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CORPORATE PHILANTHROPY AND EMPLOYEE ENGAGEMENT

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Abstract:	The firm develops its identity through actions that reflect its business strategy. Some of those actions are social and show the social commitment of the company. Hence, philanthropic actions could be incorporated into the core business, through the implementation of a specific corporate philanthropy strategy. The company would then need to measure its financial and non-financial effects to evaluate the effectiveness of this strategy. Philanthropic actions impact not only on the community but also on other stakeholders, for example employees, and it would be useful to identify and measure these effects. This paper describes an empirical study of 232 European companies. The findings show that a company's philanthropy strategies and the presence of women on the board impact on the attitude of its employees. Firms that have a corporate philanthropic strategy tend to have lower levels of labour controversies and incidents, with respect to those which apply discretional or sporadic philanthropic practices. The types of philanthropic practices adopted highlight and define the firm's corporate identity and foster trust among its employees. The results of this study have implications for the design and management of corporate philanthropy strategies.

REPLY TO THE REVIEWERS

The authors are grateful for the effort made by the editor and the reviewers and for their valuable feedback, which have been carefully taken into account to improve the proposed paper. We want to sincerely thank your considerations.
We hope that the new version will respond to the comments of the reviewer. In the following, we set out in detail the changes made.

Reviewer(s)' Comments to Author:

The reviewer 1 does not make more suggestions.

Answer to reviewer 2

The reviewer said: *"Thank you for your revision. I think the comments have been revised according to reviewers' comments. However, following issues need to be addressed.*

Since the data were collected in four European regions, Table 3 should show whether the effect of independent variables on dependent variables is statistically significant or not for each of the four regions. Table 3 should be divided into Total, British Isles, Northern Europe, Western Europe, and the Mediterranean region. In other words, the authors should test the differences between 4 groups. Maybe this youtube source will be helpful to your work. Or, you can use the artificial neural network which can analyze the linear or non-linear combinations among independent variables (this is not required).

https://www.youtube.com/watch?v=NnqCp5CjTwk : Test the Difference between Two Beta Coefficients (Part 3)".

Response: According to the reviewer's suggestions in the table 3 we have differentiated the variable "region" in four European regions, defining a dummy for each region. To avoid multicollinearity we have included in the regression three dummy variables (British Isles, northern and continental Europe), considering the Mediterranean as the reference value. In this sense, the intercept shows the effect of the Mediterranean region on the dependent variable. In this way we can test the effect of each region on employees' controversies and the results show that only in Mediterranean firms and in northern Europe, respect to the Mediterranean ones, have a significant incidence on the employees' controversies.

Furthermore, as the reviewer suggests, in the table 3 we have included a regression for each of the four European regions to verify whether the relationship between the independent variables and dependent variable is different or not according to the region in which the firm operates.

In addition we have tested whether there are significant differences between the beta coefficients of the regressions of each region, showing the results in table 4. The results show that there are only significant differences between firms located in British Isles and northern Europe for “guidelines” and “industry” variables and between firms located in northern Europe and Mediterranean region for “guidelines” and “cash donation” variables. To test the differences between betas in the regressions we have followed to Howell (2010: 213). In any case, we thank to reviewer the youtube source that he/she suggested. It was very useful to understand his/her considerations. We have used another test with which we are more familiar.

The new text has been included in the page 12, paragraph 3; page 16, paragraph 3- 5 and page 17, paragraph 1 and in “Conclusions” section page 18, last paragraph and page 19, first paragraph.

Reference

Howell DC (2010) Statistical methods for psychology. Cengage Wadsworth. Belmont, USA.

CORPORATE PHILANTHROPY AND EMPLOYEE ENGAGEMENT

Abstract

The firm develops its identity through actions that reflect its business strategy. Some of those actions are social and show the social commitment of the company. Hence, philanthropic actions could be incorporated into the core business, through the implementation of a specific corporate philanthropy strategy. The company would then need to measure its financial and non-financial effects to evaluate the effectiveness of this strategy. Philanthropic actions impact not only on the community but also on other stakeholders, for example employees, and it would be useful to identify and measure these effects.

This paper describes an empirical study of 232 European companies. The findings show that a company's philanthropy strategies and the presence of women on the board impact on the attitude of its employees. Firms that have a corporate philanthropic strategy tend to have lower levels of labour controversies and incidents, with respect to those which apply discretional or sporadic philanthropic practices. The types of philanthropic practices adopted highlight and define the firm's corporate identity and foster trust among its employees. The results of this study have implications for the design and management of corporate philanthropy strategies.

Keywords: Corporate philanthropy, employees attitude, diversity, stakeholders.

