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Corporate Social Responsibility

Strategic Corporate Social Responsibility: External and Internal Outcomes

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ABSTRACT

This study investigates the importance and benefits of having a strategic Corporate Social Responsibility (CSR) program by testing the interrelationships between strategic CSR with three external (reputation, corporate image, and customer loyalty) and four internal (organizational commitment, job satisfaction, performance, and organizational deviance) variables. 269 clients and non-clients along with 190 employees and their direct supervisors completed the survey. Strategic CSR has shown to have a positive impact on all the variables studied with the exception of organizational deviance. Practical implications and suggestions for future research are discussed.

KEYWORDS: Corporate Social Responsibility (CSR), Reputation, Performance, Organizational Commitment

1. INTRODUCTION

"This (CSR) trend is huge. It's the biggest opportunity for business and associations to increase their effectiveness and performance..Social responsibility is a productivity engine.."

(David Cooperrider, at the Global Summit on Social Responsibility, 2008)

In recent years, due to the increase in competitive pressures for firms, the issues of ethics, morality and sustainability in business have received attention and today many companies are pursuing environmental and social initiatives (Ioannou, 2010; O'Brian, 2001; Bhattacharyya, 2007; Carroll, 1991), popularly called Corporate Social Responsibility (CSR), Corporate Responsibility, Corporate Citizenship, Corporate Accountability or Social Governance (The Economist 2005, Whitehouse, 2006). Nevertheless, in numerous cases companies' policies are poorly coordinated resulting in ineffective, low (or no) impact CSR, besides many businesses still believe that CSR is for PR performance rather than the performance of the company itself (McElhaney, 2008). Consequently only strategic Corporate Social Responsibility initiatives addressing all stakeholder groups, aligned with company's values, vision and expertise are seen as sustainable in the long run (Bruch, 2005; Werther&Chandler, 2011). Evidence shows that strategic CSR initiatives matter because they influence all aspects of business, whereas businesses create wealth and well-being in society (Werther&Chandler, 2011; Porter&Kramer, 2006; Carroll, 1991).

Even though the topic of corporate social responsibility is considered to be a popular phenomenon over the last decades, still previous studies yield contradicting results regarding its importance and necessity (Arendt&Brettel, 2010). What is more, research gaps can be found, where one of those is the exploration of corporate citizenship's influence on the organization both externally and internally, the former being associated

with activities towards external stakeholders, and the latter indicating the outcomes related to internal stakeholders. In the light of this, the following question aims to be addressed: What are the internal and external outcomes for a company pursuing strategic Corporate Social Responsibility initiatives? The objective of this Work Project is to test the relationships between strategic Corporate Social Responsibility and external variables - reputation, corporate image and loyalty -, and internal variables - organizational commitment, job satisfaction, in-role performance and organizational deviance.

The next section presents the company of interest SEB Bank Latvia that has shown an outstanding CSR program. Later, pertinent literature is reviewed, and hypotheses are developed and summarized in the conceptual framework. Methodology and findings follow, and, finally, the discussion and conclusion section summarizes and contemplates managerial implications, as well as limitations of the study and future research.

2. COMPANY BACKGROUND

2.1. SEB Group

SEB was formed in 1972 through a merger between Stockholms Enskilda Bank (established in 1856) and Skandinaviska Enskilda Banken (founded in 1864). Over the years, SEB has transformed into a leading North-European financial banking group and today with its 155-year history SEB is known as a trusted partner for individuals, corporations and financial institutions run by more than 17,000 employees in 20 countries. SEB differentiates from other Nordic banks in numerous ways, but mostly through its exceptional business mix highlighting corporate banking and its long-term operations in the Nordic and Baltic countries. The brand name SEB promises rewarding relationships, meaning that the bank aims for *"lasting and fruitful relationships with all our customers, shareholders and each other, as well as the society it benefits from and contributes to"* (SEB Group Website, 2011).

2.2. SEB Bank Latvia

The SEB Bank of Latvia was founded on September 28, 1993, uniting the sections which were not privatized in the reorganization of the Bank of Latvia; nevertheless the bank's operations were fully integrated with SEB Group just in year 2000. Today SEB Latvia is one of the main commercial banks with a wide range of clients in Latvia and stable cooperating partners abroad. Moreover, as an evidence for successful operation and outstanding achievements in Latvia, SEB has received numerous awards (for more information see Appendix 1) (SEB Bank Website, 2011).

According to the official website of the bank (2011), SEB's vision is *"to be the trusted partner for customers with aspirations"*, and concerning its financial targets SEB strives to be the leading bank in Northern Europe in terms of financial performance and customer satisfaction. The mission of SEB, as well as the whole SEB Group, is "*to help*

people and business thrive by providing quality advice and financial means". Moreover, in its everyday work and attitudes towards clients, colleagues, managers and rest of the society, SEB follows 4 core values: responsibility, consistency, mutual respect and professionalism (for more information about SEB Latvia see Appendix 2).

2.3. Corporate Social Responsibility at SEB

Apart from its everyday banking services, SEB is building its image as a socially responsible bank. SEB recognizes its important role in societies it operates, since its daily procedures affect many different stakeholders. Its social policy was adopted in year 2003 encompassing long-term responsibility in everyday work for ethical issues having a direct impact on SEB's customers and employees, as well as social responsibility in a broader perspective. SEB's commitment to CSR is divided in 4 main areas of priority: Ethics and sustainability, SEB's role as an employer, Social commitment and Environmental matters (for more information see Appendix 3) (SEB Bank Website, 2011; SEB Corporate Sustainability Report, 2010). Unquestionably, SEB Latvia Bank pursues excellent CSR initiatives; hence in 2011 it has been awarded with the Gold Category rating in Sustainability Index with respect to its 2010 activities in the area of sustainability and social responsibility. SEB Latvia has received the highest rankings among other Latvian companies based on its performance in the following five sustainability areas: company profile, working environment, market relations, society, and environment (SEB Bank Website, 2011).

3. LITERATURE REVIEW AND HYPOTHESES

3.1. Corporate Social Responsibility

Despite the growing importance of Corporate Social Responsibility (CSR), there is no single universally accepted definition of it (Jha, 2010; O'Riordan&Fairbrass, 2008), nevertheless, most of the definitions of CSR point towards business decisions making links

to economic concerns, ethical values, legal compliance, and respect towards all stakeholders relevant to firm's operations (Jha, 2010; Carroll, 1991; Werther&Chandler, 2011).

