responsibilities and ethics being practiced by the pharmaceutical industry in Pakistan.

KEYWORDS

CSR, Pharmaceutical, Industry, Governance.

INTRODUCTION

Corporate Social Responsibility (CSR) is the latest management fad that has permeated field of managing organizations (Guthey, Langer & Morsing, 2006) (CSR) as a business response to the growing public concerns about its socio-moral responsibility towards the well beings of society. The concept of CSR has acquired such significance that today it is strategically driven, operationally designed and tactically practiced in global business environment. The constant debate and pressures has prompted some organizations to introduce ethical codes of conduct and engage society through social endeavors beyond organization's economic interest (Lewin, 1983; White & Montgomery, 1980). However, the concept of CSR seems to be slow, unsustainable and at its nascent stage of the development. CSR encompasses those responsibilities that multi national companies and other national and international business concerns owe towards the society they operate around. The responsibility calls for the role they are morally and ethically obliged to play in reducing some of the inequalities between rich and poor, down trodden and the elite classes, privileged and the marginalized groups so on and so forth. Over the years there has been increasing interests amongst the businesses on the concept of CSR on the ground that businesses are part of society and they have obligations towards its welfare and wellbeing as they survive because of it (Jones, 1980; Kok et. al, 2001).

The intensive debate on the concept of CSR gave birth to variety of definitions. However; all of them commonly agree that the philosophy of the concept revolves around the relationship of business and society over time. The wide ranging dimensions of the concept has gradually overlapped various activities and today it fits in various managerial previews like HRM, Marketing, industrial relations, business ethics, total quality management, finance and business communication, motivation and human rights at work place etc. Literature reviewed helped in tabulating some of the often quoted definitions of CSR as evolved over period of time as follow:

TABLE 2.1: EVOLVING DEFINITIONS OF CSR

Literature Reference	Definitions of CSR
Drucker, 1942, <i>The Future of Industrial Man</i>	The economic purpose of the existence of any business company is maximization of profit and this end is achieved only through realization of social dimension that is customer satisfaction. Therefore, social stability and social health of any industrial society is one of the dependent variables corporation's responsibilities besides its economic targets.
Drucker, 1946	Survival of any enterprise is outcome of the harmony between the company's objectives, objectives of the state system and the people. Any conflict between the objectives of these three interactive players would stuck the business firm in the middle of the road. Therefore, corporations are responsible for worker's human dignity and status, and worker's training and development as corporation's resource and not cost.
Drucker, 1946	The fundamental question of the present society is not that we want a big business but what do we expect out of it? It means how the organization s are going to serve the wishes and demands of the society while ensuring their organizational goal of maximization of profit? To ensure a harmonious balance between profit maximization and social benefits like high employment, social contributions and provision of social good the government must deliver its policy to control this all. (<i>Concept of the Corporation, p.18</i>)
Bowen & Howard, 1953	Businesses are obliged to make and pursue those policies decisions which are desirable to social values of the community. (Cited in Carrol, 1999)
Davis, & Kieth, 1960	Execution of the businesses policies shall not be restricted to the firm's corporate interests only rather it should also cater for the socio-legal aspects as well.
Davis, 1973	Firm's response to, issues beyond the narrow economic, Technical, and legal requirements of the firm.
Zenisek, 1979	The "fit" between society's expectations of the business and the ethics of business.
Archie Carroll, 1979	The social responsibility is set of economic, legal, ethical and discretionary expectations of society towards the business organizations operating with in its premises
Bradshaw, 1981	The overriding role of corporate management is to meet people's needs with professional skills, continue to respond to the market place, produce quality goods at the lowest possible cost by efficient and sustainable use of resources.
Bradshaw & Vogal, 1981	The social performance of a large corporation hinges upon three corporate tiers; philanthropy, responsibility and policy.
Epstein, 1989	The business organizations have societal obligations of earning reasonable profits for their owners.
Nelson, 1996	Ethics has evolved that the business is obliged to function as per the dictates of the law, provide employment to the society, obey code of conduct and pay taxes.
Kilcullen & Kolstra, 1999	The degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state.
Hick, 2000	CSR revolves around the relationship between the business and the society. It indicates the responsibilities and determines the business behavior towards its stakeholders.
Kok et al, 2001	The business is ethically and morally obliged to benefit its society. To achieve this, the business besides capitalizing on its economic goals, it shall commit its resources for the well being of the society and its people.
David Vogel, 2005	CSR is a very important dimension of corporate strategy and not a precondition for business success. The businesses must find a viable course of action between what is socially and ethically rights and what is economically profitable. ((CSR) is business response to the growing public concerns which revolves around its socio- moral responsibility towards the well beings of society.
Lord Holme and Richard Watts, 2007	CSR calls for the ethically right behavior from the business while pursuing its economic goals. The ethical behavior calls for business moral responsibility for improvement in workers life quality and well beings of their family and social groups. (Cited in Kazim Sherbano, 2010)
Philip Kotler, 2008	Kotler holds the view that a firm, besides satisfying immediate needs and wants of target market, shall also deliver value to the customer in a way that maintains or improves consumer's and the society's well-being for a long term as well.

