

Haigazian University

**THE IMPACT OF
CORPORATE SOCIAL RESPONSIBILITY PRACTICES
ON EMPLOYEE ENGAGEMENT
IN LEBANON**

By

HODA MAAMOUN BEYDOUN

A Thesis

Submitted in Partial Fulfillment of the Requirements for the Degree of

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HAIGAZIAN UNIVERSITY

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**By
HODA MAAMOUN BEYDOUN**

Approved By:

Sona Jerejian

Dr. Sona Jerejian, Assistant Professor in Business Administration
Faculty of Business Administration and Economics

First Reader

أكرم التانير

Dr. Akram Tannir, Lecturer in Business Administration
Faculty of Business Administration and Economics

Second Reader

Date of Thesis Presentation: June 03, 2015

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DEDICATION

I dedicate my dissertation work to my family and friends.

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First, I would love to thank God for his mercy, his guidance, and for giving me the patience throughout all the past years.

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ABSTRACT

Of the Thesis of Hoda Maamoun Beydoun for Master of Business Administration

Title: The Impact of Corporate Social Responsibility Practices on Employee Engagement in Lebanon

The purpose of this study is to examine the impact of internal and external CSR practices on employee engagement.

An empirical study was performed using a survey questionnaire, which was distributed to 40 organizations that have CSR practices. Out of 40 organizations, 20 replied and 171 questionnaires were returned and used.

Descriptive statistics were conducted followed by Reliability Test, Factor Analysis, and Multiple Regression with Stepwise method.

Empirical evidence from this study showed that a number of internal and external CSR practices have a statistically significant positive relationship with the two aspects of employee engagement: employee commitment and employee pride.

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LIST OF ACRONYMS

CSR Corporate Social Responsibility

I Internal

E External

EM Employee

CHAPTER ONE

INTRODUCTION

Corporate Social Responsibility (CSR) is a quite new management idea which has received a big attention from theorists and practitioners. CSR has quickly become an important part of any company's strategy, not just in marketing, but in recruiting and many other areas regarding employees. As consumers are ever more concerned with where products come from, employees now want more from their company than a paycheck. They want a sense of pride and fulfillment from their job, a purpose, and a company whose values match their own. It was found that CSR positively impacts employee recruitment, satisfaction, retention, loyalty, commitment, and engagement. And therefore organizations are able to use the firm's CSR profile as a tool to enhance employee engagement.

The purpose of this study is to examine how internal and external CSR activities affect employee engagement.

We should not only look at CSR's link to external factors, we should also consider employee-related CSR in searching for CSR identity in businesses. The main problem comes from the excessive focus on the subject of the CSR in relation to external activities of companies, such as donations and other environmental activities, and hence the discussion of CSR in relation to employee-related CSR has been lacking and needed. Our focus is on the effect of CSR on employee engagement which means that we will pay more attention to employee centered CSR discussion.

Research has been conducted and continues to be so focusing on developing a better understanding of how engaged employees have an impact on the work and business outcomes, including productivity and company long-term successes.

The topic of CSR has been captioned under many names, including strategic philanthropy, corporate citizenship, social responsibility and many others. As the names imply, each carries with it a certain perspective on the role of business in society. The role of business is to create value for its stakeholders in such a way that it also creates value for society.

Employees are the primary stakeholders who directly contribute to the success of the company, and understanding employee reactions to CSR, such as employee engagement may help answer questions about the potential effects of CSR on firms.

My interest in the topic is in the employee aspect of it. I believe employees are the most essential elements of an organization, and CSR may represent an opportunity to influence the employees' general impression of their company and affect their relationship with it.

In this study we describe CSR's activities and practices and their impact on employee engagement. Our study will target companies that implement CSR policies and engage into CSR activities located in Lebanon. Since the aim of the research was to investigate CSR impact on employee engagement, the survey's respondents are the employees working in CSR companies.

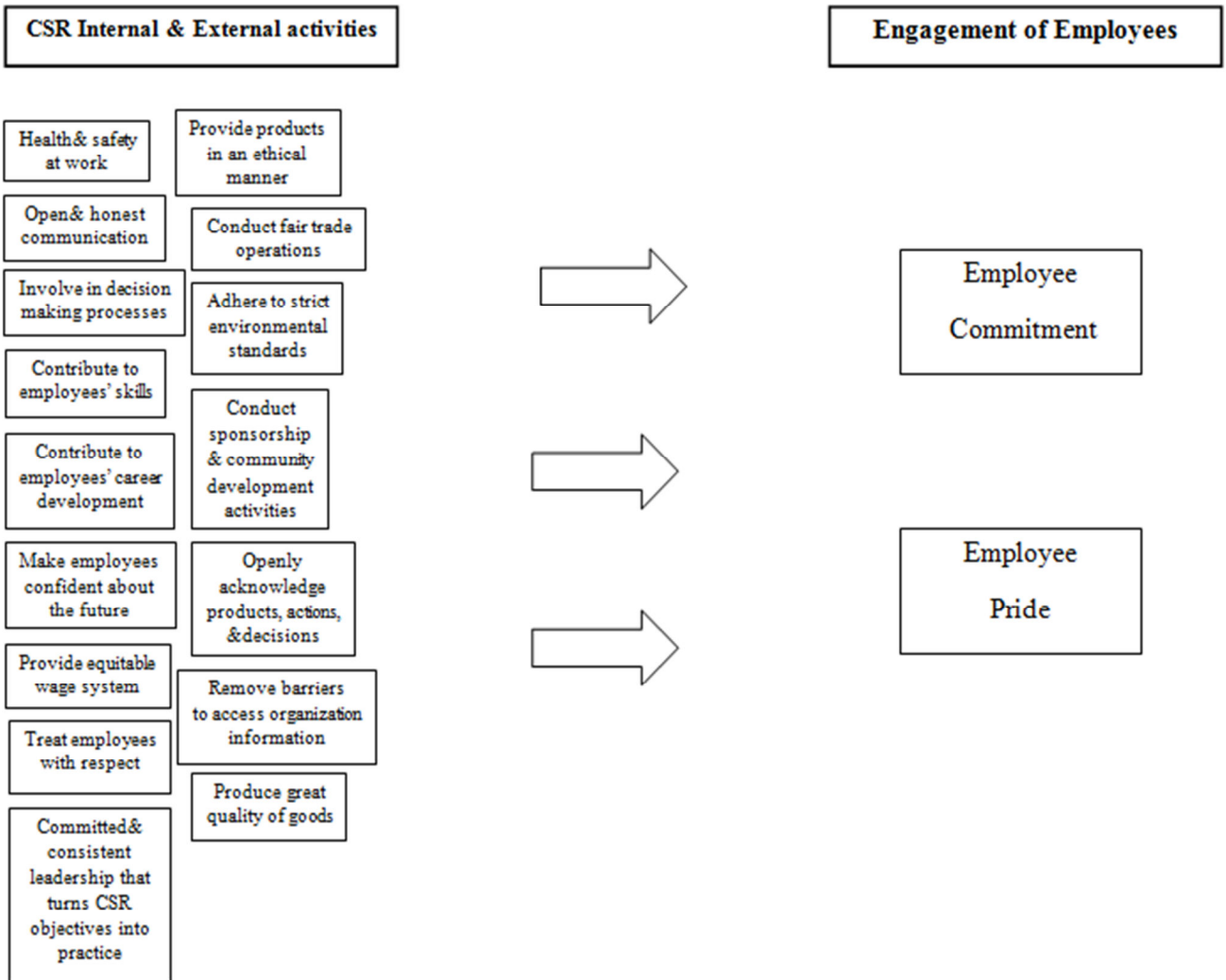


Figure 1: Link between Internal and External CSR Practices and Employee Engagement

First, in the literature review that follows, we will first talk about the importance of CSR in today's organizational reality, then discuss the concept of CSR and clarify its main dimensions, characteristics, outcomes, and practices. Afterwards we will discuss employee engagement and clarify its key factors and drivers. Finally, we will focus on how CSR practices in an organization influence employee engagement.

Second, based on the literature review we formulate our research question and hypotheses and discuss the research methodology.

Third, we conduct statistical analyses to test the hypotheses.

Finally, we provide a summary of the findings, limitations, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Importance of Corporate Social Responsibility (CSR) in today's organizational reality

Consumers, employees, and citizens' perceptions towards the role corporations play in society have changed in the last decade. (Kassar, 2012). They are now more informed due to the increased access to information, they are also aware of the universal human rights and the importance of protecting our planet from further danger. Kassar stated that nowadays, corporations have to be ethical and responsible, to integrate responsible practices and actions, and to develop strategic CSR programs which strongly relate to their business core processes. He also states that maximizing shareholder profits is no longer the benchmark by which companies are said to be successful and it should not take priority over any other issue. Companies should provide goods and services according to people's needs which will eventually lead to profit. CSR has become a basic starting point (basis) for any business and many CEOs are experiencing the benefits of engaging society in their daily operations. "The new mantra is: doing well by doing good" (Kassar, 2012, p.4).

CSR is the business of making a difference. The survival of any business depends on its ability to support its 5 dimensions: workplace, marketplace, environment, community, and ethics. It can result in a lot of benefits and outcomes related to employees, costs, reputation, market share, competitive advantage, and customers.

2.1. CORPORATE SOCIAL RESPONSIBILITY

2.1.1. Definition of CSR

“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

(Commission of the European Communities, 2001)

“CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.”

(World Business Council for Sustainable Development, 2000)

CSR is a multidimensional concept related to different stakeholders of a company. Aguilera *et al.* (2007), European Commission (2001), Brammer *et al.* (2007), Ligeti and Oravecz (2009) and Smith (2007) developed the internal and external dimensions of CSR. Brammer *et al.* 2007 stated that internal CSR are the activities related to the company’s internal operations. External CSR activities involve external operations related to external stakeholders such as customers, business partners, and local communities.

“CSR is operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Social Responsibility is a guiding principle for every decision made and in every area of a business.”

(Business for Social Responsibility, 2000)

Over the past two decades, CSR has been a subject of much research and those studies have shown the importance of implementing CSR initiatives as a strategy in order to flourish in a highly competitive environment.

In their work *Strategy and Society: The link between competitive advantage and CSR*, Porter and Kramer (2006) stated that many companies have done a lot to improve their social and environmental activities, but unfortunately their efforts were not productive as should have been. They added that 2 of the reasons are the following: the first is that they pit businesses against society when both the business and society are interdependent, the second reason is that they make companies think of CSR in generic ways instead of in the way most appropriate to each firm's strategy.

Porter and Kramer (2006) say that companies should look at CSR as a source of innovation and opportunity if they analyze their prospects for social responsibility using the same frameworks that guide their core business choices.

They also add that CSR practices should be performed in the most suitable way to each firm's strategy. The adoption of CSR's practices, their integration with the company's strategy, and the day-to-day operations should not be done in a generic manner. They also add that CSR is evolving into a core business function, central to the company's overall strategy and important to its success.

Cannon (1992) states that a business's primary role is to make goods and services according to society's needs and wants, so there is an interdependence between business and society and a need for a stable environment that also includes an educated workforce. "Business only contributes fully to a society if it is efficient, profitable, and socially responsible." (Cannon, 1992, p.33) "The basic idea of CSR is that business and society are interwoven rather than distinct entities". (Wood, 1991)

Management must clearly define, recognize, and prioritize claims to design strategic objectives of the company. According to Boris Johnson, Mayor of London, CSR is not philanthropy; CSR is a strategic social investment, which is related to organizations maintaining their social license to operate. The emphasis is on how they do their daily operations, how they treat their workforce, how they produce and market goods and services.

Reasons why companies implement CSR actions are either for acting in accordance with the regulations (Wagner, 2005) or as a response to external restrictions (Jaffe *et al.*, 1995). To explain this problem, a lot of researches are conducted to identify the true definition of CSR (Mohr *et al.* , 2001) and provide companies with guidelines.

Companies should not approach CSR as a way to enhance their public image in the form of donations, charities, reforestation, and recycling; they should look beyond these solutions and move into new and innovative projects with new strategic plans and actions ("CSR in Lebanon: An Industry Emerging On Misunderstood Concepts", 2012, March).

"Where is CSR heading? Trends in 2012" (2012, March) also highlighted that the growth of CSR is driven by the need to look for innovative solutions to social and environmental issues, and to help organizations.

It also stated that collaboration nowadays is required so that the company can meet both social and environmental problems. In this way, companies become more committed to being part of the solution and will eventually realize their increasing CSR goals.

An organization cannot function independently of society. An organization has impacts on society and on the environment in which it operates. Porter and Kramer (2006) state that organizations should have moral responsibility toward society and the environment. Haberberg and Rieple (2001) say that CSR is about how an organization manages its business to produce an overall impact on society. The organization is in a constant exchange with the society in which it acts, affects it, and is affected by it (Haberberg and Rieple, 2001; Simmons, 2004).

2.1.2. The five Dimensions of CSR

In its reporting guidelines, CSR Europe, a membership organization of large companies across Europe, looks at the following areas:

- (1) Workplace-Related CSR
- (2) Marketplace-Related CSR
- (3) Environment-Related CSR
- (4) Community-Related CSR
- (5) CSR as Ethical Responsibility

1- Workplace-Related CSR:

This refers to the way organizations treat their employees. Baraka (2012) states that CSR is about retaining current employees, motivating them, and recruiting future talent. He also notes that employees are more productive when they are happier and healthier. He also adds that CSR is about ethics and values, and people make decisions based on their ethics and values, therefore CSR can be an indicator of an ethical business, and it can help businesses attract some of the best talents. Baraka suggests some key performance indicators (KPIs) that HR managers can use to ensure that their mission is successful, he mentions staff retention, absenteeism, and employee satisfaction.