Although the trend for engagement in CSR initiatives is growing, the majority of companies still struggle to benefit from these programs (O'Brien, 2001, Bhattacharyya, 2007; McElhaney, 2008; Franklin, 2008). It is said that few companies attain noteworthy, sustainable societal impact because most lack a cohesive strategy (Bruch, 2005, Franklin, 2008; McElhaney, 2008), and there is misalignment between the CSR strategies and business itself, resulting in negligible gains for both, businesses and society, or, even worse, leading to the actions damaging the reputation of the company (O'Brien, 2001). This can be explained by fixed budget given to CSR managers, distribution of the funds to broad range of CSR programs (Bhattacharyya, 2007; O'Brian 2001), the size and significance of social problems and incapability for companies to solve them (Porter&Kramer, 2006), lack of expertise and waste of valuable shareholders resources, and lack of communication (Bruch, 2005).

3.2. Strategic CSR and its importance

Most authors view strategic CSR as social activities that create a win-win situation - bringing value added for society, as well as for business (Carroll, 2000; Werther&Chandler; 2011, O'Brian 2001). In fact, only strategic CSR initiatives are seen as sustainable in the long run (Bruch, 2005). According to Werther and Chandler (2011), Strategic CSR retains the focus on creating and adding value for business (emphasized by a traditional bottom-line business model), however it also incorporates a commitment to meeting the needs and demands of key stakeholders. Strategic CSR is aligned with core business objectives and core competences of the organization and maximizes both economic and social values over the long term (McElhaney, 2008; Werther&Chandler, 2011; Franklin, 2008; Bruch, 2005).

By incorporating stakeholder/CSR perspective within company's strategy and everyday operations, firms are better set to react effectively to their stakeholders' needs and changing trends beyond profit maximization. Hence it ensures that CSR strategy is effective and long-lasting (Werther&Chandler, 2011, Bruch, 2005, O'Brian, 2001) and assists in achieving strategic business goals (Carroll, 2000) and in boosting firms' business performance (O'Brian, 2001). In addition, Porter and Kramer (2006) outline that strategic corporate citizenship contributes to the company's value chain and enhances its competitiveness. What is more, when bringing significant benefits for society, companies can *"gain opportunities to learn how to apply their core competencies in new business areas, boost their employees' intrinsic motivation, stimulate customer demand and enhance their attractiveness in the labor market"* (Bruch, 2005, 53).

The purpose of this paper is to see if Strategic CSR has an impact on a variety of external and internal outcomes.

3.3. EXTERNAL VARIABLES (Reputation, Corporate Image, Loyalty)

Reputation

Reputation is the overall image, people's perceptions associated with the company and its products/services offered. Corporate reputation is the observers' collective assessment of a company based on its financial, social, and environmental impacts over time (Barnett, Jermier & Laffrety, 2006) and serves as the intangible asset contributing to a firm's competitive advantage in the marketplace (Walsh & Beatty, 2007). In fact, this social phenomenon can be reflected in values like trust, credibility, reliability, quality and consistency (Hohnen, 2007). More broadly, corporate reputation is the perception of how an organization meets the expectations of all of its stakeholders (Walsh & Beatty, 2007; Roberts & Dowling, 2002) and can be defined as a "*general organizational attribute that*

reflects the extent to which external stakeholders see the firm as 'good' and not 'bad'" (Roberts & Dowling, 2002,1080). There is much evidence that the reputation of a company is positively related to its CSR effort (Porter & Kramer, 2006, Graafland &Smid, 2004, Hahsen, 2007, Porter & Kramer, 2006) and a strategy of CSR itself is a way of building up a good reputation (Graafland & Smid, 2004). Further, it is said that CSR has a positive effect on consumer trust which is directly related with reputation (Vlachos, Tsamakos & Avramidis, 2009). Reputation is used by many firms as a justification to develop CSR programs, therefore indicating the positive impact CSR has on the company's reputation (Porter & Kramer, 2006). Given the discussion and results of the research described earlier, a positive relationship between strategic CSR activities and firm's corporate reputation is expected.

Hypothesis 1: Strategic CSR will be positively related to Reputation.

Corporate Image

Corporate image mostly relates to the general impression the corporation leaves in the consciousness of the public (Veljkovic and Petrovic, 2011; Barnett et al., 2006) resulting from its past experiences (Andreassen&Lindestad, 1998). Barnett et al. (2006) with reference to Markwick and Fill (1997) define corporate image as firm's self presentation to its diverse stakeholders, whereas Gray and Balmer (1998), as cited by Barnett et al. (2006, 34), highlight it as *"what comes to mind when one hears the name or sees the logo"* of a particular firm. According to Veljkovic and Petrovic (2011), a firm's corporate image is shaped based on its history, attitudes and business philosophy, technology, ownership structure, people and its ethical values. Yet, there is no commonly shared corporate image due to various stakeholder groups, each of them having diverse perceptions (Spyropoulou, Skarmeas & Katsikeas, 2010). Researchers suggest that proper CSR practices enhance corporate image of the company (Arendt & Brettel, 2010; Berkhout,

2005; Devi, 2009) by presenting itself as an excellent employer and boosting customer loyalty (Devi, 2009), strengthening its brand, creating livelier morale and even increasing the value of its stock (Arendt & Brettel, 2010). In the light of this, a positive relationship between strategic CSR practices and firm's corporate image is expected.

Hypothesis 2: Strategic CSR will positively influence the corporate image of a company.

Loyalty

Although there is no unanimously accepted definition of loyalty, according to literature, it is possible to identify customer loyalty by repeat purchases and proportion of purchases (Smith, 2003, Onlaor & Rotchanakitumnuai, 2010), while other authors claim it is the customers' attitude towards the company that best describes loyalty (Woolf, 2002). However, in most cases loyalty has been described as the intended behavior of customers related to the service or its provider (Andreassen & Lindestad, 1998, Onlaor & Rotchanakitumnuai, 2010), meaning the probability of *"future renewal of the contracts, change of patronage, a positive word of mouth, customer complaints"* (Andreassen & Lindestad, 1998, 83), where a loyal customer buys more, pays a premium (Hsieh&Li, 2008 cited by Onlaor & Rotchanakitumnuai, 2010) and recommends the company to others (Smith, 2003; Onlaor & Rotchanakitumnuai, 2010). Nevertheless, Smith (2003) argues that the "true" loyalty illustrates its 3 core components - value, trust and commitment within supplier-customer relationships. Strategic CSR initiatives may harvest fruits by building trusting, committed and loyal customer relationships which, in turn, help to form advantageous customer behaviors (Lacey&Kennett-Hensel, 2010; Onlaor & Rotchanakitumnuai, 2010). Nevertheless, it is emphasized that it is critical to engage in strategic CSR practices enhancing loyalty rather than just "*profit-motivated giving*", which, in turn, only diminishes loyalty of customers (Vlachos et al., 2009). Therefore, it is

expected to have a positive relationship between strategic CSR initiatives and customer loyalty.