CONCEPTUAL FRAMEWORK OF THE CSR

According to Bradshaw and Vogal (1981) there are three pillars or contributors that add to the social performance of any business concern. These three pillars are; corporate policy, corporate philanthropy, and corporate responsibility. *Corporate philanthropy* includes donations for some social cause or for the welfare of marginalized social groups, having no direct link to its business promotion or economic goals. Corporate philanthropy mostly focuses on delivering monetary contributions to support the causes like; education, child care, health, religious or community welfare and development. The famous management Guru Prof. Michael Porter and marker (2002) call it a most cost effective way for a firm to improve its competitive advantage. *Corporate responsibility* denotes behavioral pattern of the corporation while it is pursuing its corporate goal of maximization of profits. Whereas, the *Corporate Policy* defines firm's approach towards the issues of public concerns –capable of affecting business life and the well being of the society as well. There are number of models that provide framework of the CSR however, Carroll's CSR Pyramid' has been validated by a number of research studies (Pinkston& Carroll, 1996).

FIGURE 3: CARROLL'S CSR PYRAMID



PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

A set of CSR principles which are commonly being followed by the most of business firm in designing, formulating, implementing and evaluating their CSR strategies is listed below:

- *Respect for Human Rights:* Ensuring that none of the step of business operation starting from its conception to the deliver phase is in contradiction to the obligations and principles enshrined in the Universal Declaration of Human Rights-1948.
- *Valuing & Managing Diversity:* The organization must respect intrinsic values of each culture and ensure non-discrimination on the basis of gender, faith, blood, race, ethnicity, language, culture, political or social affiliations, martial status, and demographic variants.
- *Dialogue:* Encourage and ensure dialogue with all stakeholders and keep line of communication open with the community so as to meet local conditions and generate positive benefits both for community and the firm.
- Maintaining high standard of Integrity and fairness in all type of dealings, and practices
- Ensuring sustainability of business practices contributing long term socio-economic welfare and development of community and the environment.
- Social insight and community knowledge: Architecting and managing good CSR practices hinges upon the deep insight of the community, its values, and needs and cross cultural understanding of the society.
- Ability to assess Social Impact: The firm shall be able to assess long term social consequences due to its old and new business operational activities so as to rightly facilitate its decision making process.

RESEARCH METHODOLOGY

Functional/ operational level management cadre of Multinationals and national pharmaceutical firms located at NWFP was served with questionnaire. The questionnaire (attached as annexure-A) was served to the 48 functional managers of the 24 pharmaceutical firms including multinationals and national both. Considering the relevance of the questions with the functional area of the firms these two functional managers were comprised of HR manager and the Marketing manager. The questionnaire was focused on gathering data about the hygienic provisions at work place, firm's contributions in socio-cultural development of the community, ethical dimensions of marketing practices and the environment protection responses of the pharmaceutical industry. It took almost one month to distribute the questionnaires and four months to get back the completed questionnaires. 48 questionnaires were distributed and 42 returned showing a return rate of 87 percent. The responses were tabulate and statistically analyzed using Chi-Square with the help of SPSS.