According to Johnson, workplace CSR also includes retention, progression and retention, performance management, training and development opportunities, health and safety, and human rights issues.

Workplace CSR is similar to internal CSR. Brammer *et al.*, (2007) state that internal CSR activities include all internal activities of the organization. A very important internal stakeholder group is considered employees. Internal CSR consists of socially responsible activities related with employees' issues. Academic literature presents CSR practices for meeting the expectations and needs of employees.

Skudiene and Auruskeviciene (2010) state that employee related CSR practices are classified into 4 groups named 'value classes'. These include:

- 1- Development of employees' skills
- 2- Social equity
- 3- Health and safety at work
- 4- Quality of work (well being and satisfaction of workers)

They also added that internal CSR employee related activities include:

- 1- Engaging in open and honest communication with employees
- 2- Involving employees in decision making process
- 3- Contributing to employees' personal and career development
- 4- Providing equitable wage system
- 5- Improving psychological climate at work

Another important factor to look at is Employee Engagement; i.e. how employees interact with the staff, with the organization as a whole and with its objectives. This is going beyond employee satisfaction. Johnson states that a business is likely to meet many of its CSR objectives if it has a well written diversity, equality, inclusion strategy and an action plan which complies with the law.

2- Marketplace-Related CSR:

Johnson states that market place related CSR refers to the ways in which an organization operates with its customers, suppliers, and business partners. Issues related to customers include customer complaints, meeting the needs of existing and future customers, and marketing and advertising. This also refers to customer related CSR: “Socially responsible companies are expected to provide products and services in an efficient, ethical, and environmentally friendly manner” (European Commission, 2001)

Customers expect not only good quality of products, but also a place for complaints and suggestions. Companies should provide truthful and honest information and avoid any false and misleading advertising or sales promotion. CSR activities have an important influence on customer outcomes toward the company and its products (Skudiene and Auraskeviciene, 2010). Issues related to suppliers include attracting and developing a diverse supplier base, removing artificial barriers and improving working conditions in the supply chain. Other issues include proactively engaging with internal and external stakeholders.

Business Partner related CSR: Being a socially responsible business requires you to be a good business partner. A company should encourage its partners to progress their products by sharing quality goals. (Longo *et al.*, 2005) Companies that implement CSR policies and activities rely ever more on fair trade operations with their other partners.

3- Environment-Related CSR:

Corporations are criticized for their harmful and bad consequences on the environment and on society for causing environment problems such as air and water pollution, global warming, waste disposal, deforestation, acid rain and in terms of wasting natural resources.

Corporations should adhere to stricter environmental standards and change their production processes in order to do less or no harm to their environment. Corporate responsibilities should increase in this area. Organizations should have environmental concerns in their business operations. Mintoft (2012) states that companies should obey the laws, regulations, and international standards. She also adds that a company should place a set of internal policies in the management of environmental and social issues.

4- Community-Related CSR:

According to Johnson, this refers to the relationships among the organization, the society, and the communities that may be influenced by its operations. It means the active contribution to the community's wellbeing, examples include expertise sharing, employee volunteering, financial supports for community projects, actively engaging with local communities to gain 'buy-in' for business operations, working closely with local institutions to enhance employability of local people, and responding to diversity challenges by improving skills for employability and delivery of services to benefit other communities. Communities gain from CSR when organizations have positive impacts on a community's living space via active participation in environmental and social activities. Business is a part of the society and it should operate as a part of it by working closely with its stakeholders to have a positive impact on the external environment.

“As a result, CSR is not something with its own discrete outcomes, but an approach that helps business manage its relationship with society”. (Blowfield, 2007, p.693)

CSR activities related to local communities include sponsorship activities, infrastructure funds in schools, roads, and hospitals, providing financial support to social and other community projects, and donating money to local charities. (Aguilera *et al.*, 2007 ; Graafland and van de Van, 2006)

CSR activities like these above lead to the creation of added value to both the organization and the community.

5- CSR as Ethical Responsibility:

Business Ethics focus on the moral judgments and behaviors of people within their companies.

Carroll (1979) states that ethical responsibility is when an organization is expected to go beyond the law, i.e. to do more than obey the law and make efforts to meet the norms of the society.

He also gives examples such as avoiding harm or social injury, doing what is right, what is just and fair, and respecting moral rights of individuals.

Porter and Kramer (2006) state that CSR nowadays appears to be the new battle for competitive success. In this case, organizations should not only be worried about how to best meet their shareholders' interests, but also the interests and the well being of their society.

Brammer *et al.*, (2006) refer to studies that have shown that the most important aspect of an organization's CSR was found to be ethical treatment of employees.

Rupp, et al. (2006) state that organizational justice involves standards that are related to employees in a company and CSR also involves the same standards that are related to the treatment of employees and to the environment external to the organization.

Organizations that better understand their social and 5 areas of responsibilities are more likely to improve their competitive positions in the future, benefit their shareholders and society, and create engaged workforce in their organization which improve their productivity and the company's profitability.

2.1.3. Seven Core Characteristics of CSR

1- Accountability: It refers to the degree to which a company is willing to openly acknowledge its products, actions, decisions, and policies. Zairi and Peters (2002) state that it is widely argued these days that businesses are now concerned with ‘showing them’ rather than ‘trusting them’. Therefore, accountability and reporting is seen as a key driver for considering the community as an essential stakeholder in business activity. Wood and Winston (2007) state that accountability is a concept that is separated from responsibility; a person can be responsible without being accountable. The reason is “responsibility may be assigned, enforced, or even mistakenly applied to an individual or group by an external force.” (Wood and Winston, 2007, p.168)

Wood and Winston, 2007 state that openness and answerability are considered signs in measuring accountability. Tetlock (1999) stated that ‘openness’ is a key virtue of accountability, where firms have to publicly model the types of behaviors that support the company’s vision and values and communicate these as well with their stakeholders. Wood and Winston (2007) add that firms with accountability also engage in answerability by taking proactive initiative to explain their decisions and actions. They also add that it is the duty of companies to provide reports, such as CSR reports, of actions in which an individual is held responsible.

2- Transparency: It refers to the degree to which an organization is willing to remove barriers so that access to organization information is easy and by providing information about what the company is doing and disclosing company information so that the public can find and use easily. It enables people to understand and analyze information about the company. (Bushman *et al.*, 2004)

Jensen (2002) also adds that transparency can cause a shift in a company's CSR credibility and produce better strategic results.

An organization should be transparent by clarifying its company's objectives, roles, and responsibilities. There should also be public availability of information on the company's policies.

Companies should know the level that transparency CSR demands, it is not only about digging into a company's financial information, but about adopting an approach that consists of confessing when a company faces negative effects. So stakeholders should trust their company especially when a company announces the corrective actions it is going to take. ("Becoming a better citizen: The Value of CSR," 2005)

3- Competitiveness: Chen (2011) defines it as the degree to which an organization is aiming to make relationships with its stakeholders which requires commitment and trust. It is a sign of commitment, trust, and reputation. Reputation is the main measurement of competitiveness.

An organization should produce great quality of goods and will therefore have greater prominence in the minds of stakeholders. Reputation is built upon recognition and openness that an organization has built and accumulated throughout the years. (Rindova *et al.*, 2005)

Campbell (1999) states that a good reputation may signal the organization's goodwill and competence.

4-Responsibility: Chen (2011) defines responsibility as the degree to which an organization sticks to legal guidelines; strive for the welfare of its workforce, the environment, the community, and the society at large.

He also states that an organization should show its commitment and engagement to corporate responsibility which includes donations, charities, care for the environment, and other innovative projects and actions. Organizations should show and demonstrate their responsibility not only to society but to their stakeholders too. They can do so by implementing more proactive approaches to deal with the public issues. Indeed, organizations should implement procedures to reinforce the business strategies so that they can send a clear signal about their organization's commitment towards responsibility (Bansal and Hunter, 2003).

Wilson (2000) states that a company should have a moral responsibility to help solve social problems.

5- Leadership: Kruse (2013) states that an individual doesn't need a title to lead. "Leadership is a process of social influence, which maximizes the efforts of others, towards the achievement of a goal." (Kevin Kruse, 2013)

Mostovicz and Kakabadse (2009) define leadership as being able to freely choose without being affected by outer forces, while sustaining awareness of an individual's unconscious motivations at the same time.

Johnson states that companies should provide proactive leadership by turning CSR objectives into practice, and this requires committed and consistent leadership.

Johnson says that, for leaders should continually purify their purpose seeking process, and their CSR choice making and their own value sets should be aligned. For a company to demonstrate proactive leadership on CSR, it must involve internal and external stakeholders in the development of the CSR strategy.

6-Trust: Mostovicz and kakabadse (2010) state that CSR's aim is to restore trust which is the most important asset for a businesses' sustainability. On the corporate level, a trust between a corporation and its stakeholders and with the society must be established to create mutual benefits. For CSR to be established in a successful way, mutual trust within the company should be basic. ("Becoming a Better Citizen: The Value of CSR," 2005) The best way to maintain trust is to build a history of behavior through active and strategic CSR. Companies must be innovative and build community belief and trust.

7- Ethics: According to Carroll (1979) ethical responsibility is when organizations are expected to go beyond the law i.e. doing more than complying with the law and making efforts to meet the standards of the society. Examples include respecting moral rights of individuals and doing what is right. Carroll (1999) and Davis (1973) state that CSR is doing more than the minimal respect of the law and companies should state a voluntary attempt to fulfill the ethical standards. Business ethics focus on an individual's moral behaviors and actions within an organization. According to Porter and Kramer (2006), the moral appeal is when an organization has a responsibility in being an excellent citizen and doing the right thing.

Companies are asked to attain commercial achievement in ways that honor moral standards and respect the people, the natural environment, and the society at large.

The senior director of corporate citizenship of Microsoft, Dan Bross, explains "We recognize that public trust in corporations depends in large part on the basic aspects of business character: integrity, accountability, values, responsibility, and transparency."

2.1.4. Benefits and Outcomes of CSR

1- Reduce Costs:

Porter and Kramer (2011) state that by helping employees and implementing wellness programs, the company can save thousands of dollars on health care costs.

2- Improve company Brand and Reputation:

Porter and Kramer (2006) find that one of the drivers behind CSR is that it enhances organization's reputation.

Tonello (2011) describes CSR as a practical business option and a tool to develop corporate reputation. He also adds CSR initiatives can be an opportunity for creating and maintaining strong company reputation. He further adds that strong reputation strongly permits the company to function in society.

Lewis (2003) observes that an organization should behave differently in order to build a reputation that enhances its brand and make it attractive to consumers.

Rangan (2009) defines CSR as activities undertaken by organizations that enhance their value and thus benefit their brand and reputation.

Gerdeman (2012) finds that one of the goals that social responsibility strategy has to fulfill is enhancing the organization's brand, its reputation, employee moral, and the company's bottom line.

In the article, "Becoming a Better Citizen: The Value of CSR" (2005), is stated that one of the CSR benefits include enhanced reputation.

Worcester (2009) finds that CSR has been recognized as one of the most essential aspects in determining business reputation.

Grayson (2012) concludes that one of the CSR benefits is developing strong company reputation and brand value.

3- New markets:

Grayson (2012) lists some of the CSR benefits to be: chances for company growth through new markets, new product developments, and organizational expansion.

4- Competitive advantage:

Tonello (2011) states that CSR is a feasible business choice and a mean to gain competitive advantage. He defines competitive advantage as the way firms use CSR practices to set themselves apart from their competitors. Porter and Kramer (2006) states that CSR practices can lead to competitive advantage. They explain that CSR should be a source of opportunity and a source of innovation and not a cost neither a constraint. They also add that CSR is a tool of change in the performance and values of a company. Holme (2010) states that while a business is developing its strategy, it could build a unique position, and do things differently that distinguish it from its competitors.

He also adds that business and society benefits can be integrated to result in a competitive advantage. Being unique is the key. Holme (2010) also adds that business activities that benefit society through delivering value and reinforcing the uniqueness of the organization are the challenge.

5- Create Shared Value:

Shared value is defined as “Policies and practices that enhance the competitiveness of a company while simultaneously advancing economic and social conditions in the communities in which it operates.” (Porter, 2009)

Porter also says that there is a link between society and business. He also adds that a society depends on competitive companies that will create jobs and support higher pays. Porter also states that a company must deal with social and society concerns where they can add value the most; they should choose the concerns that are strongly linked to a company’s business. It must rearrange the value chain to create shared value and reinforce the organization’s strategy. Porter says that an organization’s CSR shared value program should look for offering services and guidance to social companies. CSR will create safer society through responsible use of information.

6- Customers:

Heslin and Ochoa (2008) state that one of CSR benefits is that it involves customers. They also say that a company that is not taking initiative to understand and know its market and its demands is not worth to be in the marketplace.

According to Zairi and Peters (2002), one of the benefits of implementing a CSR initiative includes meeting customer expectations.

According to Sirota Survey Intelligence (2007), two of the benefits of an effective CSR program that respondents outlined were that it enhances customer loyalty (84% of the respondents) and attracts new customers (80% of the respondents).

7-Customer and investor relations programs:

Tonello (2011) states that CSR initiatives can lead to strengthening a company's competitive advantage, its brand loyalty, and its consumer support. He also adds that they have a positive impact on attracting institutional investment. Investors look for organizations with clean history and records on community involvement, environmental stewardship, and employee relations.

In the article, "Becoming a Better Citizen: The Value of CSR" (2005), it is stated that one of the CSR benefits includes having a positive impact on attracting investment. It says that investors are now looking for more responsible businesses since investors have their own reputation to consider.

8- Employee Benefits:

In the White Paper article, Gross (2011) examined the connection between CSR's practices and its ability to attract, retain, and engage employees and he found that there is a positive relationship between them.