Hypothesis 3: Strategic CSR will be positively related to loyalty of customers.

3.4. INTERNAL VARIABLES (Organizational Commitment, Job Satisfaction, In-Role Performance, Organizational Deviance)

Organizational Commitment

Organizational commitment forms a basis of extensive literature by various authors where most of them define it as belief of acceptance, employees' loyalty towards organization and willingness to exert greater energy to achieve the organizational goals (Mohammad&Zakaria, 2010, Mowday, 1979, Porter et al., 1974). In addition, Scholl (1981) identifies attitudinal component of commitment, being a desire to stay within the organization and feeling of belonging, and a behavioral one, meaning the likelihood of remaining or quitting a company. According to literature, CSR is positively related to organizational commitment (Ali et al, 2010; Turker, 2008; Brammer, Millington & Rayton, 2007), and, in fact, it is said that contribution of CSR to organizational commitment is at least as great as job satisfaction (Brammer, Millington & Rayton, 2007). Authors support the positive correlation by outlining that CSR interventions include activities for the welfare of employees and their families (Ali et al, 2010; Ebeid, 2010) and "*the higher an employee rates their organization's corporate citizenship, the more committed they are to the organization"* (Stawiski, Deal&Gentry, 2010, 3). CSR practices towards different stakeholders, especially towards employees, are significant predictors of organizational commitment (Ebeid, 2010; Turker, 2008). As a result, a strong positive correlation between strategic CSR activities and Organizational Commitment is expected.

Hypothesis 4: Strategic CSR will have a significantly positive effect on Organizational Commitment.

Job Satisfaction

By most of the authors employee satisfaction (also referred as job satisfaction) is defined as a positive feeling about one's job and various aspects of it (Gomes, 2009; Carrie`re& Bourque, 2009; Spector, 1997), or ,more broadly, the extent to which employees like or dislike their jobs (Furnham et al., 2009). In addition, job satisfaction is linked to the fulfillment and gratification that comes from work (Buhler&Scott, 2009; Chapman, 1994) or personal feeling of achievement, either quantitative or qualitative (Khushnuma, 2008). Varca et al. (2010), cited from Locke (1976, 196), highlight that job satisfaction is the *"pleasurable emotional state resulting from the appraisal of one's job and job experience"*. Based on the literature, socially responsible activities of the firm have an impact on the degree to which employees are satisfied with their job (Tamm, Eamets& Mõtsmees, 2010; Valentine& Fleischman, 2008), moreover, Walsh (2010) has found a noteworthy positive correlation between employee satisfaction and level of perceived environmental performance. Further, the significance of CSR is reassured by outlining that employees feel more satisfied in firms that commit themselves to socially responsible activities, whereas those working for low CSR companies feel less satisfied with any aspects of job (Tamm, Eamets & Mõtsmees, 2010). Consequently, a positive link between strategic CSR and job satisfaction is expected.

Hypothesis 5: strategic CSR will be positively related to Job Satisfaction.

In-Role Performance

In role performance, also referred as on job performance, has been defined as work performance in terms of quantity and quality expected from each employee (Khan&Jam, 2010) and is related to employees' formal role requirements (Borman & Motowidlo, 1997, as cited by Chughtai, 2008). It is said that internal CSR practices, by showing concern for employees, improving their well-being, and recognizing their inputs, can foster on job

performance (Gond et al., 2010). Moreover, studies show that CSR is likely to reinforce job-related attitudes and behavioral outcomes (Gond et al., 2010; Barnett, 2007), however, only if the employees are aware of the actions and initiatives taken by the company (Sen & Bhattacharya, 2001). Consequently, given the discussion described earlier, a positive relationship between strategic CSR and In-Role performance is expected.

Hypothesis 6: Strategic CSR will be positively related to In-Role Performance.

Organizational Deviance

Organizational deviance represents a form of job performance (Ferris et al., 2009) and refers to intentional behaviors of employees which breach organizational norms and may harm the organization and/or endanger the well being of its workers (Bennett & Robinson, 2003; Gond et al., 2010, Appelbaum et al., 2007, Aquino et al., 1999). Bennett and Robinson in 2000 and 2003 give examples of deviant behaviors such as theft, staying home from work without cause, taking unauthorized or extended breaks, sabotage, lateness, or putting little effort into work. According to literature, employees tend to behave deviantly, as organization treats its staff unfavorably and unethically (Gond et al., 2010). Gond et al. (2010) with reference to Aquino and Douglas (2003) and De Cremer (2006) state that unethical acts by the organization can generate more anger and disappointment, which, in turn, activates workplace deviance among those who identify strongly with an organization, because they feel their identities are threatened. Nevertheless, organizational, as well as supervisor support may diminish the deviant behaviors of employees (Ferris et al., 2009).Thus, it is expected that strategic CSR activities will decrease organizational deviance within a company.

Hypothesis 7: Strategic CSR will minimize Organizational Deviance.