RESEARCH FINDINGS

Findings related to the functional dimensions of the CSR practices are derived from the responses obtained from the functional managers (Human Resource Manager and Marketing Manager) of the sampled pharmaceuticals firms operating in KPK, Pakistan. The research investigation from functional managers was aimed to determine whether the work place and other environment are hygienic and ethical or otherwise? The functional management approach towards the work place and work force, leadership attitude and interactions are in conformity to the ethical or CSR dimensions or otherwise?

Workplace Provisions (Hygiene Policies): being provided in the pharmaceuticals firms are satisfactory and need to be improved in their different dimensions as follows:

- In more than 71% firms there exists formal training and performance management system to improve the work related skills of their employees current needs and organization's future requirements.
- 61.9 % employees believe that their organizations care for their social welfare, health cover and security needs whereas, 31% of these employees termed these provisions temporary and occasional instances.
- 45.2 % managers believe that equality of the work force diversity at work place is being managed successfully against any kind of discrimination or inequality. However, 41 % managers are of the opinion that culture of equality at work place is occasional / not common and there is need for improvement in controlling the discriminatory practices which are occurring on the ethnic, racial, disability or minority or gender bases.
- Work force empowerment with regards to their input in organization's decision making process is below then satisfactory. Hardly 28.6% managers claimed that work force is duly empowered to participate in decision making process. Whereas, over 54% managers regards this type of empowerment an occasional feature based on whimsical behavior. Remaining 17 % have almost negative perception or no perception at all.
- Only 43% believe that their firms do respect for human rights and labor standards at work place whereas over 40% disagree and opine that respect for human rights and labour standards is occasional phenomenon that varies with time and space and person to person.

Company's Involvement in Community Welfare / Social Development of Local Sector: Research finds varying responses to different aspects of this dimension. However, the overall response could be graded just satisfactory and calling for improvement in different dimensions as follow:

- Over 88% firms do offer skill development or job opportunities to the local people.
- Over 95 % companies were found having social initiative contributing in improvement of public health and labeling of food and non-toxic chemicals.
- Over 59% companies prefer purchase of local raw material and other stores for their production or maintenance operations.
- The organizational culture lacks participation in local social activities and has poor record of sponsoring holding of social events. Over 88% confess that they participate in community social events occasionally and don not follow it as a permanent feature of their organization's culture. Only 9% firms claim to have culture of participation in local social events and sponsoring them. Therefore, the research finds poor record of the firm in fulfilling this obligation of CSR.
- Another critical area of firm ethical or CSR is with regard to their waste disposal and environment protection practices. Hardly 2.4 % respondents take credit of taking local community in to confidence in waste disposal, and other environmental policies. Research finds that nearly 42.9 % companies occasionally take local community in to confidence and over 55% have negative practice in this regard.
- Only 4.8 % companies regularly invest in the improvement of social sector development in the area of generating economic activities and 19 % invests occasionally. Whereas, over 73.8 % don't have any such investment to improve the social sector or the society from where they earn their business profit.
- The research finds that the companies have very poor record of integrating local labour markets and inclusion of disadvantaged groups while recruiting employees for their operations. Only 11.9 % were found regular in fulfilling this obligation and 21.4 % were found occasional performer. However over 64 % has totally negative response or compliance to this ethical / CSR obligation.