In "Corporate Social Responsibility" (2013), it states that social responsibility programs lead to positive outcomes such as placing the values of the company into action and engaging and involving employees in the change and in the decision making process.

These things can advance employee's productivity and morale, and will attract new talent to the company. When employees bring their morals and their ideas to their workplace, and when they are proud of the company they are working for, they tend to be more creative, committed, and therefore more productive.

According to Zairi and Peters (2002), one of the benefits of implementing a CSR initiative includes increased employee motivation.

Skudiene and Auraskeviciene (2010) said that theory proposes two types of employee motivation: external motivation which is linked with external payments such as salaries, fringe benefits, and bonuses; internal motivation which is linked with satisfaction, meeting work challenges, achieving accomplishments, receiving positive feedback, recognition, and appreciation, enjoying the task, and being involved in the decision making processes (Mosley *et al.*, 2005; Greenberg and Baron, 2008; Mullins, 2006).

In the article “Becoming a Better Citizen: The Value of CSR” (2005), it is stated that one of the CSR benefits includes loyalty and satisfaction among employees when company values reflect their own.

Satisfaction is doing what an individual likes to do, feeling that the job he is doing is important and interesting, having the freedom to act and the scope to develop skills, and having the opportunities for advancements (Deci, 1973; Deci and Ryan, 2008a; Gagne and Deci, 2005; Ryan and Deci, 2000; Armstrong, 2006).

According to Sirota Survey Intelligence (2007), one of the advantages of an effective CSR plan that 85% of the respondents outlined was that it created better employee job engagement and better feelings of employee pride.

Hassan and Nassar (2012) say that employees are more loyal to organizations that are committed to CSR. They also add that a study by Hewitt & Associates found employees are engaged when their companies actively pursue environmental and social efforts. So they assert that CSR benefits are lower employee turnover, increased employee productivity, recruitment and retaining of top talent, and building a quality workforce.

Heslin and Ochoa (2008) and Aguilera *et al.*, (2007) say that CSR has a positive effect on employee satisfaction, commitment, loyalty, recruitment, and retention. They add that employers should use the company's CSR as a tool to improve the motivation of employees.

An example is reported by Baker and Jenkins (2008) where they state that Pfizer involved their employees in their CSR activities for their community. Pfizer's benefits showed employee motivation and improvement, and the progress of an energetic community to attract, recruit, and retain top talented employees.

Motivated employees can turn into "ego-involved with their jobs, emotionally committed for doing well and take pride from evidence that they are effective in furthering the objectives of the company." (Minbaeva, 2008, p. 8)

Motivated employees feel trust and have closer relationships with the company they are working for. Moreover, they are more emotionally engaged with the company they are working for and are likely to relate their personal improvement to their company's improvement.

CSR literature suggests that a lot of factors implanted in an organization's CSR programs have impact on employees' reactions. These factors are related to employee internal motivation (Meyer et al., 2004; Locke and Latham, 1990; Moslet et al., 2005; Greenberg and Baron, 2008; Mullins, 2006).

The factors are:

Employee Attraction, Recruitment and Retention: Aguilera *et al.*, 2007; Heslin and Ochoa, 2008; Melynyte and Ruzevicius, 2008; Strautmanis, 2008; Turban and Greening, 1997 state that socially responsible organizations are successful in attracting precious employees. They also said that CSR initiatives are the most crucial priorities of jobs' seekers.

Turban and Cable (2003) find that an organization's positive reputation has been recognized contributing to high recruitment and retention.

According to the 2012 CSR RepTrak 100, Microsoft had the greatest reputation for implementing CSR practices. Google took the second place, and BMW took the fourth. They also added that Google, Microsoft, and BMW take care of their employees and give them an attractive set to work in, and they frequently show on the 'best places to work' positions worldwide.

Employee Morale: Turban and Cable (2003) state that a favorable company reputation has been found to be positively linked with high employee morale.

Performance and productivity: Heslin and Ochoa (2008) state that when employees observe positive influence of their organization's work on society, they tend to put more attempt and show more determination toward their work and this leads to better employee performance which leads to better productivity.

Employee self-image: Turban and Greening (1997) state that employees working in socially responsible organizations reinforce their self-image and this helps them in identifying themselves which tend to fulfill their need for belonging.

Trust: Aguilera *et al.*, 2007; Turban and Cable, 2003 state that companies that perform socially responsible initiatives are more likely to be perceived as fair companies. So employees are more likely to trust the organization they are working for and feel the support as a consequence.

Psychological need of belongingness: Aguilera *et al.*, (2007) state that CSR helps employees in pleasing their psychological need of belongingness because CSR promotes the social relationships in the company and among other companies.

Employee satisfaction, commitment, and loyalty: Aguilera *et al.*, 2007; Brammer *et al.*, 2007; Heslin and Ochoa, 2008; Viswesvaran *et al.*, 2004 report that empirical findings showed that CSR has an impact on employees' satisfaction, commitment, and loyalty.

Employee Commitment: Veena (2011) defines commitment as employees' psychological attachment to their organization and is positively related to job satisfaction and negatively related to employee absenteeism and turnover. Employee commitment is similar to employee loyalty and employee engagement.

“The contribution of CSR to organizational commitment is at least as great as job satisfaction.”
(Brammer *et al.*, 2007, p. 1701)

An increasing number of empirical research states that CSR activities have a positive effect on the satisfaction and enhancement of stakeholders.

2.2. EMPLOYEE ENGAGEMENT

2.2.1. Definition of Employee Engagement

My focus is on one of the major outcomes of CSR which is employee engagement.

In his White Paper article, Gross (2011) defines employee engagement as the “commitment to the company and the belief in the company and its values and it’s the willingness and the ability to contribute to help the company succeed.” He also finds that engagement involves more than just motivation or performance.

He added that there is a positive relationship between attraction, retention, and engagement, so any approach to attract and retain employees must also be related to employee engagement.

Other definitions stress on “emotional connection to the company, passion for work and high hopes for the future.” Gross states that engaged employees gain satisfaction and contentment from the success of their company.

Employee engagement is “the emotional and intellectual commitment the employee has to the organization and its goals. This emotional commitment means engaged employees actually care about their work and their company. They don’t work just for a pay check or just for the next promotion, but work on behalf of the organization’s goals.”

(Kruse, 2012)

Right Management (2009) defines employee engagement using four aspects:

- 1- Commitment to the job and organization,
- 2- Pride in the job and in the organization.
- 3- Willingness to positively talk about the job and the organization.
- 4- Satisfaction with the job and organization.

These factors describe the emotional and behavioral aspects of engagement.

Herman (2008) listed some of the global drivers of employee engagement:

- 1- Leaders who encourage confidence in the future.
- 2- Managers who respect, recognize, and treat employees with respect.
- 3- Exciting jobs that employees know how to do.
- 4- Companies that show real responsibility to their employees and to their community.
- 5- CSR efforts increase overall satisfaction of the employees.
- 6- Safety should be a priority in the organization.
- 7- Organizations that support work and life balance.
- 8- Employees feeling confident about the future of the company.

Tobah (2012) also stated that one of the drivers of employee engagement is to commit to CSR.

She said that research have shown that employees who are pleased with company's commitment to CSR are found to be more productive, more committed, and more engaged.

She also added that engagement among the whole organization rises. She also stated when employee engagement is connected to CSR then pride, satisfaction, advocacy, and retention rises. Pride is the feeling of satisfaction derived from one's own achievement. It is linked to employee satisfaction and high morale.

Gallup created a measurement system for companies that can identify basics of employee engagement. Factors such as: Retention, customer loyalty, profitability, productivity, and safety. He is the one who came up with Gallup Q12, a survey question that identifies strong feelings of employee engagement.

("Employee Engagement Satisfaction Survey, 2008")

Employee disengagement is a problem in today's workplace. Employee disengagement is shown when employees have a lack of commitment to the goals of the company, low performance, recognized absenteeism, low trust in the company and among the colleagues, and rise in employee complaints. Employee disengagement can lead to high costs such as product and customer service failures and lack of innovation and execution. Disengagement occurs when employees are not satisfied and not having their needs met in the company. Employees demand meaningful job that contributes to a better society and environment. They also need flexible work and personal growth. Employees want to have a meaningful job that makes a greater contribution to people, society, and the environment. Employees don't care only about the money paid to them, what they care about and need more is a feeling of fulfillment and a purpose beyond a person's own. ("Does Employee Engagement Come Down to Social Responsibility?" 2009)

2.3. MAKING THE CONNECTION TO CSR

In his White Paper article, Gross (2011) said that evidence from surveys and academic studies showed that CSR is an emerging and an increasingly essential driver of employee engagement. He said that CSR holds opportunities that influence employee engagement.

In the need for organizations to embrace CSR, Perrin (2008) stated a belief: "... one thing is increasingly clear. It's not a choice any longer. Your employees expect it, and your company needs it ... it is in fact linked to how well your employees perform. In other words, CSR extends to the bottom line."

In his survey results, Gross talked about *Insync Surveys*. He said that in 2008, *Insync Surveys*' authors reported some key findings. One of them was: a strong relationship between employees who believe their company is socially and environmentally responsible and employees who are satisfied and committed to their work. Another finding was that when companies are viewed as environmentally responsible, this will serve to attract all types of candidates.

Gross also talked about *Kenexa Research Institute*. In 2007, this study has revealed that actively contributing in CSR programs is linked to higher employee engagement. Their survey also revealed that working in a company whose employees positively observe its CSR practices has a positive influence on their satisfaction in the company, their intention to stay, and their willingness to recommend it as a great place to work for.

Gross also talked about *Sirota Survey*.

In 2007, this global survey stated that employees who have a positive vision of their company's CSR efforts are also positive about the organization's competitiveness in the market, the organization's attention for their satisfaction, and their engagement in the company.

Gross talked about *Towers Perrin*. He said that Towers Perrin's Global Workforce Study is the biggest survey study on the global workforce's views. This survey focused mostly on the drivers of attraction, retention, and engagement, and it stated that CSR was found to be the third most essential driver of employee engagement, and that a company's reputation for social and environmental responsibility is an essential driver for engagement and retention. This study also found that employees who view CSR in their company more favorably, tend to have favorable attitudes toward performance.

Gross also talked about *Hewitt Associates and Canadian Business for Social Responsibility*. In their survey in 2009, they found a strong relationship between employee views of their organization's CSR and between employee engagement. They also asked executives about the benefits of pursuing CSR practices, and they answered by saying positive company reputation, higher employee engagement, and reducing waste on the environment.

In 2004, a study that was made in University of Illinois at Champaign-Urbana states that employees who view their company as a socially and environmentally responsible company are more committed to their organization. They also said that the organization's performance will improve since employees see these kinds of organizations as fair organizations (Gross, 2011).

In 2005, a study that was made in Cranfield University states that CSR is linked to employee engagement and employee retention. They also found that CSR activities have an influence on the drivers of employee engagement such as employee motivation and employee behavior and on business outcomes such as employee retention and employee productivity (Gross, 2011).

Gross (2011) gave an example of Novo Nordisk, a Denmark based pharmaceutical company and he said that this company is considered an international CSR leader and it has recognized proof that CSR can have major influence on employee motivation and retention.

In his White Paper article, Gross (2011) reports that evidence from surveys and academic studies showed that CSR is an emerging and increasingly essential driver of employee engagement.

In his survey findings, Gross states that 80% of the respondents said that they prefer to work for companies that have good reputation for environmental responsibility.

He also found out that employees who work for companies that practice CSR and positively view the company's responsibility efforts and its commitment to socially responsible behavior will have a positive and favorable impact on how they rate their satisfaction and their willingness to recommend it and give an advice to others as a great organization to work for. Those employees also are likely to have more positive behaviors such as better performance in areas like customer service.

In his findings, CSR was the third most important driver of employee engagement, and a company's standing for social and environmental responsibility is an essential driver for engagement and retention.

In his academic findings, Gross states that enhanced employee satisfaction and employee commitment are results of employee satisfaction with CSR. He also states that CSR initiatives are related to enhanced job performance, improved employee productivity, and increased employee retention.

Aguilera et al., (2004) stated that CSR perceptions of employees are important because they anticipate outcomes such as employee performance and satisfaction and these perceptions also shape their attitudes and behaviors toward their company.

Bhattacharya & Korschun (2007) stated that proof is rising that an organization's CSR is an important approach to attract and retain employees. They also added that a lot of employees are seeking out socially responsible companies.

In "Corporate Social Responsibility" (2013) is stated that a lot of employees are greener than their employers, because environmental programs let employees bring their ideas and their values to their jobs. Employees tend to be more productive and more committed when they are proud of the company they work for.

Hewitt & CBR (2010) stated that CSR was one of the 21 drivers of employee engagement model. They also stated that there is a high correlation between employee engagement and CSR, and employees who have more positive perceptions in their company's commitment to CSR are employees who are highly engaged. They also found that a lack of CSR commitment could decrease employee engagement. Similarly, the analysis of the study indicated that one of the top five threats to employee engagement is perceptions of CSR. There must be positive perceptions of CSR throughout the whole organization so that employee engagement is maintained. Thus companies must maintain their CSR commitment in order to maintain their employee engagement. Also a decrease in positive CSR perceptions would lead to a decrease in employee engagement.

Hewitt & CBR (2010) stated that positive company reputation and higher employee engagement are both ranked the top benefits of pursuing CSR practices by business leaders.

They also reported that for employees' perceptions of their company's CSR commitment to increase, companies should keep and maintain their commitments and loyalty to their environment, stakeholders, and customers.