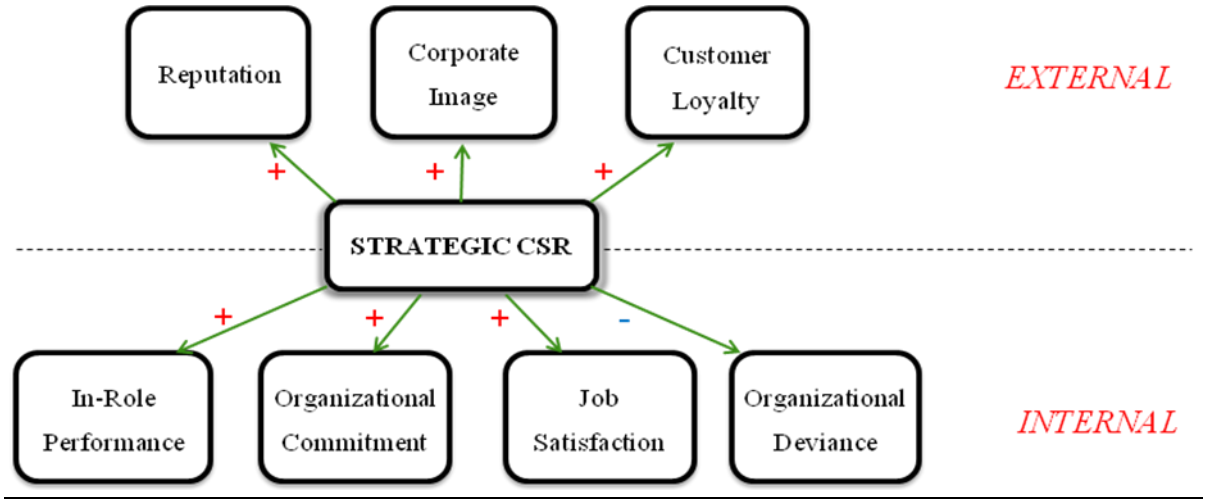

Figure 1: Theoretical Framework

4. DATA AND METHODOLOGY

Two studies took place, one to analyze the external variables, another to analyze the internal variables.

STUDY 1

Subjects

The data for this study regarding internal variables was collected from 190 employees (response rate 90.5%) and their supervisors (response rate 93.33%) at SEB Bank's Finance Center in Riga, Latvia. 55% of respondents were female, whereas 45% - male; most of employees (72%) were 18-29 years old and had obtained Bachelor or Masters Degrees, 66% and 20% respectively. The average tenure of employees was ranged between 1- 6 years.

Measures and Questionnaire Design

Two different self-administered questionnaires were made in order to analyze internal variables - one for employees (see Appendix 4), and another for their respective supervisors (see Appendix 5). SEB Bank's CSR internally was measured by Turker's (2009) 13 questions on a Likert type scale. Similarly, Organizational Commitment was

measured by Meyer, Allen and Smith (1993) 6 questions on a Likert-type scale. In the same way, Job Satisfaction was measured by employees answering about their satisfaction with six different job areas: pay, relationships with coworkers, supervision, opportunity for promotion and the work itself (Saari&Judge, 2004; Miller, 2007; Argyle, 1989). In-Role Performance of employees was evaluated by the leaders of SEB Bank, where with the help of 5 questions they rated how subordinates' meet their job requirements (Willliams & Anderson, 1991). Finally, supervisors were asked to rate Organizational Deviance at SEB using the measurement method designed by Aquino et al. (1999). In this study, internal variables produced reliability coefficient ranging from 0.74 to 0.83 (see Table 1).

Table 1. Means, Standard Deviations, Scale Reliabilities, and Intercorrelations for Study 1 (N=190)

	Variables	Mean	Std. Dev.	1	2	3	4	5
1	CSR	53,31	3,95	(0,78)				
2	Organizational Commitment	22,68	3,26	0,45**	(0,82)			
3	Job Satisfaction	24,48	2,71	0,49**	0,40**	(0,74)		
4	In-Role Performance	21,05	2,07	0,22**	0,06	0,27**	(0,76)	
5	Organization Deviance	17,25	3,53	-0,06	0,03	-0,02	-0,29**	(0,83)

Note: ** correlation is significant at the 0.01 level (2-tailed)

Procedures

Participation in this research was voluntary, but HR department of SEB Bank Latvia, that provided authorization to use SEB as an object of this research, helped to effectuate the necessary analysis kindly encouraging employees and their supervisors to participate. The questionnaires were confidential, where the names of the employees were used only for the employee-supervisor matching process for further analysis. Data about opinions of employees and their supervisors' evaluations were collected with the help of SEB's HR department that sent online surveys to 15 leaders who then later forwarded

employee surveys to their respective subordinates. Then, data was analyzed with the help of SPSS Software program.

STUDY 2

Subjects

The research data concerning external variables was gathered from a sample of 269 clients and non-clients of SEB Bank, where 114 were clients and 154 were non clients, out of whom 52% were willing or maybe considering becoming future clients of SEB Bank. Regarding gender of the people surveyed, it was fairly distributed, having 52% male and 48% female respondents. Half (50%) of the surveyed were 18- 29 years old, followed by 50 - 59 years old (20%), 40-49 years old (11%), 30 - 39 years old (10%) and more than 60 years old (7%). Respondents are considered to be well educated, as 40% were Bachelors and 39% had attained Masters Degree, and 4% had obtained their PhD Degrees.

Measures and Questionnaire Design

What concerns external variables, a self-administered questionnaire for clients and non clients of SEB Bank (see Appendix 6) consisting of 34 questions was used in order to assess CSR of SEB, its Reputation, Corporate Image and Loyalty of clients. For rating CSR of SEB Bank, 6 identical questions were asked as in the employee survey using the measures designed by Turker in 1999. In the following 18 questions, customers and non customers of SEB Bank were asked to assess reputation of the bank in terms of customer orientation, SEB as an employer and product/service quality offered (Walsh & Beatty, 2007). Next 6 questions were aimed at finding out the perceived corporate image of SEB Bank and loyalty of the clients using the measures introduced by Andreassen and Lindestad (1998). In this research, external variables produced reliability coefficient ranging from 0,85 to 0,95, the highest attributed to Reputation (see Table 2).

Table 2. Means, Standard Deviations, Scale Reliabilities, and Intercorrelations for Study 2 (N=268)

	Variables	Mean	Std. Dev.	1	2	3	4
1	CSR	20,68	3,72	(0,91)			
2	Reputation	64,00	8,94	0,70**	(0,95)		
3	Corporate Image	10,93	2,01	0,65**	0,78**	(0,85)	
4	Loyalty	10,36	3,09	0,57**	0,63**	0,63**	(0,87)

Note: ** correlation is significant at the 0.01 level (2-tailed)

Procedures

Data about customers and non-customers of SEB was gathered via Latvian social network (www.draugiem.lv) in 2 weeks time. As in the first study, the questionnaires were confidential and no personal information was further used. Once the data was collected, it was organized for the analysis with the software program SPSS, including editing data, handling blank responses, coding and organizing data and creating the data file. Having done that, data analysis was made with the help of relevant statistical tests.