Environment Protection and Preservation: Organizations have mixed response towards environment protection and preservation obligations. The overall standard is just satisfactory and needs lot of improvement in many areas as follows:

- 31% follow energy conservation policies and nearly 55% companies have either no such programs / priorities or they don't know what to do in this regard.
- Only 40% firms are minimizing their industrial waste through recycling process and most of them are multinationals. Over 55% don't have any recycling system of their chemical/ industrial waste which is harming the society and degrading environment badly.
- Over 28% firms have some sort of system in place to prevent pollution by controlling discharge of contaminated material, fume/ smoke emission in to air etc. Whereas, over 66% firms either don't have any such system or they don't have priority or knowledge of their importance for the society and socio-ecological environment.
- Similarly 19% firms have adopted green field practices to protect and preserve the natural environment and consider potential environmental impact while developing new product. However, over 70% pharmaceuticals firms do not follow any such practice which is very alarming.

Market Policies & Practices: The research also found that firms are not consistent in following socially responsible market policies and practices and calls for improvement in following areas:

- Over 53% companies do not provide information and labeling about their products and lack transparency in their post sale obligations - warranties/ guarantees.
- On the other hand, 79 % of these firms claim to be following fair, transparent and honest purchasing policies, and quality practices and procedures while dealing in all its supply chain contracts, and advertising.

Organizational Culture: The research found that core values and organizational culture of most of the companies are dubbed with ethics and CSR policies as follows:

- 85.7 % companies follow well defined socially constructed values and ethical practices.
- 76 % internal stakeholders and 57 % external stake holders well aware of company's values
- 96.7% companies follow a well chalked out plan to train its employees on the company's values, and conduct ethics.
- 85.7 % firms claim that their core values related to ethics and CSR are formulated in consultation with stakeholders and approved by the Board.
- 76 % firms claim to share health related burden of the marginalized or disadvantaged people out of their profit

ACCRUING BENEFITS

The research contends that if the practices of CSR are followed in true letter and spirit in any industry than there are likely chances of following benefits as outcomes the business:

- **Human Resource at Work Place:** Motivation, pride and loyalty at work place, right man at right place at right time, increase in productivity and decline in turnover and absenteeism.
- **Marketing Gains and Control over Operational Cost:** CSR organization are benefited with increase in sales because of customers satisfaction, loyalty, retention and referrals, environmental savings. Respect and adherence to laws and regulation would reduce regulatory and legal cost of inconsistent practices, and environmental savings.
- **Availability of Finance:** Socially responsible organization earn good reputation because of their fair, transparent reporting and accounting, gain trust of the community and produce productivity out of the good governance. This results in to availability of reliable and loyal investors on one hand and dependable creditors and financial institutions on the other hand.
- **Minimizing Risk:** A socially responsible business is respected by the all components of a society. Resultantly risk of legal liabilities, media backlash or protests and strikes is reduced considerably. Rather because of its better impact on society and the environment its brand loyalty is not only protected rather promoted to manifolds.

SUGGESTIONS FOR IMPROVEMENT

Satisfaction of Customers, Clients and Consumers: The famous business phrase that 'customer is king' shall be taken as bench mark for business practices. If the customer is satisfied at given point in time than it can increase sale and generate profit but if he is cared on long term bases then his loyalty becomes source of brand loyalty and retention of market share for long. Therefore, there is need to practice relationship management, ideal humanized behavior and humane treatment, long term interests of customers, respecting their culture, values, norms, belief and dialects.

Suppliers & Investors: CSR needs to give similar value to the suppliers and investors as of the customers or clients. Compromising CSR standards at supply or investment side of the business is going to damage the quality of the business and turn the responsible organization in to irresponsible ones. Hence there is need for good governance, transparency, strict monitoring of procurement, production and distribution process, reporting/ disclosing of information and managing / valuing diversity in compliance to the laid down standards.

Product & Production Industry: The nature, material, design, quality, price, and feature of the product must be in confirmation to the socially responsible standards/ expectations. The product must also be friendly to the environment including energy, water, air, soil, wild life, and green fields. Nature of existing products. The product and production account must be controlled through clean books, and disclosed as per the law of the land. Fair and free competitive environment are the hallmarks of the corporate social responsibility.