According to a survey conducted by Sirota Survey Intelligence (2007), CSR contributes in a positive way to an organization's bottom line. It enhances the pride of employees and their engagement in their jobs. The survey also includes that of those employees who are content with their organization's CSR commitment, 86% have high levels of engagement. In organizations that practice CSR, awareness for the executive team is raised because of the positive relationships between CSR and organizational success (Klein, 2007).

2.4. THE ULTIMATE OUTCOMES OF EMPLOYEE ENGAGEMENT FOR THE ORGANIZATION

In her Harvard Business Review article, McPherson (2012) stated that according to Gallup, 86% of engaged employees said that they feel extremely pleased at their work. She also stated that companies with the highest levels of employee engagement experienced enhancement in their bottom line such as improvements in operating income.

Kruse (2012) found that engaged employees lead to improved company outcomes. He also said that according to Towers Perrin research, organizations with engaged employees have 6% higher net profit margins. Kruse also found that engaged employees lead to higher service in terms of quality and productivity which will lead to higher sales, profit, and shareholder returns.

Previous CEO of Campbell Soup, Doug Conant, said “To win in the marketplace you must first win in the workplace.” Hence employee engagement is one of the keys to activate a high performing workforce.

In his White Paper article, Gross (2011), states that a number of studies have measured employee engagement and linked it to business outcomes. These studies have shown that employee engagement leads to:

Decreased:

- 1- Absenteeism and turnover
- 2- Counterproductive behavior such as theft and misconduct

Increased:

- 1- Customer satisfaction and loyalty
- 2- Employee performance and motivation
- 3- Employee productivity

Grayson (2012) emphasized that employee engagement is a very important concern for business to take care of, and he added “if you have the tone from the top and the strategic direction and leadership, the top-down, you also need the bottom-up. You need to be able to get the mass of employees engaged and excited about all of this. You need to make sure that this is part of everybody’s job description, so that you are getting ideas and insights and contributions from employees.”

Baraka (2012) talked about the link between CSR and HR by stating that there is a connection between work values and employee values. He said that “CSR is about retaining your current employees and motivating them as well as about recruiting future talent...

As an employer, you can get more from your employees if they are healthier, happier, and thus more productive.” He also added “Getting the best people is very important. CSR is in part about values and ethics, and because we all make choices based on our values and ethics, CSR can be a differentiator for you in your business, and it can help you attract some of the best talents.” He also provided a general idea of standards for organizations to look at CSR in the HR purpose. One of these standards includes employee engagement where it goes beyond employee satisfaction and it shows how the employees interact with each other.

CSR increases the supposed honesty and responsibility of a company for an applicant who is lacking any previous commitment with her/his previous company. (Viswesvaran et al., 1998)

A lot of studies have shown a link between CSR and employee and organizational commitment. Riordan et al. (1997) stated that CSR affects the attitudes and intended behaviors of employees.

Brammer et al., (2005) stated that socially responsible behavior has an impact on organizational commitment and he stated that external CSR is positively related to organizational commitment.

Rupp et al., (2006) stated that employees' perceptions of CSR have an impact on their attitudes.

Googins & Kiser (2008) found that employees want to work for organizations that take care a lot for their employees.

They also stated that employees today want to be part of an organization whose ethics and standards are expressed in its engagement and help to the society.

Peterson (2004) stated that socially responsible organizations are attractive to employees and therefore these companies benefit from a more committed workforce since employees will be proud to work for companies that have a positive reputation. He also added that corporate social performance may contribute positively to the attraction and motivation of employees.

2.5. SUMMARY OF LITERATURE REVIEW

To summarize our literature review we should state that consumers, employees, and citizens' perceptions towards the role corporations play in society have changed in the last decade. They are now more informed due to the increased access to information, they are also aware of the universal human rights and the importance of protecting our planet from further danger.

Nowadays, corporations have to be ethical and responsible, to integrate responsible practices and actions, and to develop strategic CSR programs which strongly relate to their business core processes. Maximizing shareholder profits is no longer the benchmark by which companies are said to be successful and it should not take priority over any other issue. Companies should provide goods and services according to people's needs which will eventually lead to profit. CSR has become a basic starting point for any business and many CEOs are experiencing the benefits of engaging society in their daily operations. The new mantra is: doing well by doing good.

CSR is the business of making a difference. The survival of any business depends on its ability to support its five dimensions: workplace, marketplace, environment, community, and ethics. It can result in a lot of benefits and outcomes related to employees, costs, reputation, market share, competitive advantage, and customers.

“CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.”

(World Business Council for Sustainable Development, 2000)

“CSR is operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Social Responsibility is a guiding principle for every decision made and in every area of a business.”

(Business for Social Responsibility, 2000)

Over the past two decades, CSR has been a subject of much research and those studies have shown the importance of implementing CSR initiatives as a strategy in order to flourish in a highly competitive environment.

We have described the social responsibilities of business which include the following five Dimensions of CSR:

Workplace-Related CSR which refers to the way organizations treat their employees. CSR practices for meeting the expectations and needs of employees, the development of their skills, social equity, health and safety at work, quality of work, open, honest, and flexible communication with employees, involving employees in decision making process, contributing to employees’ personal and career development, providing equitable wage system, and improving psychological climate at work.

Marketplace-Related CSR refers to the ways in which an organization operates with its customers, suppliers, and business partners. Socially responsible companies are expected to provide products and services in an efficient, ethical, and environmentally friendly manner, to be a good business partner by sharing quality goals and relying on fair trade operations. Companies that perform socially responsible initiatives are more likely to be perceived as fair companies.

Environment related CSR is when corporations should adhere to stricter environmental standards and change their production processes in order to do less harm or no harm to their environment.

Community-Related CSR means the active contribution to the community's wellbeing, via active involvement in social and environmental programs, sponsorship activities, infrastructure investments in roads, schools, and hospitals, development activities, providing financial support to social and other community projects, and donating money to local charities.

CSR as Ethical Responsibility is when an organization is expected to go beyond the law, i.e. to do more than comply with the law and make efforts to meet the norms of the society. Examples include avoiding harm or social injury, doing what is right, what is just and fair, and respecting moral rights of individuals.

Organizations that better understand their social and 5 areas of responsibilities are more likely to improve their competitive positions in the future, benefit their shareholders and society, and create engaged workforce in their organization which improve their productivity and the company's profitability.

We have also described the seven core characteristics of CSR which are:

Accountability, which refers to the degree to which a company is willing to openly acknowledge its products, actions, decisions, and policies.

Transparency, which refers to the degree to which an organization is willing to remove barriers so that access to organization information is easy.

Competitiveness is when an organization produces great quality of goods and will therefore have greater prominence in the minds of stakeholders.

Responsibility, which refers to the degree to which an organization sticks to legal guidelines; strive for the welfare of its workforce, the environment, the community, and the society at large.

Leadership is when companies should provide proactive leadership by turning CSR objectives into practice, and this requires committed and consistent leadership.

Trust between a corporation and its stakeholders and with the society must be established to create mutual benefits.

Ethics is when organizations are expected to go beyond the law and make efforts to meet the norms of the society and honor ethical values and respect people, its communities and the natural environment.

As to the outcomes of CSR, they include:

Reduction of cost: by helping employees and implementing wellness programs, the company can save thousands of dollars on health care costs.

Improving and enhancing company Brand and Reputation,

Opportunity for organizational growth through new markets, new product developments, and lateral expansion, and ***linking competitive advantage*** to CSR, firms use CSR practices to set themselves apart from their competitors and this should be a source of opportunity, innovation, and competitive advantage.

Creating Shared Value by placing policies and practices that enhance the competitiveness of a company while simultaneously advancing economic and social conditions in the communities in which it operates.

Meeting customer expectations and having a positive impact on attracting institutional investment. Investors are now looking for more responsible businesses since investors have their own reputation to consider.

Employee Benefits include the ability to attract, recruit and retain employees. They also includes increased employee morale, self-image, motivation, loyalty, satisfaction, and commitment among employees, a greater sense of employee pride, a willingness to recommend the company as a great place to work for, a satisfaction of their psychological need of belongingness, and ultimately in greater employee job engagement resulting in increased performance and productivity.

Employee engagement is the commitment to the company, the belief in its values, and the willingness and ability to contribute to the success of the company. Engagement involves more than just motivation or performance. There is a clear correlation between attraction, retention, and engagement. Engaged employees gain satisfaction and contentment from the success of their company.

Employee engagement is the emotional and intellectual commitment the employee has to the organization and its goals.

We have referred to four factors that describe the emotional and behavioral aspects of engagement. These factors are: Commitment to the job and organization, pride in the job and in the organization, willingness to positively talk about the job and the organization, and satisfaction with the job and organization.

Also some of the global drivers of employee engagement have been discussed, and they are: Leaders who inspire confidence in the future, managers who respect, recognize, and treat employees with respect, exciting jobs that employees know how to do, companies that show real responsibility to their employees and to their community, CSR efforts increase overall satisfaction of the employees, safety is a priority in the organization, organizations support work and life balance, and employees feeling confident about the future of the company.

Evidence from surveys and academic studies showed that CSR is an emerging and increasingly important driver of employee engagement. CSR holds opportunities that influence employee engagement. In the need for organizations to embrace CSR, one thing is increasingly clear. It's not a choice any longer. Your employees expect it, and your company needs it ... it is in fact linked to how well your employees perform. In other words, CSR extends to the bottom line.

A number of studies have measured employee engagement and linked it to business outcomes. These studies have shown that employee engagement leads to: decreased absenteeism and turnover and decreased counterproductive behavior such as theft and misconduct, and increased customer satisfaction and loyalty, increased employee performance and motivation, and increased employee productivity.

Employees want to be part of an organization that cares a lot for its employees and its bottom line. Employees today want to be part of an organization whose ethics and standards are expressed in its engagement and contributions to the society.

CHAPTER THREE

RESEARCH FRAMEWORK AND METHODOLOGY

3.1. RESEARCH QUESTIONS

Reflecting the literature review, the research question was clarified as follows:

1- Whether the CSR practices of an organization, both internal and external, and each separately, influence positively the two different aspects of employees' engagement i.e. employee commitment and employee pride.

3.2. HYPOTHESES

Hypothesis 1.1: CSR Internal practices of an organization are positively related to employee commitment.

Hypothesis 1.2: CSR External practices of an organization are positively related to employee commitment.

Hypothesis 2.1: CSR Internal practices of an organization are positively related employee pride.

Hypothesis 2.2: CSR External practices of an organization are positively related to employee pride.

Hypothesis 3.1: CSR Internal and External practices of an organization are positively related to employee commitment.

Hypothesis 3.2: CSR Internal and External practices of an organization are positively related to employee pride.

3.3. METHODOLOGY

3.3.1. Instrument

Since the aim of the research was to investigate CSR impact on employee engagement, the survey's respondents are the employees working in the companies which are implementing CSR policies and engaging into CSR activities. Therefore, first of all, socially responsible companies are identified. The instrument used in this study is a survey questionnaire containing 18 statements developed by the researcher based on related literature.

Furthermore, the questionnaire has been administered through a pilot study to a sample of 10 employees from CSR practicing organizations to test the clarity of my questions.

The questionnaire was clear to the employees.

Respondent answers on the items of the questionnaire are measured based on a five point Likert type scale ranging from “Strongly Disagree” to “Strongly Agree”.

| | | | | |
|-------------------|----------|---------|-------|----------------|
| Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
| 1 | 2 | 3 | 4 | 5 |

Respondents will have to choose the answer that best indicates their level of agreement with the implementation of the mentioned practices in their organizations.

3.3.2. Sample

Since multiple regression analysis was used to be used for testing the hypothesis that internal and external CSR practices affect employee engagement, the number of observations to each independent variable should not fall below five to avoid the risk of over fitting, i.e. making the results specific to the sample, thus lacking generalizability (Bartlett, Kotrlik, and Higgins, 2001).

In this study, 10 items were used for internal CSR practices and 6 items were used for external CSR practices producing a total of 16 items. Hence, the corresponding number of observations on the basis of 5:1 ratio should have been 80 (16×5), the appropriate sample size for carrying out multiple regression.

However, an empirical study was performed using the survey questionnaire, which was distributed to 40 organizations that have CSR practices. Out of 40 organizations, 20 replied and 171 questionnaires were returned and used. So my sample size includes 171 respondents from 20 organizations that implement CSR practices and strategies.

These 20 organizations are in different industries: 30% were consulting, 20% banking, 15% manufacturing, 10% telecommunications, 10% education, 10% printing, and 5% health care. The survey administration period was four weeks during which the questionnaires were sent through emails and distribution of hard copies.

