

# CONCEPTUALIZING THE EFFECT OF CSR ACTIVITIES ON AFFECTIVE COMMITMENT AND CORPORATE PERFORMANCE

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**Abstract** - This paper provides a conceptual model that investigates the effect of Corporate Social Responsibilities (CSR) on affective commitment and corporate performance. Although the social and political issues are the root cause of the threat to sustainability development in the world, only corporations have the three essential components, namely resources, global reach and motivation, in order to achieve sustainability. Under competitive pressures, managers need to take into consideration the effect of organizational actions including corporate responsibility in order to retain valuable and non substitutable human resources. The main purpose of this study is to increase corporate performance together with employee's commitment towards the organization. From the economic distress and social challenges that Yemen is facing, it is very important to understand the complex connection and interdependence of CSR activities. Corporate can achieve long term growth followed with maintaining effective CSR activities and achieving corporate reputation. This study contributes to the literature of corporate communication to gain public legitimacy and corporate governance and develop a CSR model that explores critical dimensions in management of corporate culture in Yemen Oil industry.

**Keywords** - Corporate social responsibilities, corporate culture, affective commitment, Yemen

## I. INTRODUCTION

Due to limited response from the organization towards corporate social responsibility, there has been imbalance in the relationship between oil and gas industry and the employees along with affecting the emotional behavior and their engagement towards the organization (Ditlev-Simonsen, 2012). In Yemen, the expectations of the individuals have exceeded the capabilities of governments to fulfill their requirements. Numerous environmental issues hampered growth of oil sector followed with lack of trust of foreign corporations (OECD, 2013). In this context, the Yemeni government has called on its private sectors to participate in the welfare and development of the country in fulfilling their social responsibilities by financially contributing to social programmes or by reducing the harmful effects of industrialization to the environment (Ministry of Planning and International Corporation, 2006). Many studies have been conducted in CSR activities, but majority of these studies paid more attention to the attitude and behavior of organization customers. For example many studies investigate effect of CSR on customer attitude and behavior (e.g. McWilliams, Siegel, 2001; Mohr and Webb, 2005; Hill and Becker-Olsen, 2005; Arx, Ziegler, 2008; Ali et al., 2010; Marin, Ruiz and Rubio; 2009; Ali, 2011; Lombardo, 2011; Alam and Rubel, 2014). While a less attention has been paid to investigate employee's perspective about CSR activities, although employees are primary stakeholders who directly contribute to the success of the company (Patrizia, 2014).

Majority of previous studies investigated employee's perspective about CSR and corporate performance,

conducted in developed countries such as US, Europe (e.g. Hillenbrand, Money and Ghobadian, 2011) and different part of Asia (e.g. Kim, Lee, Lee, Kim, 2010; You et al., 2013; Low and Ong, 2015), while a little attention has been paid in less developing countries and researcher don't found studies in Yemen. Therefore, literature found great lack of studies investigated the effect of CSR activities on corporate performance and commitment in oil and gas industry.

Therefore, the main research question this study will answer is: To what extent the oil and gas industry perceives to perform CSR activities pertaining to environmental responsibilities, social responsibilities and economic responsibilities in order to increase corporate performance?

## II. THEORETICAL UNDERPINNINGS

The CSR theories align the instrumentalist approach arguing CSR values with the economic reality of the organization towards the employees. Crediting Carroll's having developed pyramid model of CSR consisting of interrelated aspects: corporate's economic, legal, ethical and philanthropic responsibilities, this study focuses on economic, social, environmental and philanthropic responsibilities as CSR activities identifying their impact on corporate performance and commitment.

According to Carroll (1979), the CSR firms should obey the law, be ethical and be a good corporate citizen and make a good profit. Carroll recognized that this model was imperfect and subject to criticism on the basis that there are inherent tensions between a corporation's responsibilities. Carroll conceded that

the most critical tensions would be between the economic and legal, economic and ethical, and economic and philanthropic responsibilities and that the economic traditionalist might see this as a conflict between a firm's concerns for profits versus its concern for the employee benefits. CSR has transformed momentarily since Bowen (1953), and the number of theories and terminologies has increased too approaching to CSR (Garriga & Melé, 2004). Since the 1950s there have been an increasing

interest in business ethics and practices in the corporate environments (Perrini, Russo, & Tencati, 2007). Below table shows the theories based on CSR considered by previous studies.