Community Development: The fair, true and transparent reporting of financial earning and revenue and tax reporting, avoidance of corruption, bribery and corrupt practices, affirmation to the laws and regulations is not the only social or legal process expected out of businesses. The society also expects that the business firm would continue social philanthropy, social investing, community development by allocating out of the earned profit from the community for the purpose of adding up to its socio-economic life.

Ethical Marketing Practices: There is no denying the fact that pharmaceutical industry is morally and obligatory responsible to keep health professionals updated about the accurate and detailed information of its products so as to enable them for clear and sound prescriptions. This awareness is done through promotional activities that is vital health professionals and society to be timely aware of the newly developed medicines. It is expected that pharmaceutical firms shall maintain high ethical standards when conducting promotional activities and comply with legal, regulatory and professional framework. But research revealed that the currently most of the employed promotion practices are questionable on moral and ethical grounds.

The pharmaceutical industry's unethical marketing practices as concluded by the research expose society to unusual health risks; add up to patient's expenditure, extra visits to doctors, and prolonged poor health. Should these practices of unhealthy or unethical influences of the industry are allowed to continue unchecked the patients would end up suffering from unreliable medical care and treatments resulting in to unhealthy society. Therefore, there is a dire need to check these unethical and immoral practices and initiate corrective measures without further delay of time. The International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) Code of Pharmaceutical Marketing Practices can be right help in this regards. However, few of the suggestions in this regards are:

- Medicines promotion plans and practices shall be in consonance with ethical and CSR norms –taking care of stakeholders benefits –especially the patients.
- The practices of physicians target marketing or doctors / students recruitment to influence doctors prescriptions, shall be shun with forthwith in true letter and spirit. The practice of donations, gifts and other financial/ non financial incentives to doctors on prescriptions etc shall be ceased with.
- Furthermore, direct-to-consumer advertising, data manipulation or biased research trials etc shall also be declared banned with immediate effect.
- Personal incentives to prescribe are prohibited.
- Medical representatives and other sale agents of the firms shall be given appropriate training and product knowledge/ information and asked to strictly adhere to code of conduct designed in this regard.

CONCLUSION

CSR is set of ethical, legal and socio-economic expectations of society towards the business organizations operating within its premises. It is an on going process that deals with firm's obligations to protect, preserve, promote and improve welfare of the organization stakeholders alike and not only its share holders. It encompasses business and social actions, and ensures procedural and distributive justice in delivering sustainable benefits to its stakeholders. CSR also serves as a tool to achieve competitive edge and maintain sustainability of competitive advantage in the rapidly changing business environment.

The research article concludes that despite remarkable contributions of pharmaceutical industry towards human welfare via treatment of heart diseases, cancer, AIDS, there still exist tension between the industry and the public. The state of CSR in pharmaceuticals industry in Pakistan is still in its infancy and the industry is quite short of meeting its social obligations. The predominant reason for such under performance lack of awareness and will amongst the local businesses.

ANNEXURE

ANNEXURE A: CORPORATE SOCIAL RESPONSIBILITY (INTERNAL CONTROL QUESTIONNAIRE)

RESPONDENTS: HR & Marketing managers/ team Leaders

1. Workplace Provisions (Hygiene Policies):

1.1 Do you peruse employees under your command to improve their work related skills, plan and develop their future career through long-term careers through performance management system and training courses?

YES	Occasionally	No	Don't Know	Not Applicable
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1.2 Does your organizational work place environment provide sufficient welfare, health cover, and physical security measures for the employee.

YES	Occasionally	No	Don't Know	Not Applicable
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1.3 Do you manage equality at the work place against all manifestations of discrimination with reference to work force diversity (gender inequality, ethnic or racial diversity, minorities or disabled people marginalized at work place).

YES	Occasionally	No	Don't Know	Not Applicable
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1.4 Do you allow under command employees to help participate in decision making process by welcoming their input on important issue having direct effect to their work out put.