During the administration of the survey, certain ethical issues were taken into consideration. As addressed in the face sheet of the survey questionnaire, the respondents were not required to disclose any personal information, to identify themselves or their organizations. Moreover, the data collected from the survey was promised to remain strictly confidential and to be reported in the thesis anonymously. Finally, the purpose of the survey questionnaire was clarified and explained as exploring the impact of CSR practices on employee engagement in Lebanon.

| Survey Questionnaire | No. of Item | Total No. Items |
|--|-------------|-----------------|
| Internal CSR | | 10 |
| Provide health and safety at work | 1 | |
| Produce great quality of goods | 2 | |
| Engage in open and honest communication with employees | 3 | |
| Involve employees in decision making processes | 4 | |
| Contribute to employees' skill development | 5 | |
| Contribute to employees' career development | 6 | |
| Make employees feel confident about the future of the company | 7 | |
| Provide equitable wage system | 8 | |
| Treat employees with respect | 9 | |
| Turn CSR objectives into practice through committed and consistent leadership | 10 | |
| External CSR | | 6 |
| Provide products and services in an ethical manner | 11 | |
| Conduct fair trade operations | 12 | |
| Adhere to stricter environmental standards | 13 | |
| Conduct sponsorship and community development activities | 14 | |
| Willingly to openly acknowledge company products, actions, decisions, and policies | 15 | |
| Willing to remove barriers to access organization information | 16 | |
| Employee Engagement | | 2 |
| Employee Commitment | 17 | |
| Employee Pride | 18 | |
| Total Number of Items | | 18 |

Figure 2: Detailed Specification of Instrument Items

CHAPTER FOUR STATISTICAL ANALYSIS

4.1. DESCRIPTIVE STATISTICS

To facilitate the display and interpretation of data, descriptive statistics were calculated from the responses acquired.

| | Internal CSR | Mean | Std. Deviation |
|-----|---|------|----------------|
| I1 | Health& Safety at work | 4.09 | .853 |
| I2 | Produce great quality of goods | 3.77 | .785 |
| I3 | Open& honest communication | 3.78 | .919 |
| I4 | Involve in decision making processes | 3.49 | .929 |
| I5 | Contribute to employees' skills | 3.75 | .940 |
| I6 | Contribute to employees' career development | 3.49 | .996 |
| I7 | Make employees confident about the future | 3.75 | .934 |
| I8 | Provide equitable wage system | 3.18 | 1.027 |
| I9 | Treat employees with respect | 4.19 | .814 |
| I10 | Committed & consistent leadership that turns CSR objectives into practice | 3.44 | .841 |

Among the “I” practices:

I9 (Treat employees with respect) has the highest mean 4.19 with a standard deviation of 0.814.

I8 (Provide equitable wage system) has the lowest mean 3.18 with a standard deviation of 1.027.

| | External CSR | Mean | Std. Deviation |
|----|--|------|----------------|
| E1 | Provide products in an ethical manner | 4.08 | .752 |
| E2 | Conduct fair trade operations | 3.87 | .830 |
| E3 | Adhere to strict environmental standards | 3.77 | .744 |
| E4 | Conduct sponsorship & community development activities | 3.74 | .870 |
| E5 | Openly acknowledge products, actions, & decisions | 3.47 | .761 |
| E6 | Remove barriers to access organization information | 3.18 | .850 |

Among the “E” practices:

E1 (Provide products in an ethical manner) has the highest mean 4.08 with a standard deviation of 0.752.

E6 (Remove barriers to access organization information) has the lowest mean 3.18 with a standard deviation of 0.850.

| | Employees | Mean | Std. Deviation |
|-----|---------------------|------|----------------|
| EM1 | Employee Commitment | 4.11 | .747 |
| EM2 | Employee Pride | 4.16 | .725 |

Among the “EM” factors:

EM2 (Employee Pride) has the highest mean 4.16 with a standard deviation of 0.725.

EM1 (Employee Commitment) has the lowest mean 4.11 with a standard deviation of 0.747.

4.2. RELIABILITY TESTS

In our study, we will use Cronbach's alpha (α) in order to estimate the internal consistency of the scale, since it is most used with Likert type questions. Cronbach's alpha measures the extent to which a set of items are related to each other. Cronbach's alpha increases as the inter-correlations among them increase.

The Case Processing Summary and the Reliability Statistics of the 16 independent variables are shown respectively in the tables below:

| Case Processing Summary | | |
|-------------------------|-----------------------|-------|
| | | |
| | | N |
| | | % |
| Cases | Valid | 171 |
| | Excluded ^a | 0 |
| | Total | 171 |
| | | 100.0 |

a. Listwise deletion based on all variables in the procedure.

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| .867 | 16 |

The Cronbach's alpha is 0.867 which indicates a good level of internal consistency for our scale.

A reliability test was performed on each group of the questions.

Cronbach's alpha for Internal CSR (I) was calculated to test the internal consistency of these practices:

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| .849 | 10 |

The Cronbach's alpha for I practices is 0.849 which indicates a good level of internal consistency for the "I" concept.

Similarly, Cronbach's alpha for External CSR (E) was calculated to test the internal consistency of these practices:

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| .674 | 6 |

The Cronbach's alpha for E practices is 0.674 which indicates a fair level of internal consistency for the "E" concept.

Finally, reliability analysis was also performed on employees:

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| .841 | 2 |

The Cronbach's alpha for the EM practices is 0.841 which indicates a good level of internal consistency for the "EM" concept.

4.3. FACTOR ANALYSES

Factor Analysis is a method of data reduction. It does this by seeking underlying unobservable (latent) variables that are reflected in the observed variables (manifest variables). Factor analysis is used to test construct validity; the extent to which a measure or set of measures correctly represents the concept of the study.

To determine the appropriateness of factor analysis, the entire correlation matrix is examined using the Bartlett Test of Sphericity and Kaiser-Myer-Oklin measure of Sampling Adequacy (KMO MSA).

The Bartlett Test of Sphericity tests the overall significance of all correlations within a correlation matrix. If the Bartlett's Test of Sphericity is significant, that is, less than alpha (0.05), the null hypothesis will be rejected and factor analysis can be conducted on the study.

Kaiser-Myer-Oklin Measure of Sampling Adequacy (KMO MSA) is used to quantify the degree of inter-correlations among the variables.

The KMO MSA ranges from 0 to 1 reaching 1 when each variable is perfectly predicted without error by the other variables.

| KMO and Bartlett's Test | | |
|--|------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .830 |
| Approx. Chi-Square | | 945.706 |
| Bartlett's Test of Sphericity | Df | 120 |
| | Sig. | .000 |

Like the results of the Reliability Test, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy varies between 0 and 1, and values closer to 1 are better. The KMO is 0.830 which is greater than 0.50. This indicates that the data is consistent, and factor analysis will be successful.

Bartlett's Test of Sphericity: This tests the null hypothesis that the correlation matrix is an identity matrix. The Bartlett's Test of Sphericity is 0.000 which is less than 0.05 so it is significant.

Total Variance Explained

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 5.414 | 33.834 | 33.834 | 5.414 | 33.834 | 33.834 | 2.607 | 16.295 | 16.295 |
| 2 | 1.529 | 9.558 | 43.392 | 1.529 | 9.558 | 43.392 | 2.455 | 15.344 | 31.639 |
| 3 | 1.409 | 8.804 | 52.197 | 1.409 | 8.804 | 52.197 | 2.357 | 14.729 | 46.368 |
| 4 | 1.038 | 6.485 | 58.681 | 1.038 | 6.485 | 58.681 | 1.970 | 12.313 | 58.681 |
| 5 | .973 | 6.081 | 64.762 | | | | | | |
| 6 | .872 | 5.451 | 70.213 | | | | | | |
| 7 | .751 | 4.692 | 74.905 | | | | | | |
| 8 | .692 | 4.327 | 79.232 | | | | | | |
| 9 | .587 | 3.666 | 82.898 | | | | | | |
| 10 | .522 | 3.265 | 86.164 | | | | | | |
| 11 | .492 | 3.074 | 89.238 | | | | | | |
| 12 | .459 | 2.872 | 92.110 | | | | | | |
| 13 | .420 | 2.628 | 94.738 | | | | | | |
| 14 | .369 | 2.309 | 97.046 | | | | | | |
| 15 | .277 | 1.729 | 98.775 | | | | | | |
| 16 | .196 | 1.225 | 100.000 | | | | | | |

Extraction Method: Principal Component Analysis.

With reference to the Total Variance Explained table and based on the latent root criterion, four factors are extracted accounting for 58.681 % of the total variance.

% of variance: this column contains the percent of total variance accounted for by each factor.

Cumulative %: this column contains the cumulative percentage of variance accounted for by the current and all preceding factors. The fourth row shows a value of 58.681 this means that the first four factors together account for 58.681% of the total variance.

Rotation Sums of Squared Loadings: The values in this panel of the table represent the distribution of the variance after the varimax rotation. Varimax rotation tries to maximize the variance of each of the factors so the total amount of variance accounted for is redistributed over the four extracted factors.

Rotated Component Matrix^a

| | Component | | | |
|---|-----------|-------|-------|-------|
| | 1 | 2 | 3 | 4 |
| Health& Safety at work | .345 | .226 | .451 | .242 |
| Produce great quality of goods | .469 | .335 | .343 | .080 |
| Open& honest communication | .293 | .773 | .122 | .063 |
| Involve in decision making processes | .476 | .664 | -.062 | .083 |
| Contribute to employees' skills | .854 | .209 | .097 | .147 |
| Contribute to employees' career development | .858 | .127 | .099 | .146 |
| Make employees confident about the future | .520 | .167 | .289 | .277 |
| Provide equitable wage system | .298 | .456 | -.019 | .335 |
| Treat employees with respect | .026 | .704 | .306 | .142 |
| Committed & consistent leadership that turns CSR objectives into practice | .146 | .158 | .285 | .628 |
| Provide products in an ethical manner | .002 | .465 | .579 | .114 |
| Conduct fair trade operations | .119 | .396 | .585 | -.090 |
| Adhere to strict environmental standards | .076 | .026 | .754 | .065 |
| Conduct sponsorship & community development activities | .201 | -.085 | .631 | .294 |
| Openly acknowledge products ,actions, & decisions | .192 | -.068 | .280 | .704 |
| Remove barriers to access organization information | .107 | .228 | -.125 | .800 |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

The rotated component matrix makes the interpretation of the factor analysis easier showing the factor loadings of the variables on the extracted components. Loadings indicate the degree of correspondence between the variable and the factor, with higher loading making the variable representative of the factor. The rotated component matrix table contains the rotated factor loadings which represent how the variables are weighted for each factor, and how the variables and the components are correlated. Because these are correlations, possible values range from -1 to +1.

Component: The columns under this heading are the rotated factors that have been extracted.

Four components have been extracted.

The first component can be described as “Employee Growth” because items such as “Contribute to employees' skills”, “Contribute to employees' career development”, and “Make employees confident about the future” load highly on it.

The second component can be described as “Respectful communication and collaboration with employees” because items such as “Open& honest communication”, “Involve in decision making processes, and “Treat employees with respect” load highly on it.

The third component can be called “Ethical development activities” because items such as “Provide products in ethical manner”, “Conduct fair trade operations”, “Adhere to strict environmental standards” and “Conduct sponsorship & community development activities” load highly on it.

The fourth component can be called “Leadership and transparency” because items such as “Committed and consistent leadership that turns CSR objectives into practice”, “Openly acknowledge products, actions, and decisions” and “Remove barriers to access organization information” load highly on it.

4.4. MULTIPLE REGRESSION ANALYSES

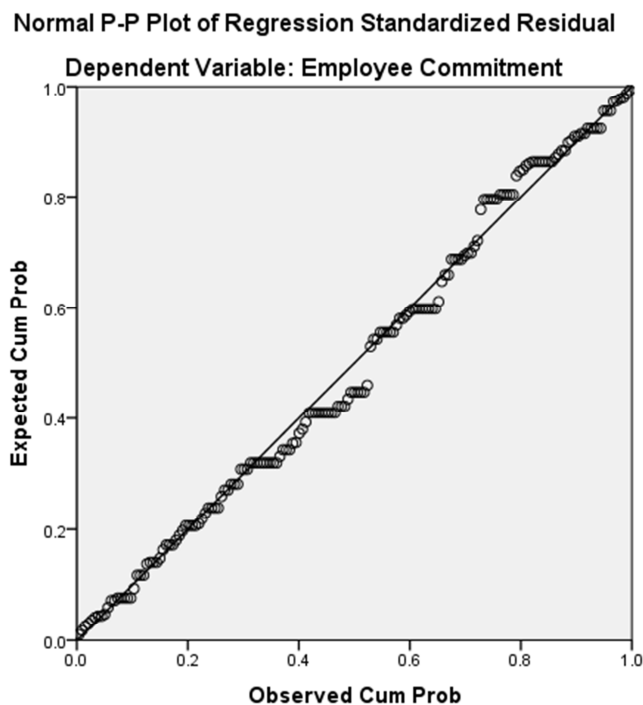
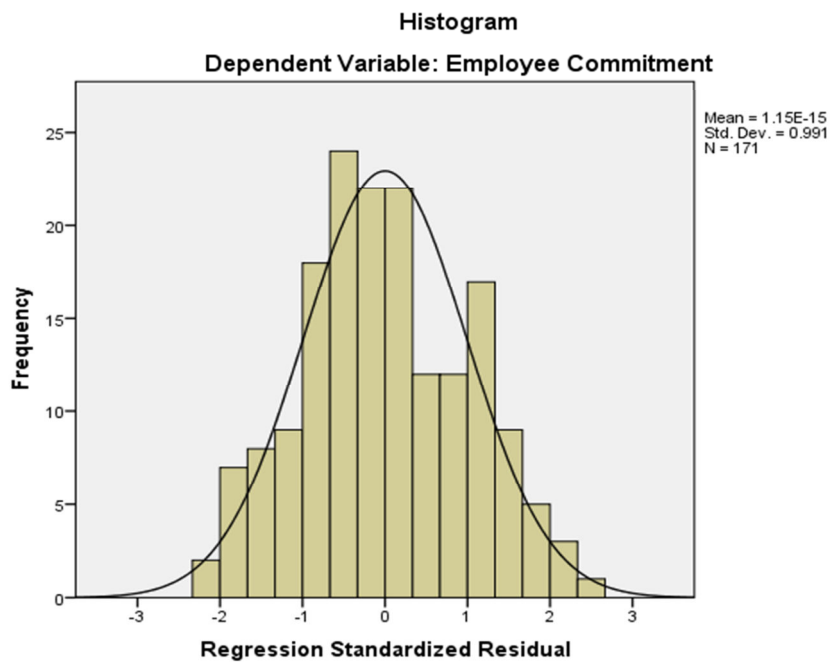
Due to the large number of independent variables, multiple regression with stepwise method was used in order to reduce potential multicollinearity, and find the most important set of predictors that are most effective in predicting the dependent variable. Independent variables are added according to their greatest contribution to the regression model. Moreover, the independent variables are entered according to their statistical contribution in explaining the variance in the dependent variable.