From the theoretical underpinnings and empirical investigation of literature it is confirmed that for the organization to be performing smoothly in the competitive market and to increase CSR activities are very crucial.

Authors and Year	Theoretical Perspectives	Results and Arguments
Friedman (1970)	Agency Theory	CSR is crucial for identifying behavior of the managers towards their shareholder's wealth creation
<a href="#">(Freeman, 1984)</a>	Stakeholder Theory	Managers need to amend their policies in order to satisfy stakeholders instead of only shareholders.
<a href="#">(Donaldson, 1990)</a>	Stewardship Theory	Managers must to the right things without any regards to how such decisions affect firm performance.
<a href="#">(Donaldson and Preston, 1995)</a>	Stakeholder Theory	Moral and ethical dimensions of stakeholder theory are crucial for the engagement of firms with CSR
<a href="#">(Jones, 1995)</a>	Stakeholder Theory	CSR contributes to favorable influence the firm's relationship with important stakeholders.
<a href="#">(Hart, 1995)</a>	Resource-Based View	Environmental social responsibility plays an important role for the firms leading to asustainable competitive advantage.
<a href="#">(Jennings and Zandbergen, 1995)</a>	Institutional Theory	For the sustainable organization, institutions play an important role in shaping the consensus within the firm.
<a href="#">(McWilliams and Siegel, 2001)</a>	Agency Theory	Due to supply demand perspective on CSR, firm's level of CSR can be determined by cost-benefit analysis
<a href="#">(McWilliams, Van Fleet, and Cory, 2002)</a>	Resource-Based View	CSR initiatives are crucial for sustainable competitive advantage supported by political strategies.
<a href="#">(Waldman, Siegel, and Javidan, 2006)</a>	Strategic Leadership Theory	Firms engaged in CSR can have high influence due to leadership activity of CEO in the form of cost-benefit analysis.
<a href="#">(Barnett, 2007)</a>	Institutional Theory	In business, CSR must account for the path dependent nature of thefirm-stakeholder relationship from time to time.

**Table. 1: Selected Theories on CSR**

By viewing CSR activities through the perspective of corporate culture and performance, this study adopts a resource based perspective on corporate social responsibility and aims to examine its impact on corporate performance along with corporate culture and affective commitment, which is rarely investigated in CSR literature. To bridge the CSR activities and performance literature, an integrated research framework is developed to address antecedents, extant and implications in CSR studies. By examining antecedents and consequences simultaneously in the framework, this study is expected to improve the understanding of the importance of CSR activities in the development of

the corporates and the employees. Following the early efforts of investigating the theoretical foundation of corporate performance using CSR activities (Wong & Gao, 2014), this study is expected to contribute to theoretical development linking CSR activities to corporate performance through corporate culture and affective commitment of employees.

### III. LITERATURE REVIEW

#### Corporate Social Responsibilities (CSR)

Corporate Social Responsibility (CSR) is a concept that has attracted worldwide attention and acquired a new resonance in the global economy. Before the

investigation to be performed there is question arises of the meaning of corporate to be socially responsible. According to the World Business Council for Sustainable Development (WBCSD), CSR is the commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities (World Business Council for Sustainable Development, 2001). Historically during the 1960s, CSR has been emerged as a social aspects that focuses on economic and legal agreement of the business organizations towards the employee benefits (A. B. Carroll, 1979; Matten & Crane, 2005). Thus in order to make the welfare of the employees, ethical and philanthropic acts has been designed to ease the drawbacks.