5. RESULTS

Significant positive relationship was found between strategic CSR initiatives and *reputation* of the organization ($r = 0.70$, $p<0.01$) *(H1).* The second hypothesis was supported, as Strategic CSR had a strong positive correlation with *corporate image* of the company ($r = 0.65$, $p<0.01$) *(H2).* Strategic CSR has a significantly positive relationship with the last external variable - *loyalty of customers* ($r = 0.57$, $p<0.01$) *(H3).* Regarding internal variables, as predicted, strategic CSR positively correlated with *Organizational Commitment* of employees ($r = 0.45$, $p<0.01$) *(H4)* and, as expected, there was a significant positive relationship with *Job Satisfaction* ($r = 0.49$, $p<0.01$) *(H5). In-Role Performance* was positively related to strategic CSR, though showing relatively small correlation ($r =$

0.22, p<0.01) *(H6)*. The empirical test results show that only hypothesis *H7* was not supported, as there was no significant correlation between strategic CSR and *Organizational Deviance*, nevertheless, it went in the predicted negative direction (r = -0.06, p = 0.45).

It is worth highlighting that all of the study hypothesis, except H7, were significant at the level p<0.01, thus reassuring the true relationships strategic CSR has with the dependent variables. Nonetheless, results demonstrate that strategic CSR has the strongest and most significant relationships with external variables, mainly, Reputation, Corporate Image and Loyalty.

6. DISCUSSION

This study contributed to the knowledge of strategic CSR, and the findings support its assured positive influence on various internal and external aspects of a company's operations. Significant relationships were found between strategic corporate citizenship practices and dependent variables and, although these findings are similar to those supported by previous research, this work extends the insights of strategic CSR in many ways. This study fills the existing gap in the literature by revealing the outcomes strategic CSR has towards external stakeholders, as well as internal ones, hence at the end reassuring the upmost importance of these practices for the success of the organization. Furthermore, this work used data from different sources, mainly SEB Bank's leaders and employees, thus avoiding single source or method bias which may inflate or deflate the correlation between performance variable and CSR.

When analyzing correlations between strategic CSR and external variables - Reputation, Corporate Image and Loyalty of clients-, results indicate significantly positive relationships. Particularly, the strongest relation is attributed to Reputation, meaning that with the help of strategic CSR program, a company most likely is to improve its identity,

thus creating an advantage for the company. Moreover, having strategic CSR initiatives leads to enhanced company's image in the eyes of the public, as well as assists in building a loyal clientele facilitating the attraction of new clients and retention of existing ones. These results were consistent with the literature analyzed and proved to be even more notably significant.

What concerns internal variables, as expected, strategic CSR shared a positive relationship with organizational commitment. Employees who are aware of company's strategic CSR initiatives and rate them as sound and appropriate feel more attached to the organization and willing to commit towards common goals. This result is consistent with the past works of Brammer, Millington and Rayton (2007), Ali et al. (2010), Turker (2008) and Ebeid (2010), each of them reporting that strategic CSR positively correlates with organizational commitment.

Strategic CSR practices have a positive correlation with employee satisfaction with their job. The results indicate that the workforce feels more satisfied at work when a good CSR program takes place, thus reassuring the past work of Tamm, Eamets and Mõtsmees (2010) and Valentine and Fleischman (2008). The relationship between these variables is significant, nevertheless future work would need to test the extent to which other internal variables, specifically organizational commitment, mediates the positive effect on job satisfaction.

As predicted, In-Role Performance had a significant positive correlation with strategic CSR, nevertheless quite modest one. Yet it still shows that company pursuing strategic CSR initiatives is likely to have employees performing better within their roles and, thus, it is consistent with the findings of the antecedents of this behavior.

Contrary to expectations, strategic CSR practices were not related with organizational deviance. This may be attributed to the fact that there might be almost no

organizational deviance within the workplace, thus strategic CSR may not impact it, or strategic CSR has a weak or almost no affect on employee organizational deviance. Nevertheless, it is important that findings show that the relationship, as predicted, went in a negative direction, thus somewhat proving the minimization effect CSR may leave on organizational deviance, which is consistent with past works of Ferris et al. (2009).

These findings contribute to the existing literature of strategic CSR providing new significant correlations between strategic CSR and variables concerning company's internal and external aspects. This study proves that strategic CSR initiatives are valuable, as it creates beneficial outcomes for an organization.

6.1. Managerial implications

The results recognize strategic CSR as an important antecedent variable for enhanced performance of the organization internally and externally. This study has given indication that if CSR is strategically integrated with the core business of a company it provides greater opportunities for shared value and mutual benefits for both the company as well as the society. The model analyzed can serve as a roadmap for studying how organizations, in doing well by doing good, can push their employees to engage in both efficient and effective behaviors, as well as improve company's reputation and corporate image at the same time creating more loyal customer base.

Hence, leaders are reminded that in order for CSR to be strategic and effective it should be aligned with core business objectives and core competences of the organization (McElhaney, 2008; Werther&Chandler, 2011; Franklin, 2008; Bruch, 2005). It is imperative that CSR practices are helpful to the core business, not a distraction. Further, as the findings indicate the importance of how CSR is perceived internally and externally, it is also essential to market firm's CSR activities informing the stakeholders about its corporate citizenship engagement and thereby gain the beneficial results. Moreover, as suggested by

Franklin (2008), top management should put in place metrics that would assist in monitoring and managing the effectiveness of CSR efforts.

6.2. Limitations and Future Research

The first limitation of this study is its generalization, as the investigation took place in Latvia. The dimensions of social responsibility may vary in different countries, as cultural differences can influence the perceived importance of corporate citizenship, thus the appliance based on the empirical findings should be used with caution. Moreover, the model in this study was tested in a single industry - banking sector, as well as in a single company - SEB Bank. Although it may not be possible to draw definite conclusions applicable for all businesses, the company was useful for examining the influence of strategic CSR practices and may serve as a benchmark for other businesses. In light of this, similar study across companies of dissimilar sectors, sizes and countries would provide more solid results for further generalization. Moreover, in order to have the numeric support of these findings, further research could consider the impact company's CSR engagement has on its financial performance, analyzing different financial indicators.

Since in-role performance variable in correlation with CSR was analyzed from the two source data (leaders and employees), it is the only relationship that certainly has not been inflated. Thus, all other relationships may be inflated because of single source reporting. As a result, in the future research there is a need for factor analysis based on common factor model to see how likely the correlations are influenced by other factors.