Multiple regression on both sets of independent variables (I and E) is performed on each of the dependent variables.

The regression analysis will show:

1. The independent variables entered or removed
2. The model summary
3. ANOVA table showing the goodness fit of the model; how significantly the regression model predicts the outcome variable
4. Coefficients for the independent variable showing how much the dependent variable changes when the independent variable changes by one unit
5. Histogram of Standardized Residuals which allows visual check for a distribution approximating normal distribution
6. Normal P-P Plot of Regression Standardized Residuals which compares the observed standardized residuals against expected residuals from a normal distribution.

Independent variables (Internal CSR factors) regressed against EM1 (Employee Commitment)



The Histogram shows a bell-shaped curve, and the normal plot of the residuals shows the points close to diagonal line.

Variables Entered/Removed^a

| Model | Variables Entered | Variables Removed |
|-------|---|-------------------|
| 1 | Contribute to employees' career development | . |
| 2 | Make employees confident about the future | . |
| 3 | Open& honest communication | . |

a. Dependent Variable: Employee Commitment

Model Summary^d

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .457 ^a | .209 | .204 | .667 |
| 2 | .502 ^b | .252 | .244 | .650 |
| 3 | .532 ^c | .283 | .270 | .638 |

a. Predictors: (Constant), Contribute to employees' career development, I6 b. Predictors: (Constant), Contribute to employees' career development, Make employees confident about the future, I6, I7

c. Predictors: (Constant), Contribute to employees' career development, Make employees confident about the future, Open& honest communication, I6, I7, I3

d. Dependent Variable: Employee Commitment, EM1

In regression model 1, 20.9% of the total variance in EM1 (Employee Commitment) is explained by I6 (contribute to employees' career development).

In regression model 2, I7 (make employees confident about the future) is added leading to 4.3% increase in the total variance explained from 20.9% to 25.2%.

In regression model 3, I3 (open and honest communication) is added leading to 3.1% increase in total variance explained from 25.2% to 28.3%. 28.3% of the variation in the dependent variable is explained by the last model provided by the stepwise regression model.

ANOVA^a

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|----------------|-----|-------------|--------|-------------------|
| 3 Regression | 26.881 | 3 | 8.960 | 22.003 | .000 ^d |
| Residual | 68.008 | 167 | .407 | | |
| Total | 94.889 | 170 | | | |

a. Dependent Variable: Employee Commitment

b. Predictors: (Constant), Contribute to employees' career development

c. Predictors: (Constant), Contribute to employees' career development, Make employees confident about the future

d. Predictors: (Constant), Contribute to employees' career development, Make employees confident about the future, Open& honest communication

The probability of the F statistic (22.003) for the regression model 3 is 0.000 which is less than 0.05, so we accept the alternative hypothesis that there is a statistically significant relationship between the best subset of independent variables (internal CSR variables) and the dependent variable, that is, the regression model is statistically significant in predicting the dependent variable.

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 2.132 | .260 | | 8.199 | .000 |
| 3 I6 Contribute to employees' career development | .215 | .058 | .287 | 3.698 | .000 |
| I7 Make employees confident about the future | .174 | .060 | .217 | 2.889 | .004 |
| I3 Open& honest communication | .153 | .057 | .189 | 2.682 | .008 |

a. Dependent Variable: Employee Commitment

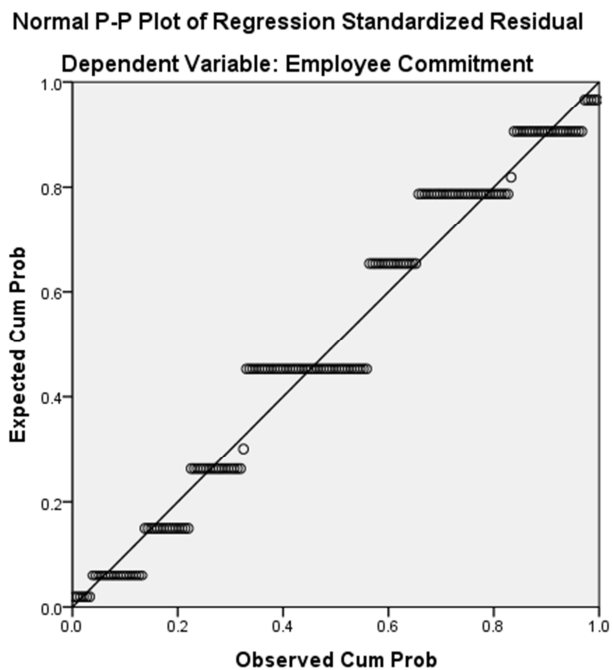
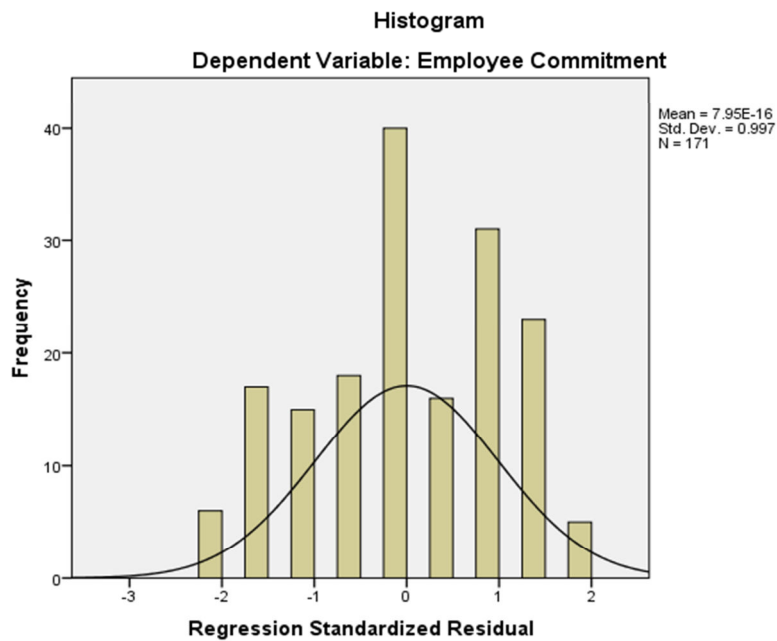
The regression equation is as follows:

$$EM1 = 2.132 + 0.215(I6) + 0.174(I7) + 0.153(I3)$$

The dependent variable has positive dependency on all of the obtained factors. Employees tend to be more committed to their organization when the following factors improve: employees have more opportunities for career development (I6), employees are made to feel confident about the future of the company (I7), communication with employees is open and honest (I3).

Since the significance of the t-values for all variables are lower than 0.05, and since all the coefficients have a positive value, we conclude that there is a statistically significant positive linear relationship with positive contribution between I6 and EM1, I7 and EM1, I3 and EM1.

Independent variables (External CSR factors) regressed against EM1 (Employee Commitment)



Variable Entered/Removed^a

| Model | Variables Entered | Variables Removed |
|-------|---------------------------------------|-------------------|
| 1 | Provide products in an ethical manner | . |

a. Dependent Variable: Employee Commitment

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .362 ^a | .131 | .126 | .698 |

a. Predictors: (Constant), Provide products in an ethical manner, E1

b. Dependent Variable: Employee Commitment

In regression model 1, 13.1% of the total variance in EM1 (Employee Commitment) is explained by E1 (Products and services are provided in an ethical manner).

So 13.1% of the variation in the dependent variable is explained by the last and only model provided by the stepwise regression model.

ANOVA^a

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|----------------|-----|-------------|--------|-------------------|
| 1 Regression | 12.437 | 1 | 12.437 | 25.492 | .000 ^b |
| Residual | 82.452 | 169 | .488 | | |
| Total | 94.889 | 170 | | | |

a. Dependent Variable: Employee Commitment, EM1

b. Predictors: (Constant), Provide products in an ethical manner, E1

The probability of the F statistic (25.492) for the regression model 1 is 0.000 which is less than 0.05, so we accept the alternative hypothesis that there is a statistically significant relationship between the best subset of independent variables (external CSR factors) and the dependent variable, that is, the regression model is statistically significant in predicting the dependent variable.

| Coefficients ^a | | | | | |
|---|-----------------------------|------------|---------------------------|-------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| (Constant) | 2.644 | .295 | | 8.950 | .000 |
| 1 E1 Provide products in an ethical manner | .360 | .071 | .362 | 5.049 | .000 |

a. Dependent Variable: Employee Commitment

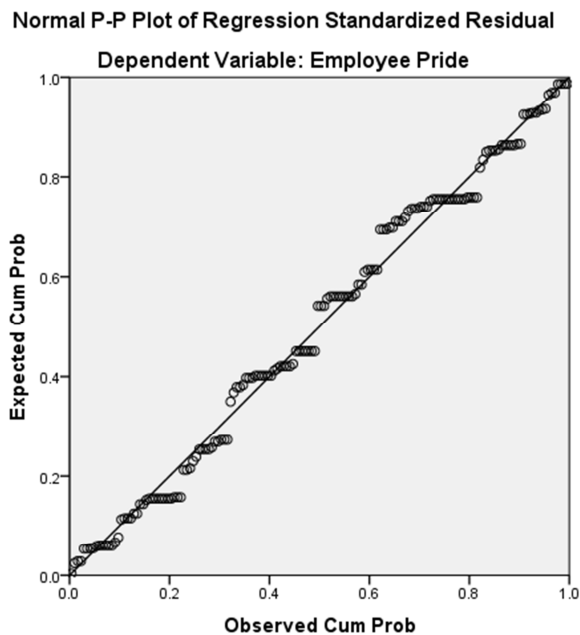
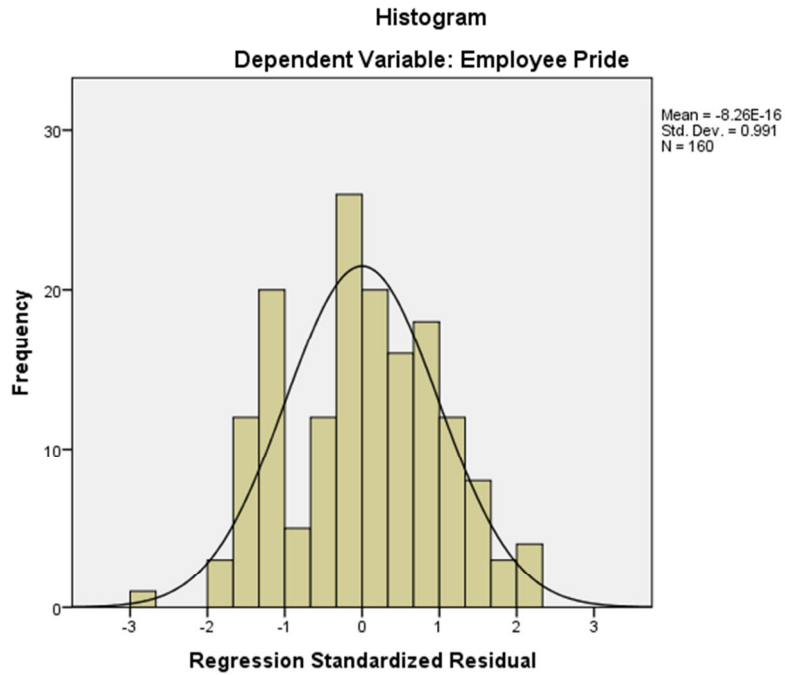
The regression equation is as follows:

$$EM1 = 2.644 + 0.360 (E1)$$

The dependent variable has positive dependency on all of the obtained factors. Employees tend to be more committed when this factor improves: products and services are provided in an ethical manner (E1).

Since the significance of the t-value is lower than 0.05, and since the coefficient have a positive value, we conclude that there is a statistically significant positive linear relationship between E1 and EM1.

Independent variables (Internal CSR factors) regressed against EM2 (Employee Pride)



The histogram shows a bell-shaped curve, and the normal plot of the residuals shows the points close to the diagonal line.

Variables Entered/Removed^a

| Model | Variables Entered | Variables Removed |
|-------|---|-------------------|
| 1 | I6 Contribute to employees' career development | . |
| 2 | I10 Committed& consistent leadership that turns CSR objectives into practice | . |
| 3 | I9 Treat employees with respect | . |

a. Dependent Variable: Employee Pride

Model Summary^d

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .433 ^a | .188 | .183 | .644 |
| 2 | .544 ^b | .296 | .287 | .602 |
| 3 | .582 ^c | .338 | .325 | .585 |

a. Predictors: (Constant), Contribute to employees' career development, I6

b. Predictors: (Constant), Contribute to employees' career development, Committed& consistent leadership that turns CSR objectives into practice, I6, I10

c. Predictors: (Constant), Contribute to employees' career development, Committed& consistent leadership that turns CSR objectives into practice, Treat employees with respect, I6, I10, I9

d. Dependent Variable: Employee Pride, EM2

In regression model 1, 18.8% of the total variance in EM2 (Employee Pride) is explained by I6 (employees have opportunities for career development).

In regression model 2, I10 (committed and consistent leadership that turns CSR objectives into practice) is added leading to 10.8% increase in the total variance explained from 18.8% to 29.6%.

In regression model 3, I9 (employees are treated with respect) is added leading to 4.2% increase in the total variance explained from 29.6% to 33.8%.

33.8% of the variation in the dependent variable is explained by the last model provided by stepwise regression model.