YES	Occasionally	No	Don't Know	Not Applicable
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1.5 Does your company's work place offer greater respect for human rights, core labour standards:

YES	Occasionally	No	Don't Know	Not Applicable
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2. Company's involvement in community welfare / social development of local sector:

2.1 Does your company offer skill development or job opportunities to the local people?

YES	Occasionally	No	Don't Know	Not Applicable
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2.2 Does your company purchase raw material and other stores locally?

YES	Occasionally	No	Don't Know	Not Applicable
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2.3 Does your organization encourage participation in local social activities or sponsor holding of social events?

YES	Occasionally	No	Don't Know	Not Applicable
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2.4 Does your company take local community in to confidence and with regards to waste disposal, and other environmental policies?

YES	Occasionally	No	Don't Know	Not Applicable
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2.5 Does your company invest in the improvement of social sector development in the area or generating economic activities?

YES	Occasionally	No	Don't Know	Not Applicable
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2.6 Does your company ensure integrated local labour markets and higher levels of social inclusion of disadvantaged groups while recruiting employees?

YES	Occasionally	No	Don't Know	Not Applicable
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2.7 Does your company contribute in improving public health through its voluntary social initiatives and by enterprises in labeling of food and non-toxic chemicals?

YES	Occasionally	No	Don't Know	Not Applicable
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3. Environment Protection Responses: Did you attempt to prevent/ reduce environmental degradation by controlling organizational impact on:

3.1 Energy conservation:

YES	Occasionally	No	Don't Know	Not Applicable
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3.2 Minimizing waste through recycling:

YES	Occasionally	No	Don't Know	Not Applicable
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3.3 Preventing pollution by controlling effluent discharge of contaminated material, fume/ smoke emission in to air etc.

YES	Occasionally	No	Don't Know	Not Applicable
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3.4 Protection of natural environment by adopting green field practices and considering potential environmental impact while developing new product:

YES	Occasionally	No	Don't Know	Not Applicable
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3.5 Does your organization communicate clearly and accurately environmental information on its products to its all stake holders including; suppliers, partners, producers, customers, suppliers, medical practitioners etc?

YES	Occasionally	No	Don't Know	Not Applicable
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4. Socially Responsible Market Policies and Practices:

4.1 Does your company provide information and labeling about your products including its post sale obligations in the shape of warranties/ guarantees?

YES	Occasionally	No	Don't Know	Not Applicable
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4.2 Does your company follow fair, transparent and honest purchasing policies, and adopt quality practices and procedures while dealing in all its supply chain contracts, and advertising?

YES	Occasionally	No	Don't Know	Not Applicable
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4.3 Does your organization ensure timely clearance of supplier's bills?

YES	Occasionally	No	Don't Know	Not Applicable
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4.4 Does your organization place an effective and timely feed back system from suppliers, clients, distributors/ retailers and customers?

YES	Occasionally	No	Don't Know	Not Applicable
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4.54 Does your organization follow a reliable system of recording, resolving and satisfying complaints from suppliers, distributors, users or customers etc.?

YES	Occasionally	No	Don't Know	Not Applicable
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5. **Company's Ethics Policies/ Core Values & Organizational Culture:**

5.1 Does your company follow well defined socially constructed values and ethical practices?

YES	Occasionally	No	Don't Know	Not Applicable
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5.2 Are all external stake holders well aware of company's values to them?

YES	Occasionally	No	Don't Know	Not Applicable
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5.3 Are your all internal stake holders are well aware of company's values to them?

YES	Occasionally	No	Don't Know	Not Applicable
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5.4 Does company follow a well chalked out plan to train its employees on the company's values, ethics of conduct?

YES	Occasionally	No	Don't Know	Not Applicable
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5.5 Are the core values related to corporate social responsibility formulated in consultation with stakeholders and approved by the Board?

YES	Occasionally	No	Don't Know	Not Applicable
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5.6 Does company share's health related burden of the marginalized or disadvantaged people out of its profit.

YES	Occasionally	No	Don't Know	Not Applicable
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