There are number of stakeholders linked to the activities of banks, nevertheless, this study in its external research concentrated only on public (clients and non clients) opinion. This has been necessary in order to limit the scope of the thesis, but it may fail to give a comprehensive picture of the external pressures that banks experience. Hence, future study

in its sample could also include professional and government bodies, shareholders, business partners and suppliers.

Another limitation is that the investigation concentrates only on the example of SEB Bank Latvia. Thus, another area worth examining could be how homogeneous CSR initiatives are in the banking sector and how they are viewed by customers and other stakeholders. Future research could analyze whether banks implement unique approaches, or are copying from the mainstream that has proved to be strategic.

7. CONCLUSION

"Do well by doing good"
(Franklin in 1766, as cited by Bomann in 2007*)*

Although CSR has captured significant attention in the management literature and business world, little is known about the beneficial outcomes firms might gain demonstrating strategic CSR. Moreover, many of organizations prove to be ineffective when it comes to CSR and, thus, lose a lot of money. This paper shows that building a successful, sustainable business means maximizing both economic value and social value. Strategic CSR should be integrated component in a firm's strategy throughout all aspects of operations, using their expertise to generate market-based solutions and addressing all the relevant stakeholders (Porter&Kramer, 2006).

The main contribution of this paper, consistent with the research objective, presents some evidence of the outcomes for the organization internally and externally pursuing strategic CSR initiatives. By integrating internal as well as external stakeholders in the new framework, this paper explains how strategic CSR stimulates not only the adoption of favorable workplace attitudes and behaviors (organizational commitment, in-role performance, job satisfaction and minimized organizational deviance), but also enhances company's reputation, image and loyalty of clients.

The results revealed significant positive correlations between strategic CSR and both internal and external variables, indicating that companies by strategically doing good for all the stakeholders are able to perform better themselves. Hence strategic CSR remains very important aspect related to favored employee and customer/non customer behaviors, which, in turn, ultimately fosters the overall corporate performance of an organization. It is my hope that managers may consider the results of this study when deciding on and making their CSR policies. I would also expect other researchers to extend this work and continue field testing reassuring the upmost importance of pursuing strategic CSR initiatives.

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Appendix 1: SEB Awards

Year

2011

An international magazine "The Banker": SEB - bank of the year in Latvia, Estonia and Sweden

Ministry of Welfare: SEB – A Family-friendly Company

Euromoney: Award of Excellence 2011 - SEB as the Best Bank in Latvia

Latvian Employer Confederation: SEB in Latvia: Best Employer in Riga region

Sustainability Index: SEB bank- Gold nomination

Baltic PR Awards 2011: 1st place in category "Internal Communication" with campaign "SEB Invites to Play the Values!"

Baltic PR Awards 2011:1st place in category "Corporate Sustainability and Responsibility" together with the Deep White with campaign "Oxygen – Latvia Plants Trees!"

EMEA Finance: SEB - Best bank in Latvia

EMEA Finance: SEB Wealth Management: Best Asset Manager in Latvia

Year

2010

TNS Trim: SEB - Best bank in Latvian Reputation index

Sustainability Index: SEB - Best working environment among banks in Latvia

Reputation top: SEB - Best bank for environmental issues and initiatives

Euromoney: SEB - Best Private Bank in Latvia

Global Finance: SEB - Best Foreign Exchange Provider in Latvia

Global Finance: SEB- Best Trade Bank in Nordics & Baltic States

Metasite: SEB - Best e-bank in Latvia within functionality

Baltic PR Awards 2010: 1st place in category "Consumer Relations" (campaign for children long term savings "Mum, I have a plan")

Baltic PR Awards 2010: 3rd place in category "Internal communication" (project "SEB Quality Standard")

Baltic PR Awards 2010: 3rd place in category "Sponsorship" (Cēsis Art Festival)

Appendix 2: Facts about SEB Latvia (SEB Fact Book, 2011; SEB Annual Statement, 2011)

Market share	17%
Branches in Latvia	65
Employees	1,577
Corporate clients	66,000
Private individual clients	900,000

SEB Latvia Income Statement for the year ended 31 December 2010

	Notes	2010		2009	
		Group Ls '000	Bank Ls '000	Group Ls '000	Bank Ls '000
Interest income	4	90,989	85,780	147,457	136,474
Interest expense	4	(43,373)	(42,482)	(72,472)	(68,716)
Net interest income	4	**47,616**	**43,298**	**74,985**	**67,758**
Fee and commission income	5	28,581	23,844	28,921	24,456
Fee and commission expense	5	(9,727)	(9,875)	(10,230)	(10,308)
Net fee and commission income	5	**18,854**	**13,969**	**18,691**	**14,148**
Profit on securities trading and foreign exchange, net	6	8,396	8,523	21,355	21,567
Dividend income		2	1,200	3	7,667
Other expenses	7	-	-	(427)	(427)
Other operating income	8	6,879	3,454	6,861	2,515
Allowances for loan impairment	9	(70,244)	(70,150)	(221,206)	(221,151)
Release of previously established allowances and recoveries of write-offs	9	44,907	44,889	2,906	2,906
Change in allowances for loans and advances	9	**(25,337)**	**(25,261)**	**(218,300)**	**(218,245)**
Operating expenses	10,11	(40,813)	(36,408)	(46,054)	(40,076)
Amortization and depreciation charges		(7,480)	(4,505)	(8,285)	(4,728)
Goodwill impairment loss	12	-	-	(1,135)	(1,135)
Profit / (Loss) before income tax		**8,117**	**4,270**	**(152,306)**	**(150,956)**
Income tax (expenses) / benefits	13	(3,456)	(4,440)	22,836	23,807
Profit / (Loss) from continuing operations		**4,661**	**(170)**	**(129,470)**	**(127,149)**
Profit / (Loss) from discontinued operations	14	1,105	(99)	566	-
Profit / (Loss) for the year		**5,766**	**(269)**	**(128,904)**	**(127,149)**

The financial statements on pages 9 to 63 have been approved and authorized for issue by the Supervisory Council and the Board of Directors of the Bank and signed on their behalf by:

Ainārs Ozols
President / Chairman of the Board

Jūrate Lingiene
Member of the Board

Riga, 23 February 2011

Appendix 3: CSR at SEB

Ethics and sustainability

According to SEB's ethics policy, there are many principles of ethical behavior that should be followed by all employees of SEB, such as, observing confidentiality, understanding the purpose and consequences of every customer's assignment, showing respect and equal treatment, avoiding conflicts, etc. Moreover, SEB has strict rules and regulations regarding Bank's secrecy, treatment of personal information, handling information on Internet (Group's web-sites), information security and dealing with complaints.