ANOVA^a

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------|-----|-------------|--------|-------------------|
| Regression | 27.315 | 3 | 9.105 | 26.568 | .000 ^d |
| Residual | 53.460 | 156 | .343 | | |
| Total | 80.775 | 159 | | | |

a. Dependent Variable: Employee Pride, EM2

b. Predictors: (Constant), Contribute to employees' career development, I6

c. Predictors: (Constant), Contribute to employees' career development, Committed& consistent leadership that turns CSR objectives into practice, I6, I10

d. Predictors: (Constant), Contribute to employees' career development, Committed& consistent leadership that turns CSR objectives into practice, Treat employees with respect, I6, I10, I9

The probability of the F statistic (26.568) for the regression Model 3 is 0.000 which is less than 0.05, so we accept the alternative hypothesis that there is a statistically significant relationship between the best subset of independent variables and the dependent variable, that is, the regression model is statistically significant in predicting the dependent variable.

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 1.649 | .308 | | 5.358 | .000 |
| I6 Contribute to employees' career development | .235 | .050 | .318 | 4.676 | .000 |
| I10 Committed& consistent leadership that turns CSR objectives into practice | .242 | .059 | .283 | 4.103 | .000 |
| I9 Treat employees with respect | .207 | .066 | .219 | 3.145 | .002 |

a. Dependent Variable: Employee Pride

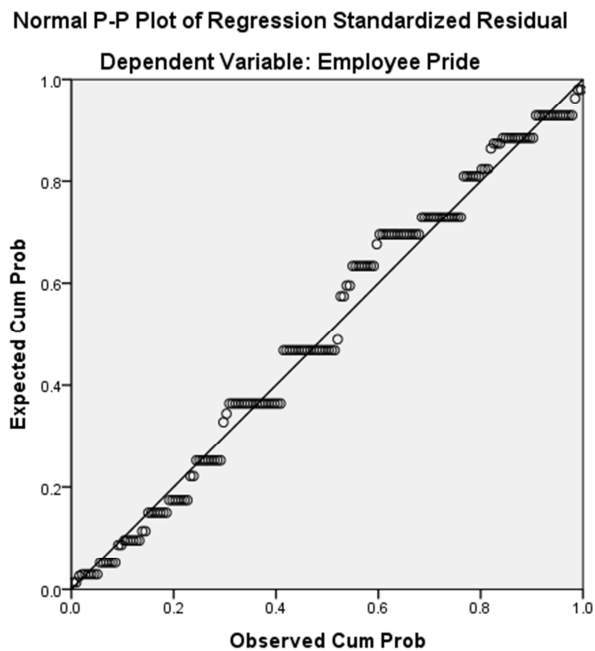
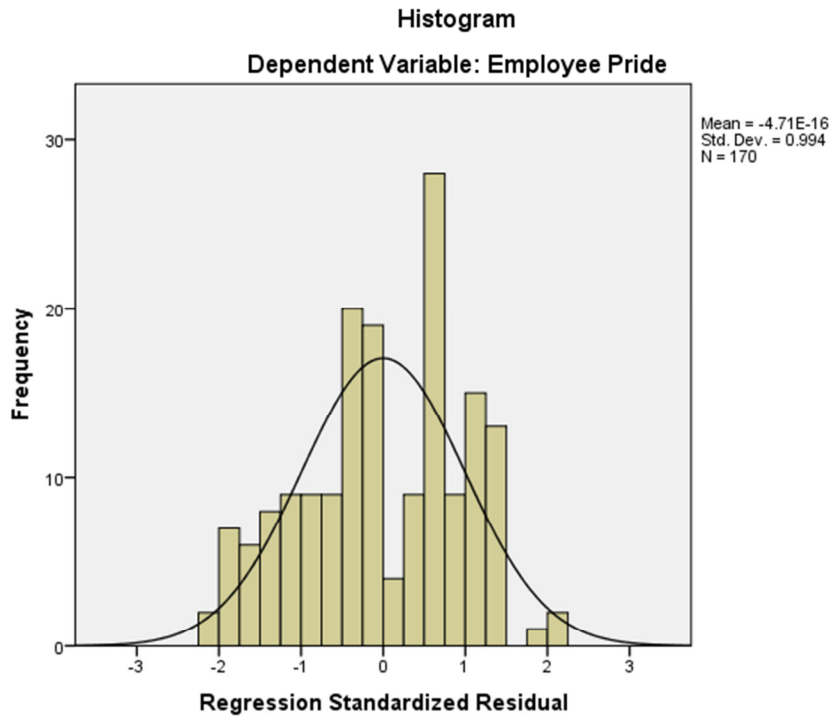
The regression equation is as follows:

$$EM2 = 1.649 + 0.235(I6) + 0.242(I10) + 0.207(I9)$$

The dependent variable has positive dependency on all of the obtained factors. Employees tend to have more pride in their organization when each of the following factors improve: Employees have opportunities for career development (I6), there is committed and consistent leadership that turns CSR objectives into practice (I10), employees are treated with respect (I9).

Since the significance of the t-values for all the variables are lower than 0.05, and since all the coefficients have a positive value, we conclude that there is a statistically significant positive linear relationship between I6 and EM2, I10 and EM2, I9 and EM2.

Independent variables (External CSR factors) regressed against EM2 (Employee Pride)



Variables Entered/Removed^a

| Model | Variables Entered | Variables Removed |
|-------|--|-------------------|
| 1 | E1 Provide products in an ethical manner | . |
| 2 | E5 Openly acknowledge products, actions,& decisions | . |

a. Dependent Variable: Employee Pride

Model Summary^c

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .431 ^a | .186 | .181 | .658 |
| 2 | .466 ^b | .217 | .208 | .647 |

a. Predictors: (Constant), Provide products in an ethical manner, E1

b. Predictors: (Constant), Provide products in an ethical manner, Openly acknowledge products, actions,& decisions, E1, E5

c. Dependent Variable: Employee Pride, EM2

In regression model 1, 18.6% of the total variance in E1 (Products and services are provided in an ethical manner) is explained by EM2 (Employee Pride).

In regression model 2, E5 (there is a will to openly acknowledge company products, actions, decisions, and policies) is added leading to 3.1% increase in the total variance explained from 18.6% to 21.7%.

21.7% of the variation in the dependent variable is explained by the last model provided by the stepwise regression model.

| ANOVA ^a | | | | | |
|--------------------|----------------|-----|-------------|--------|-------------------|
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 2 Regression | 19.433 | 2 | 9.717 | 23.196 | .000 ^c |
| Residual | 69.955 | 167 | .419 | | |
| Total | 89.388 | 169 | | | |

a. Dependent Variable: Employee Pride, EM2

b. Predictors: (Constant), Provide products in an ethical manner, E1

c. Predictors: (Constant), Provide products in an ethical manner, Openly acknowledge products, actions, & decisions, E1, E5

The probability of the F statistic (23.196) for the regression Model 2 is 0.000 which is less than 0.05, so we accept the alternative hypothesis that there is a statistically significant relationship between the best subset of independent variables and the dependent variables, that is, the regression model is statistically significant in predicting the dependent variable.

| Coefficients ^a | | | | | |
|---------------------------|--|------------|---------------------------|-------|-------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 2 | (Constant) | 2.007 | .326 | 6.164 | .000 |
| | E1 Provide products in an ethical manner | .381 | .068 | .393 | 5.607 |
| | E5 Openly acknowledge products, actions,& decisions | .173 | .067 | .182 | 2.595 |

a. Dependent Variable: Employee Pride

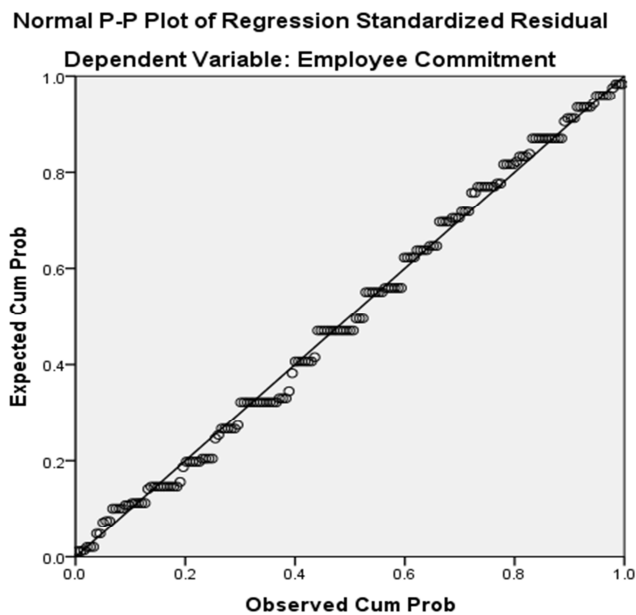
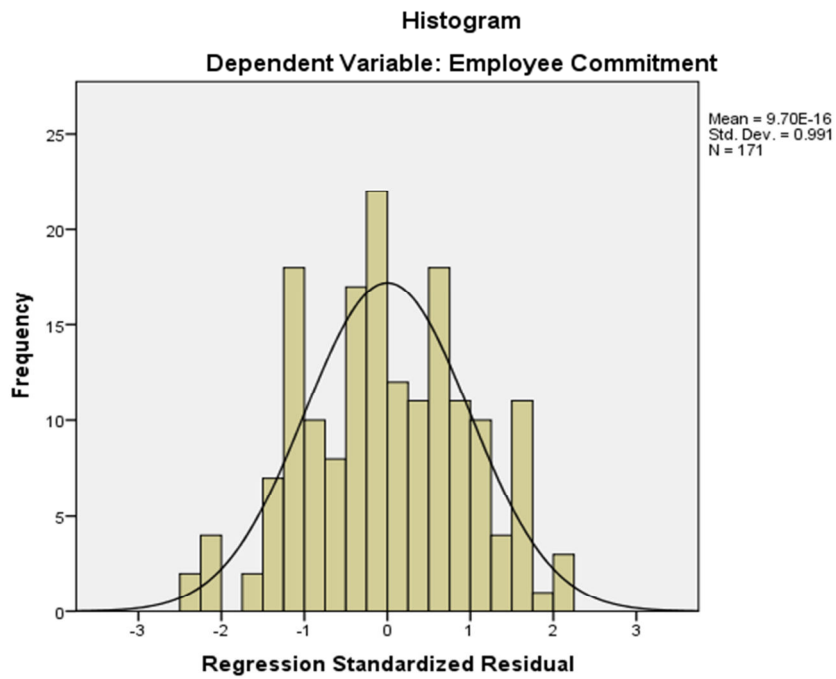
The regression equation is as follows:

$$EM2 = 2.007 + 0.381(E1) + 0.173(E5)$$

The dependent variable has positive dependency on all of the obtained factors. Employees tend to have more pride in their organization when the following factors improve: Products and services are provided in an ethical manner (E1) and there is a will to openly acknowledge company products, actions, decisions, and policies (E5).

Since the significance of the t-values for all variables are lower than 0.05, and since all the coefficients have a positive value, we conclude that there is a statistically significant positive linear relationship between E1 and EM2, E5 and EM2.

All the independent variables regressed against EM1 (Employee Commitment)



Variables Entered/Removed^a

| Model | Variables Entered | Variables Removed |
|-------|---|-------------------|
| 1 | I6 Contribute to employees' career development | . |
| 2 | E1 Provide products in an ethical manner | . |
| 3 | I4 Involve in decision making processes | . |

a. Dependent Variable: Employee Commitment

Model Summary^d

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .457 ^a | .209 | .204 | .667 |
| 2 | .527 ^b | .278 | .269 | .639 |
| 3 | .550 ^c | .302 | .290 | .630 |

a. Predictors: (Constant), Contribute to employees' career development, **I6**

b. Predictors: (Constant), Contribute to employees' career development, Provide products in an ethical manner, **I6, E1**

c. Predictors: (Constant), Contribute to employees' career development, Provide products in an ethical manner, Involve in decision making processes, **I6, E1, I4**

d. Dependent Variable: Employee Commitment, **EM1**

In regression model 1, 20.9% of the total variance in EM1 (Employee Commitment) is explained by I6 (Contribute to employees' career development).

In regression model 2, E1(Provide products in an ethical manner) is added leading to 6 increase in the total variance explained from 20.9% to 27.8%.