### **Economic Responsibilities**

Economic individuals historically designed the corporate image as to provide goods and services to the civilians of the country. The main motive of such corporate is to make profits. Thus it was confirmed by the economists that the business organizations are the main source of unit for the employees as their main job is to produce goods and service and distribute them to the employees for the sake of creating profit in the process.

Furthermore, Cetindamar (2007) integrated economic and social responsibility to increase corporate participation on CSR activities in future. They investigate corporate motivations for participating on CSR activities and its impact on company performance. The result revealed that both economic and social dimensions of CSR activities are important. It was also found that when the relationship between organization and the employee is considered, companies faces a conflict of increasing shareholder and stakeholder's value. Furthermore, CSR also helps the organization to increase long term profits claiming CSR as a step towards a decent society. Companies must perform their role towards the employees that is ethically correct particularly when it comes to environmental issues.

To formulate a successful CSR strategy, firms must understand that the benefits of CSR are dependent on mediating variables and situational contingencies. However, Pivato, Misani, and Tencati (2008) illustrate the role of trust as a mediating variable which shapes the relationship between CSR activities and firm performance. Furthermore, Barnett (2007) set out the construct of stakeholder influence capacity, which illustrates how situational contingencies may affect the impact of CSR activities on firm financial performance. It is critical to apply the contingency perspective as suggested by Barnett (2007) and account for the role of mediating variables as proposed by (Pivato et al., 2008) in the exploration

of the relationship between CSR and firm financial performance. A contingency perspective would allow the development of justifications for the lack of a positive relationship between CSR and firm financial performance in certain circumstances. In addition it would provide a defense for the business case for CSR in environments where the business case is argued to have failed (De Schutter, 2008; Valor, 2008; Williamson, Lynch-Wood, & Ramsay, 2006).

A recent study found that definitions tended to identify various dimensions that characterized their meaning. Using content analysis, this study identified five dimensions of CSR and used frequency counts via a Google search to calculate the relative usage of each dimension. The study found the following to be the most frequent dimensions of CSR: stakeholder dimension, social dimension, economic dimension, voluntariness dimension and environmental dimension (Dahlsrud, 2008).

### **Environmental Responsibilities**

The origin of the term CSR lies in the 18th century and was actually used in forestry. In those times, it was only allowed to cut down a certain number of trees so that a long-lasting protection of the tree population was guaranteed. In the course of this study an eco-friendly environment for the protection of resources. According to Elkington (1998) companies should not only focus on enhancing its value through maximizing profit and outcome but concentrate on environmental and social issues equally.

Concepts of CSR criticize this point of view when it comes to social and environmental responsibilities. Of course, the economic perspective is important but a company also has a burden of environmental and social responsibilities to handle. Thus sustainable development is a concept where companies integrate environmental concerns into their business operations and interactions with their stakeholders.

Oil and Gas companies have faced myriad environmental concerns for decades in different form. If the managers makes the decision on CSR activities due to their personal sense, then CSR is the right thing. However, the task of behaving responsibly is complicated for the modern oil and gas companies, due to environments, technical, legal, political, cultural, social and ethical in which they operate (Broni, 2010).

Several authors like (Garriga & Melé, 2013; Greening & Turban, 2000; McWilliams & Siegel, 2010) have extended this concept of the demand for CSR, so that a CSR strategy can be formulated to achieve sustain a competitive advantage. Economists like (Bagnoli & Watts, 2003; Besley & Ghatak, 2007; Kotchen, 2006) believed of CSR as the private provision by firms of a local public good like social networks, community

development or reduction of a pollution. This concept of the private provision of a public good is an important extension of the literature on strategic CSR. In an interesting extension of RBV, findings by McWilliams, Van Fleet, and Cory (2002) suggest that firms can bundle political influence with CSR strategies to raise regulatory barriers that prevent foreign rivals from using substitute technology including labor costs.

Thus the corporation response to call for sustainability has focused primarily on environmental sustainability. Corporate environmentalism includes environment management, industrial ecology, pollution prevention, optimum resource utilization and conservation of energy to address environmental issues within the large framework of corporate social responsibilities. Corporate environment can integrate economic, social and environmental issues as a part of strategy for corporate decision making (Banerjee, 2008).