In November 2010 over 1,200 employees of SEB Latvia gathered together to discuss the operations of SEB Latvia and played "The Value Game" - this served as a tool to develop better customer service capabilities. Moreover, in order to improve the security of the bank, SEB offered security training by a former bank robber who robbed a SEB branch in the early 1990s, after spending six years in prison. The robber shared his experience and suggested amendments to prevent future crimes and let the bank consider its security procedures from the outside.

SEB's role as an employer

SEB has received an award of being the Best Employer in Riga region 2011 by Latvian Employer Confederation reassuring its excellent role as an employer. Moreover, award of being a Family-friendly Company given by the Ministry of Welfare of Latvia in 2011 demonstrates that SEB's policies and services are good for staff, its families and children. There is a strict policy highlighting principles regarding recruiting, leadership, development, compensation, development, working environment and atmosphere, exiting the bank.

Social commitment

SEB uses its knowledge and financial resources to support children and youth development, to promote health, sports and culture in local communities. For example, SEB

supports disadvantaged children by financing children villages and youth facilities, thus contributing to improvement of a complicated social problem in the Baltic countries - prevalence of children that lack parental care. Moreover, SEB assists entrepreneurs and small and medium-sized companies in order to encourage and assists innovative ideas, company growth and more dynamic, progressing economies. For example, SEB offers free-of-charge professional consulting for start-ups, and also as part of the initiative SEB pays bills from new companies before their due date. By financing industry development and supporting innovative technologies and sustainable business practices, SEB assists to sustainable and long-term economic growth (SEB Corporate Sustainability Report, 2010).

Environmental matters

According to the SEB's environmental policy and regulations signed with United Nations and the International Chamber of Commerce, SEB should consider environmental aspects in everyday operations it does and be committed to contribute to a better environment within their respective activities. Undoubtedly, SEB Latvia cares about the environment and it has been recognized as the Best Bank for environmental issues and initiatives by Baltic PR Awards 2011.

SEB is well known for its campaign "Oxygen – Latvia Plants Trees!" , where with the partnership with Latvia's State Forests, SEB invited Latvian population to plant trees with the goal to make a significant environmental contribution, educate people on how to plant and grow trees, and ultimately improve Latvia's position on the global Environmental Performance Index ranking. With the help of this campaign, SEB gained recognition for being one of the best ecology and environment campaigns in Europe (European Excellence Awards 2010).

What is more, SEB Bank Latvia has been granted with a quality certificate "Powered by Green", meaning that at least 70% of electricity used at SEB is produced from environmentally friendly renewable resource that does not create carbon missions, hence SEB

is one of the most environmentally friendly power generators in Europe (SEB Bank Website, 2011). In addition, SEB is regularly sponsoring projects oriented towards the development of culture, education, sport and business environment in Latvia, thus creating an image of a socially responsible bank not ignorant to the surrounding society and its development (SEB Corporate Sustainability Report (2010).

Sponsorship

SEB Bank sponsors the projects that are aimed at developing culture, education, sport and business environment in Latvia. By doing this, the Bank strengthens its brand and enhances its reputation aligned with its ethical and corporate values, as well as supporting the interests of clients.

Appendix 4: Employee survey

EMPLOYEE Survey

Consent Form

Dear participant,

I am a Masters student at NOVA School of Business and Economics in Lisbon conducting a study about the effects of having a strategic CSR plan, taking as an example SEB Bank from Latvia. Therefore opinion of employees related to their work at SEB is of the high importance for the completion of my Thesis.

This is a confidential, research based questionnaire approved by the HR department of SEB Bank Latvia. Any information presented with this survey data will be presented on aggregate form. It is kindly asked to answer all the following questions marking only one response. This should take you less than 15 minutes.

In case you have any questions, please feel free to contact me or my supervisor Joana Story.

Sincerely,

Edite Laka
Master student at NOVA School of Business and Economics
E-mail: editelaka@gmail.com
Tel: (+371) 26405254

Joana Story
Professora Auxiliar
NOVA School of Business and Economics
E-mail. joanastory@novasbe.pt
Tel. (+351) 213801668

You are voluntarily making a decision whether or not to participate in this study. By clicking the "I Consent" button you are certifying that you have read all the information written above and are willing to proceed with the questionnaire!

- I consent
- I do NOT consent

EMPLOYEE Survey

***What is your full name?**

What is your gender?

- Male
- Female

What is your age?

- 18 – 29
- 30 – 39
- 40 – 49
- 50 – 59
- 60 and more

What is your educational level?

- Primary education
- Secondary education
- Bachelor's degree
- Master's degree
- Doctoral degree (Ph.D.)
- Not finished higher education

How long have you worked for SEB?

- Less than 3 months
- 3 months - 1 year
- 1 - 3 years
- 3 - 6 years
- 6 - 10 years
- More than 10 years

***Please indicate how strongly you agree or disagree with the each of the following statements about you and your work!**

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
I would be very happy to spend the rest of my career with this organization.	○	○	○	○	○
I really feel as if this organization's problems are my own.	○	○	○	○	○
I do not feel part of this organization.	○	○	○	○	○
I do not feel 'emotionally attached' to this organization.	○	○	○	○	○
I do not feel like 'part of the family' at my organization.	○	○	○	○	○
This organization has a great deal of personal meaning for me.	○	○	○	○	○
Our company participates to the activities, which aim to protect and improve the quality of the natural environment.	○	○	○	○	○
Our company makes investment to create a better life for the future generations.	○	○	○	○	○
Our company implements special programs to minimize its negative impact on the natural environment.	○	○	○	○	○
SEB Bank targets a sustainable growth taking into consideration future generations.	○	○	○	○	○
Our company supports the non-governmental organizations working in the problematic areas.	○	○	○	○	○
The bank contributes to the campaigns and projects that promote the well-being of the society.	○	○	○	○	○

***Please indicate how strongly you agree or disagree with the each of the following statements about SEB Bank!**

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
SEB Bank encourages its employees to participate to the voluntarily activities.	○	○	○	○	○
Our company emphasizes the importance of its social responsibilities to the society.	○	○	○	○	○
Our company policies encourage the employees to develop their skills and careers.	○	○	○	○	○
The management of our company primarily concerns with employees' needs and wants.	○	○	○	○	○
Our company implements flexible policies to provide a good work and life balance for its employees.	○	○	○	○	○
The managerial decisions related with the employees are usually fair.	○	○	○	○	○
SEB Bank supports employees who want to acquire additional education.	○	○	○	○	○