In regression model 3, I4 (Involve in decision making processes) is added leading to 2. increase in total variance explained from 27.8% to 30.2%. 30.2% of the variation in the dependent variable is explained by the last model provided by the stepwise regression 1

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|-----|-------------|--------|-------------------|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 3 | Regression | 28.696 | 3 | 9.565 | 24.132 | .000 ^d |
| | Residual | 66.193 | 167 | .396 | | |
| | Total | 94.889 | 170 | | | |

a. Dependent Variable: Employee Commitment, EM1

b. Predictors: (Constant), Contribute to employees' career development, I6

c. Predictors: (Constant), Contribute to employees' career development, Provide products in an ethical manner, I6, E1

d. Predictors: (Constant), Contribute to employees' career development, Provide products in an ethical manner, Involve in decision making processes, I6, E1, I4

The probability of the F statistic (24.132) for the regression Model 3 is 0.000 which is less than 0.05, so we accept the alternative hypothesis that there is a statistically significant relationship between the best subset of independent variable and the dependent variable, that is, the regression model is statistically significant in predicting the dependent variable.

| Coefficients ^a | | | | | | |
|---------------------------|---|------------|---------------------------|-------|-------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | |
| | B | Std. Error | Beta | | | |
| 3 | (Constant) | 1.775 | .301 | 5.891 | .000 | |
| | I6 Contribute to employees' career development | .244 | .054 | .325 | 4.498 | .000 |
| | E1 Provide products in an ethical manner | .244 | .067 | .245 | 3.646 | .000 |
| | I4 Involve in decision making processes | .142 | .058 | .176 | 2.439 | .016 |

a. Dependent Variable: Employee Commitment

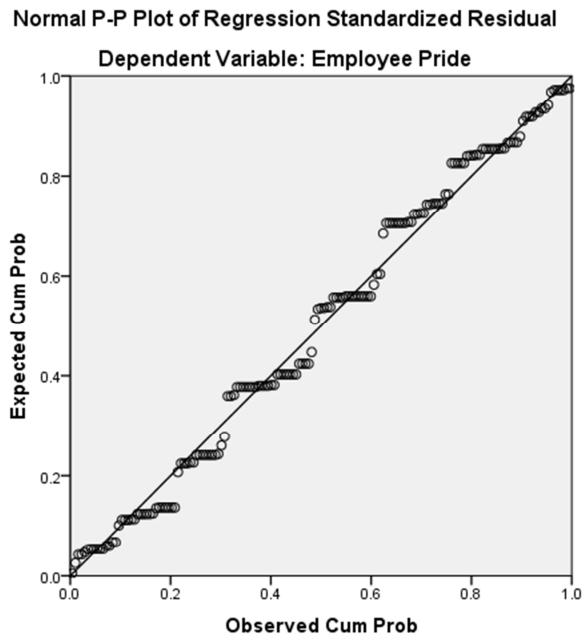
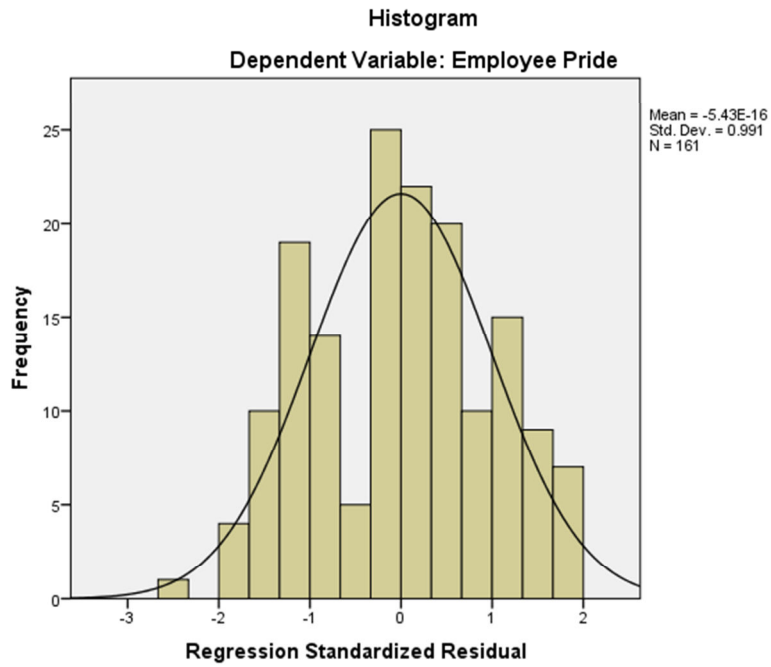
The regression equation is as follows:

$$EM1 = 1.775 + 0.244(I6) + 0.244(E1) + 0.142(I4)$$

The dependent variable has positive dependency on all of the obtained factors. Employees tend to be more committed to their organization when each of these factors improve: when employees have opportunities for their career development (I6), when the company provide products and services in an ethical manner (E1), and when employees are involved in the decision making processes where their opinions count (I4).

Since the significance of the t-values for all variables are lower than 0.05, and since all the coefficients have a positive value, we conclude that there is a statistically significant positive linear relationship between I6 and EM1, E1 and EM1, I4 and EM1.

All the independent variables regressed against EM2 (Employee Pride)



Variables Entered/Removed^a

| Model | Variables Entered | Variables Removed |
|-------|---|-------------------|
| 1 | I6 Contribute to employees' career development | . |
| 2 | I10 Committed& consistent leadership that turns CSR objectives into practice | . |
| 3 | E1 Provide products in an ethical manner | . |

a. Dependent Variable: Employee Pride

Model Summary^d

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .435 ^a | .189 | .184 | .648 |
| 2 | .548 ^b | .300 | .292 | .603 |
| 3 | .616 ^c | .380 | .368 | .570 |

a. Predictors: (Constant), Contribute to employees' career development, I6

b. Predictors: (Constant), Contribute to employees' career development, Committed& consistent leadership that turns CSR objectives into practice, I6, I10

c. Predictors: (Constant), Contribute to employees' career development, Committed& consistent leadership that turns CSR objectives into practice, Provide products in an ethical manner, I6, I10, E1

d. Dependent Variable: Employee Pride, EM2

In regression model 1, 18.9% of the total variance in EM2 (Employee Pride) is explained by I6 (Employees have opportunities for career development).

In regression model 2, I10 (committed and consistent leadership that turns CSR objectives into practice) is added leading to 11.1% increase in the total variance explained from 18.9% to 30.0%.

In regression model 3, E1 (products and services are provided in an ethical manner) is added leading to 8% increase in the total variance explained from 30.0% to 38.0%.

38.0% of the variation in the dependent variable is explained by the last model provided by the stepwise regression model

ANOVA^a

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|------------|----------------|-----|-------------|--------|-------------------|
| Regression | 31.248 | 3 | 10.416 | 32.072 | .000 ^d |
| 3 Residual | 50.988 | 157 | .325 | | |
| Total | 82.236 | 160 | | | |

a. Dependent Variable: Employee Pride

b. Predictors: (Constant), Contribute to employees' career development

c. Predictors: (Constant), Contribute to employees' career development, Committed& consistent leadership that turns CSR objectives into practice

d. Predictors: (Constant), Contribute to employees' career development, Committed& consistent leadership that turns CSR objectives into practice, Provide products in an ethical manner

The probability of the F statistic (32.072) for the regression Model 3 is 0.000 which is less than 0.05, so we accept the alternative hypothesis that there is a statistically significant relationship between the best subset of independent variables and the dependent variable, that is, the regression model is statistically significant in predicting the dependent variable.

Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 1.292 | .311 | | 4.158 | .000 |
| 3 I6 Contribute to employees' career development | .226 | .049 | .303 | 4.623 | .000 |
| I10 Committed& consistent leadership that turns CSR objectives into practice | .260 | .057 | .295 | 4.526 | .000 |
| E1 Provide products in an ethical manner | .291 | .065 | .293 | 4.489 | .000 |

a. Dependent Variable: Employee Pride

The regression equation is as follows:

$$EM2 = 1.292 + 0.226(I6) + 0.260(I10) + 0.291(E1)$$

The dependent variable has positive dependency on all of the obtained factors. Employees tend to have more pride in their organization when the following factors improve: Employees have opportunities for career development (I6), committed and consistent leadership that turns CSR objectives into practice (I10), products and services are provided in an ethical manner (E1).

Since the significance of the t-values for all the variables are lower than 0.05, and since all the coefficients have a positive value, we conclude that there is a statistically significant positive linear relationship between I6 and EM2, I10 and EM2, E1 and EM2.

CHAPTER FIVE

SUMMARY OF FINDINGS AND RECCOMENDATIONS

5.1. FINDINGS

As stated in the research question, this study aims to test whether the CSR practices of an organization, both internal and external, and each separately, influence positively the two main aspects of employees' engagement.

According to the multiple regression analysis:

Finding 1: Both Internal and External independent variables with Employee Commitment

Contributing to employees' career development (I6), involving employees in the decision making processes (I4), and providing products and services in an ethical manner (E1) are statistically significant in predicting an increase in employee commitment.

Finding 2: Both Internal and External independent variables with Employee Pride

Contributing to employees' career development (I6), committed and consistent leadership that turns CSR objectives into practice (I10), and providing products and services in an ethical manner (E1) are statistically significant in predicting an increase in employee pride.

Regression analysis was also performed on each independent group (internal and external CSR) with each dependent variable (employee commitment and employee pride).

Finding 3: Internal CSR independent variables with employee commitment

Contributing to employees' career development (I6), employees are made to feel confident about the future of the company (I7), and communication with employees is open and honest (I3) are statistically significant in predicting an increase in employee commitment.

Finding 4: External CSR independent variables with employee commitment

Products and services are provided in an ethical manner (E1) is statistically significant in predicting an increase in employee commitment.

Finding 5: Internal CSR independent variables with employee pride

Contributing to employees' career development (I6), committed and consistent leadership that turns CSR objectives into practice (I10), and employees are treated with respect (I9) are statistically significant in predicting an increase in employee pride.

Finding 6: External CSR independent variables with employee pride

Products and services are provided in an ethical manner (E1) and a will to openly acknowledge company products, actions, decisions, and policies (E5) are statistically significant in predicting an increase in employee pride.

The tables below summarize the findings of the regression analyses:

| The relationship between CSR practices and Employee Engagement | R² | Statistically Significant Relationship |
|---|----------------------|---|
| Employee Commitment Contribute to employees' career development Provide products and services in an ethical manner Involve employees in decision making processes | 30.20% | + + + |
| Employee Pride Contribute to employees' career development Committed and consistent leadership that turns CSR objectives into practice Provide products and services in an ethical manner | 38.00% | + + + |

Regression analysis was also performed on each independent group (internal and external CSR) with each dependent variable (employee commitment and employee pride).

| The relationship between Internal and External CSR practices and Employee Engagement | R² | Statistically Significant Relationship |
|--|---|---|
| Employee Commitment <u>Internal:</u> Contribute to employees' career development Employees are made to feel confident about the future of the company Communication with employees is open and honest <u>External:</u> Provide products and services in an ethical manner | 28.30% 13.1% | + + + + |
| Employee Pride <u>Internal:</u> Contribute to employees' career development Committed and consistent leadership that turns CSR objectives into practice Employees are treated with respect <u>External:</u> Provide products and services in an ethical manner A will to openly acknowledge company products, actions, decisions, and policies | 33.8% 21.7% | + + + + + |

5.2. CONCLUSION AND LIMITATIONS

When we examine the findings, we observe that 8 independent variables were statistically significant in predicting an increase in employee commitment and employee pride. These variables are: contribute to employees' career development, provide products and services in an ethical manner, involve employees in the decision making processes, committed and consistent leadership that turns CSR objectives into practice, employees are made to feel confident about the future of the company, communication with employees is open and honest, employees are treated with respect, and there is a will to openly acknowledge company products, actions, decisions, and policies.

The reason that we had a limited number of significant independent variables may be due to a lack of awareness about CSR in the Lebanese corporations and their role in the development of the country. When I had a chance to talk with employees, a few of them were unaware of CSR practices performed in their companies. Contrary to the fast-growing CSR trend across the global business world, the implementation of CSR strategies in Lebanon and the region is still limited, and is only undertaken by a few corporations. Although there are some social enterprises that aim to raise awareness about CSR, it is still currently developing, so if this study was done 5 or more years later, people would be more aware of it and this study would probably be more timely.

5.3. RECOMMENDATIONS

Management should increase CSR activity awareness in their companies, because as we have found in our study, CSR activities predict an increase in employee commitment and employee pride. Managers should particularly focus on the variables that we found statistically significant in doing this prediction, such as contributing to employees' career development, providing products and services in an ethical manner, involving employees in the decision making processes, turning CSR objectives into practice through committed and consistent leadership, making employees feel confident about the future of the company, communicating with employees openly and honestly, treating employees with respect, and openly acknowledging company products, actions, decisions, and policies.

APPENDIX

Questionnaire Exploring The Impact of Corporate Social Responsibility Practices on Employee Engagement in Lebanon

Dear participants,

As part of the fulfillment of the requirements of the MBA degree from Haigazian University, I am conducting a survey about organizations in Lebanon to explore whether CSR practices influence employee engagement.

The purpose of this questionnaire is to examine and find out whether internal and external CSR activities affect employee engagement in companies that implement CSR policies and engage in CSR activities.

CSR is operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.

I would really appreciate it if you would take the time to fill out the attached questionnaire.

Your frank responses will remain confidential and the data from the survey will be reported in the thesis anonymously. To ensure anonymity, you are not required to disclose any personal information, nor to identify yourself or your organization.

Please read through each of the following statements and fill in the check box that indicates your level of agreement with the implementation of these practices in your organization according to the following scale: strongly disagree, disagree, neutral, agree, strongly agree.

Thank you again for your valuable time and support.

Sincerely,
Hoda Beydoun

| No | Please read through each of the following statements and fill in the check box that indicates your level of agreement with the implementation of the below practices in your company: | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|----|---|-------------------|----------|---------|-------|----------------|
| | In my company... | | | | | |
| 1 | Health and safety at work are provided | | | | | |
| 2 | Great quality of goods produced provides satisfaction to employees | | | | | |
| 3 | Communication with employees is open and honest | | | | | |
| 4 | Employees are involved in the decision making processes: their opinions count | | | | | |
| 5 | Employees have opportunities to learn new skills and grow | | | | | |
| 6 | Employees have opportunities for career development: roles that fit their strengths, knowledge, and talent | | | | | |
| 7 | Employees are made to feel confident about the future of the company | | | | | |
| 8 | Employees are provided with equitable wage system | | | | | |
| 9 | Employees are treated with respect | | | | | |
| 10 | There is committed and consistent leadership that turns CSR objectives into practice | | | | | |
| 11 | Products and services are provided in an ethical manner: going beyond the law, avoiding harm, and doing what is just, right, and fair | | | | | |
| 12 | Fair trade operations are conducted | | | | | |
| 13 | Stricter environmental standards are adhered to, to do less harm to the environment | | | | | |
| 14 | Sponsorship and community development activities are conducted: donations, investments in roads, schools, hospitals, and other community projects | | | | | |
| 15 | There is a will to openly acknowledge company products, actions, decisions, and policies | | | | | |
| 16 | There is a will to remove barriers to access organization information | | | | | |
| 17 | I feel committed and attached to the organization | | | | | |
| 18 | I am proud of the organization I am working for | | | | | |

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