Furthermore, the interaction between the environment, society and the economy was produced as an opportunity by (Elkington, 1998). Clean technology and reduction of emission have arisen to economic environmental shear zone delivering best business outcomes with measurable benefits. Therefore, corporate efforts in environmental education are an outcome of the social-environmental shear zone, involving environmental literacy and training for the employees, customers, shareholders and other stakeholders. Issues between social and environmental zone creates new problems such as environmental refugees, communities that are forced to find other means of existence resulting to corporate social responsibility, business ethics, human rights, and diversity.

However, even though environmental issues are important to address, but is a very complex task as environmental issues laid out as a series of packaged alternatives. Thus there is a need to grim reality in corporate environment. The investment period of environmental improvement has come to an end in most of the industries and managers are finding new ways of environmental strategies but not all the strategies can be justified based on benefits to the environment and costs to the company (Welford & Gouldson, 1993).

### **Social Responsibilities**

Company's commitments to social responsibilities in the management philosophy have already been able to explain sustainable development supporting corporate values. From the three pillars of CSR, the social dimension is still the weakest pillar and has been neglected in discussions over the years in comparison to the other two aspects. Brent and Labuschagne (2006) focused on sustainability criteria

and design a comprehensive framework which is used to assess the social sustainability performance of projects, technologies or the company itself. Furthermore, Lehtonen (2004) highlighted the economic-social interface due to capability approach and social capital.

In CSR, the word social has always been inadequate and imprecise in specific direction as to whom the corporation is responsible. According to the concept of stakeholder, social or societal responsibilities need to be consider in its CSR orientation. Thus, the stakeholder nomenclature puts names and faces on the societal members who are most urgent to business, and to whom it must be responsive. However, Davis (1960) argued that social responsibility referred to business decisions and action taken beyond the firm's direct economic or technical interests. Furthermore, (Frederick, 1960, 1994) urges corporations to assume certain responsibilities to the employees which extend beyond their economic and legal obligations for broader social goals.

According to Friedman, the main goal of the management is to increase profitability of its shareholders arguing that social issues are not the major concerns for the organization. The social issues need to be resolved through the free market systems. If the free market systems were unable to solve the social issues, then the government and legislation must attempt to solve them instead of the organization. According to CSR, business is not for handling social activities and the managers do not need to have necessary expertise for social skills and instead must be oriented towards finance and operations (Davis, 1973). The primary purpose of the business is diluted due to CSR and thus the adoption of CSR for the business will put them into fields of endeavor that are not related to the corporate goals. The next argument against CSR was the power handled by the organization such as social power is limited and by pursuing CSR, business will itself be less competitive globally. Even though there have been many arguments against CSR it is noticed that CSR is the primary objective of the business and they still hold them and the concept of CSR applied when the idea was once more narrowly conceived.

There were studies in favor of CSR with the belief that CSR increases firm's long term self-interest with socially responsible. This view holds that, if business have a healthy business climate to function in the future long term sustainability of the business can be ensured. Similar argument in favor of CSR was of government regulation. Practically, when business fulfills employee's expectations, future government interventions can be forestalled with the business policies. Thus due to this two reasons, business has a reservoir of management talent, functional expertise

to solve social issues (Davis, 1973). Furthermore, according to (A. Carroll & Buchholtz, 2014) CSR is based on anticipating, planning and initiating and is more practical with low cost in order to solve the social issues once they have surfaced.

Finally, it has been argued that business should engage in CSR because the public (society) strongly supports it. Today, it is believed that business must be responsible for their workers, communities and other stakeholders even if required to sacrifice some business profits for them (A. B. Carroll & Shabana, 2010). Many of these arguments for and against CSR have been around for decades. They certainly present the legitimate perspective that there are, indeed, two sides of the argument with respect to almost any concept.