***Please indicate how strongly you agree or disagree with the each of the following statements about your work!**

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
I am satisfied with the level of pay I receive.	○	○	○	○	○
I have good working relationships with my co-workers.	○	○	○	○	○
Management is flexible and understands the importance of balancing my work and personal life.	○	○	○	○	○
I receive support from my supervisor.	○	○	○	○	○
I am satisfied with the nature of the work itself.	○	○	○	○	○
I have the opportunity to be promoted.	○	○	○	○	○

Appendix 5: Supervisor survey

SUPERVISOR Survey

Consent Form

Dear respondent,

I am a Masters student at NOVA School of Business and Economics in Lisbon conducting a study about the effects of having a strategic CSR plan, taking as an example SEB Bank from Latvia. Therefore opinion of supervisors related to their subordinates and their work is of upmost importance for the completion of my Thesis.

This is an anonymous, research based questionnaire approved by the HR department of SEB Bank Latvia. The answers to the questionnaire are highly confidential and your respective employee will not get any information about it. Any information presented with this survey data will be presented on aggregate form.It is kindly asked of you to answer all the following questions marking only one response. This should take you less than 10 minutes.

In case you have any questions, please feel free to contact me or my supervisor Joana Story.

Sincerely,

Edite Laka
Master student at NOVA School of Business and Economics
E-mail: editelaka@gmail.com
Tel: (+371) 26405254

Joana Story
Professora Auxiliar
NOVA School of Business and Economics
E-mail. joanastory@novasbe.pt
Tel. (+351) 213801668

You are voluntarily making a decision whether or not to participate in this study. By clicking the "I Consent" button you are certifying that you have read all the information written above and are willing to proceed with the questionnaire!

- I consent
- I do NOT consent

SUPERVISOR Survey

What is your gender?

- Male
- Female

What is your age?

- 18 – 29
- 30 – 39
- 40 – 49
- 50 – 59
- 60 and more

What is your educational level?

- Primary education
- Secondary education
- Bachelor's degree
- Master's degree
- Doctoral degree (Ph.D.)
- Not finished higher education

How long have you worked for SEB?

- Less than 3 months
- 3 months - 1 year
- 1 - 3 years
- 3 - 6 years
- 6 - 10 years
- More than 10 years

***Please specify the name of the subordinate your are evaluating!**

***Please indicate how strongly you agree or disagree with the each of the following statements about your subordinate!**

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
My subordinate meets job functions adequately.					
This respective subordinate meets formal requirements as expected.					
This respective subordinate neglects work that was expected.					
My subordinate meets the specific responsibilities of his/her work function.					
My subordinate does what is expected of him/her.					
This subordinate has intentionally arrived late for work.					
This subordinate called in sick when he/she was not really ill.					
This subordinate took undeserved breaks to avoid work.					
This subordinate made unauthorized use of organizational property.					
This subordinate left work early without permission.					
This subordinate lied about the number of hours worked.					
This subordinate worked on a personal matter on the job instead of working for his/her employer.					
This subordinate purposely ignored my supervisor's instructions.					
This subordinate intentionally slowed down the pace of my work.					

Appendix 6: Client/non-client survey

CUSTOMER and NON-COSTUMER Survey

Consent Form

Dear participant,

I am a Masters student at NOVA School of Business and Economics in Lisbon conducting a study about the effects of having a strategic Corporate Social Responsibility (CSR) plan, taking as an example SEB Bank from Latvia. Therefore opinion of customers as well as non-customers of SEB Bank is very important for the completion of my Thesis.

SEB Bank has become the leading commercial bank in Latvia with a wide range of clients not only in Latvia, but also with stable cooperating partners abroad. Having the vision of becoming a trusted partner for customers with aspirations, SEB has a mission to help people and businesses thrive by providing quality advice and financial means.

Apart from its everyday banking services, SEB is building its image as a socially responsible bank, having 4 pillars reflecting commitment to corporate social responsibility: Ethics and sustainability, SEB's role as an employer, Social commitment and Environmental matters.

This is an anonymous, research based questionnaire. It is kindly asked of you to answer all the following questions marking only one response. This should take you less than 15 minutes.

In case you have any questions, please feel free to contact me or my supervisor Joana Story.

Sincerely,

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You are voluntarily making a decision whether or not to participate in this study. By clicking the "I Consent" button you are certifying that you have read all the information written above and are willing to proceed with the questionnaire!

- I consent
- I do NOT consent

Personal Information

What is your gender?

- Male
- Female

What is your age?

- 18 – 29
- 30 – 39
- 40 – 49
- 50 – 59
- 60 and more

What is your educational level?

- Primary education
- Secondary education
- Bachelor's degree
- Master's degree
- Doctoral degree (Ph.D.)
- Not finished higher education

Are you a client of SEB?

- Yes
- No

Would you like to become a client of SEB?

- Yes
- No
- Maybe

***Please indicate how strongly you agree or disagree with the each of the following statements regarding SEB Bank!**

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
It seems that SEB Bank participates to the activities, which aim to protect and improve the quality of the natural environment.					
The company makes investment to create a better life for the future generations.					
It looks like SEB Bank implements special programs to minimize its negative impact on the natural environment.					
SEB Bank targets a sustainable growth taking into consideration future generations.					
It seems that SEB Bank supports the non-governmental organizations working in the problematic areas.					
The bank contributes to the campaigns and projects that promote the well-being of the society.					

***Please indicate how strongly you agree or disagree with the each of the following statements regarding customer and employee orientation of SEB Bank!**

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
SEB Bank has employees who are concerned about customer needs.					
This organization seems to have employees who treat customers courteously.					
SEB Bank is concerned about its customers.					
This Bank treats its customers fairly.					
It seems that SEB Bank takes customer rights seriously.					
SEB Bank seems to care about all of its customer regardless of how much money they spend with them.					
SEB Bank looks like a good company to work for.					
This organization seems to treat its people well.					
SEB Bank seems to have excellent leadership.					
The bank has management who seems to pay attention to the needs of its employees.					
It seems that SEB Bank has good employees.					
SEB Bank seems to maintain high standards in the way that it treats people.					
This organization seems to be well-managed.					