### **Philanthropic Responsibilities**

Philanthropy encompasses those corporate actions that are in response to employee's expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill. Examples of philanthropy include business contributions to financial resources or executive time, such as contributions to the arts, education, or the community. A loaned-executive program that provides leadership for a community's United Way campaign is one illustration of philanthropy.

The main difference between philanthropy and ethical responsibilities is that the former are not expected in an ethical or moral sense (Kostyuk, Kostyuk, Mozghovyi, & Kravchenko, 2013). Communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purposes, but they do not regard the firms as unethical if they do not provide the desired level. Therefore, philanthropy is more discretionary or voluntary on the part of businesses even though there is always the societal expectation that businesses provide it.

One notable reason for making the distinction between philanthropic and ethical responsibilities is that some firms feel they are being socially responsible if they are just good citizens in the community. This distinction brings home the vital point that CSR includes philanthropic contributions but is not limited to them. In fact, it would be argued here that philanthropy is highly desired and prized but actually less important than the other three categories of CSR. In a sense, philanthropy is icing on the cake—or on the pyramid, using our metaphor.

Williamson et al. (2006) found that CSR activities are driven mainly by regulatory structures and the pursuit of direct cost reductions in small and medium-sized manufacturing firms. The authors conclude that the environment in which those firms operate fails to

recognize the benefits of the broader business case. In that environment, CSR practices are motivated by regulatory compliance and direct causal relationships between CSR and firm financial performance.

Finally, business is expected to be a good corporate citizen. This is captured in the philanthropic responsibility, wherein business is expected to contribute financial and human resources to the community and to improve the quality of life.

### **Corporate Culture**

Corporate culture in this study is defined keeping in view of (Maas, 1999; Schein, 1999) who states that: Culture is the sum of all the shared, taken for assumptions that a group has learned throughout its history. Corporate culture influences corporate performance through the set of values and beliefs incorporated into corporate members' rationale (Balmer, van Riel, Jo Hatch, & Schultz, 1997).

Decision-makers in all the large corporations are influenced by many factors (Turner, 2002) including that include age, gender, moral maturity (McDevitt, Giapponi, & Tromley, 2007), peer pressure (Westerman, Beekun, Stedham, & Yamamura, 2007), politics (Graham & Van Dyne, 2006), religion (King, 2006), emotions (Schweitzer & Gibson, 2008), ethics (Hofmann, Hoelzl, & Kirchler, 2008), self-interest (Rocha & Ghoshal, 2006), financial position (Rodgers & Gago, 2004), personality (Filbeck, Hatfield, & Horvath, 2005) and culture (Westerman et al., 2007). Aluchna, Jaakson, Vadi, and Tamm (2009) investigated the relationship between CSR activities and corporate culture. CSR was used integrating social and environmental concerns in their business operations on a voluntary basis. The result was inconclusive and the hypothesis was not confirmed for the relationship between CSR activities and culture. Previous studies like (A. B. Carroll, 1999; Hemingway & Maclagan, 2004; Wood, 1991) viewed CSR policies as an expression of the values of individual managers and their decision making process.

### **Affective commitment**

The effect of the perception of CSR have been found positively to affective commitment (Muller, Hattrup, Spiess and Lin, 2012). Affective commitment produces the result companies need in order to profit and to thrive. The feeling of the managers or employees has a tremendous effect on performance. Therefore, high level of affective commitment encourages the employees to bring others into the talent pool of the organization. However, poor affective commitment may harm the organization criticizing the social circles.

Literature review of CSR practices have given attention in the last few years from the scholars,

literature providing evidence shown positive relationship between CSR practices and commitment (e.g. e.g. Rupp, Ganapathi, Aguilera & Williams, 2006; Brammer, Millington & Rayton, 2007; Ali et al., 2010; Gond, El-Akremiti, Igalens & Swaen, 2010; Kim, Lee, Lee, Kim, 2010; Stawiski, Deal & Gentry, 2010; Hillenbrand, Money and Ghobadian, 2011; Mueller, Hattrup, Spiess & Lin-Hi 2012; You et al, 2013; Glavas\_Kelley\_2014; Low and Ong, 2015)

Furthermore, Brammer, Millington and Rayton (2005) noted that, corporate social performance expected to contribute positively because they are likely to identify strongly with positive corporate value. Moreover, scholar suggested that, CSR activities are positively influence workplace behaviors and attitude, Maignan, Ferrell and Hult (1999) and Ali et al, (2010) found that, CSR is positively associated to commitment, Maignan et al, (1999) cleared that, CSR influence commitment because CSR leads to work activities that are more enjoyable in addition employees have greater pride in the organization.

### Conceptual Framework

This study sets the theoretical framework for the performance of Oil and Gas Corporation. In order to achieve the overall objective of profitability and differentiation agency-stakeholder model has been described. It has been also argued by previous studies that building relationship is closely linked to the establishment and maintenance of the corporate social relationship between the corporates and the employees. Thus considering the specification of Oil and Gas Corporation as a petroleum industry special attention is provided to the CSR activities performed by this organization in this study. Figure 1 shows the conceptual framework formulated for the study.

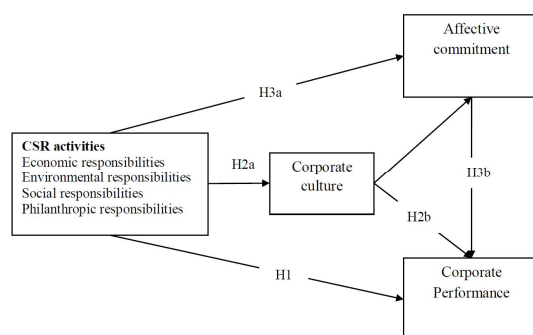


Figure.1: Conceptual Framework

This model is utilized keeping in mind agency theory, stakeholder theory and stewardship theory that explains different aspects of CSR and corporate culture elicits commitment from the employees. Thus this study aims to contribute to the literature by highlighting the direct and indirect effect of CSR activities with the underlying dimension of commitment and corporate performance influenced

through the mediating role of corporate culture in the context of Yemen. Here CSR activities play an independent variables that would help the corporate to increase their performance with a mediating effect of corporate culture. This model have two dependent variable one (affective commitment) on the perspective of the employees and the other (corporate performance) on the perspective of corporates. This study investigates the issues related to corporate performance and commitment of the employees towards the corporates. In order to answer corporate culture and commitment of the employees towards supporting corporates, employees are considered to be the best respondents as they can answer corporate culture as internal entity as well as affective commitment on behalf of the employees. CSR activities to the employees is expected to play an important role in nurturing corporate culture that is perceived to focus on employee development, harmony and innovations.

### MANAGERIAL IMPLICATIONS AND CONCLUSIONS

From the conceptualization of underpinning theories and relevant literatures on CSR activities and its influence on performance, it can be concluded that firms that are able to provide CSR activities to their employees to reconfigure and renew their existing CSR benefits will obtain superior operational effectiveness and competitive advantage followed with efficient work environment. Top managers in the organization should keep in mind that providing CSR activities as a part of their culture to their employees would guarantee to increase their trust and commitment along with guaranteed corporate performance. Initiating the investigation of corporate performance is just the first step during the continuous process of realizing value from CSR activities. by examining the relationship variables, the performance of the corporates can be examined and retained which in turn can lead the firm to increase their profitability and gain competitive advantage.

The concept of increasing profitability against the broader concept of corporate success has been a key issue for the organization's sustainable growth. Organization and the employees may serve better through strategic CSR. Majority of the studies on CSR revolved around the corporate financial performance. CSR usage build strong relationship between employees and managers to achieve better corporate performance. Therefore, as a starting point it is predicted that CSR activities will have a direct relationship with corporate performance.

This conceptual CSR model will provide a clear insights for the managers in the organization to think about the CSR activities for the employees. The relationship between CSR, corporate culture and affective commitment would play a unique role in

increasing corporate performance. This paper adds to the view that CSR activities offers the much needed window of opportunity that can connect employees and help the organizations to capitalise their ideas.

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