JEL: M14 Corporate Culture • Diversity • Social Responsibility

M59 Other

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1. INTRODUCTION

Firms depend on their stakeholders and interact with them constantly (Ali and Jung, 2017; Porter and Kramer, 2002), making commitments to society (Carroll, 1991; Vveinhardt and Zygmantaite, 2015) and influencing different social groups (Freeman, 1984). Corporate relations with society have been studied with respect to philanthropy. Like individual practices, philanthropy can have diverse manifestations, including individual practices of commitment to the well-being of others (Schuyt, 2010). However, in recent years, corporate philanthropy has been considered from a strategic point of view, in the sense that philanthropic actions may be placed at the heart of the business, together with other strategies aimed at objectives beyond improving financial results, such as sustainability, growth, long-term permanence, enhancement of corporate identity or creation of shared value. From this perspective, firms establish corporate governance mechanisms, and philanthropy can be presented as a planned and articulated model, applicable via foundations or concrete guidelines for philanthropic activities. In this context, philanthropic actions are framed within what has been termed corporate philanthropy, differing from personal philanthropy or individual practices (Gautier and Pache, 2015; Muller and Whiteman, 2016; Vveinhardt and Zygmantaite, 2015).

The strategic approach requires that the company adapts its objectives and goals to the demands of internal and external stakeholders, incorporating their interests into its business strategy (Ali and Jung, 2017; Porter and Kramer, 2011). From this perspective, companies would promote social progress while developing their business. In addition, such philanthropic practices may be related to the demands of the community and possibly to other stakeholders, such as employees. The underlying concept is the pursuit of social welfare in response to the corporation's desire to be a good corporate citizen (Carroll and Shabana, 2010; Lee et al., 2014). These activities can affect or have repercussions on stakeholders, an outcome that is significant to managers and owners and which should be measured in order to highlight the possible strategic implications.

Many studies have analysed the effects of corporate philanthropy on financial indicators (Orlitzky et al., 2003; Surroca et al., 2010). However, the impact of corporate philanthropy should not be considered only in terms of the bottom line (Vveinhardt and Zygmantaite, 2015). Philanthropic actions may also have intangible results in areas such as mutual improvement, enhanced confidence, reduced conflict and greater cooperation, reciprocity, citizen engagement, well-being, cohesion, leadership, innovation or stability (Deigh et al., 2016; Rowe et al., 2014). The present paper contributes to our understanding of the influence of companies' social action on these non-financial performance indicators (Boatright, 2000). We investigate the view that corporate philanthropy produces benefits to stakeholders (Porter and Kramer, 2002), specifically, a main stakeholder such as employees, who play a vital role in a firm's success or otherwise (Flammer and Luo, 2017).

This study has several objectives. First, we examine whether companies acquire social commitments as part of their corporate strategy and identify the type of organisational structure required to develop and supervise the programmed activities. Second, we study whether corporate philanthropy influences the attitude of employees. Finally, we analyse whether mechanisms of corporate governance are related to the work climate.

The rest of this paper is organised as follows. The next section presents the theoretical framework, after which we review the literature in this field and propose the study hypotheses. In the section on data and method of estimation, we focus on the methodology applied and the characteristics of the data analysed. The results and discussion section then presents the main findings of the empirical analysis performed and, finally, we present the main conclusions drawn.

2. A MULTI-THEORY FRAMEWORK FOR PHILANTHROPY

The theoretical framework of corporate philanthropy has been analysed from several standpoints. The traditional approaches are those of agency theory, legitimacy theory and stakeholder theory. The first of these focuses on the relationship between principal and agent. A major agency problem is the asymmetry of information between managers and shareholders (Villaron-Peramato et al., 2018). The present study focuses on the effect of corporate philanthropy on employees, and so is not specifically concerned with the agency problem. Philanthropic strategy may be formalised and supervisory CSR committees created in order to ensure that resources are not applied solely according to the preferences of the CEO, thus avoiding agency problems.

The theory of legitimacy is defined as a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within a socially-constructed system of norms, values, beliefs and definitions (Perrow, 1970). There is a social contract between society and business (Dowling and Pfeffer, 1975) and failure to comply with agreements may undermine the legitimacy of the entity and provoke its disappearance or the loss of its licence to act (Deegan et al., 2002). Corporate philanthropy might be assumed by the firm due to a lack of legitimacy (Chen et al., 2008; Hemingway and Maclagan, 2004) or in order to improve the relationships with stakeholders. Employees prefer to work in companies that are socially committed to the community (Brunton et al., 2017). In this paper we consider that corporate philanthropy is aimed at enhancing relations with the employees.

Stakeholder theory views how firms address the demands of interest groups (Ansoff, 1965), in the understanding that stakeholders' views, opinions and actions must be taken into account (Bryson, 2004). In this respect, the key stakeholders are shareholders, employees, customers, suppliers and local communities (Friedman and Miles, 2006), who observe with interest the company's interventions (Freeman, 1984). Stakeholder theory usually focuses on two main aspects: how the company reaches decisions while balancing the interests of different stakeholders, and how information is provided to these stakeholders (Deegan, 2002). Two further aspects should also be considered: the repercussion on stakeholders (in the present case, the employees) of the company's actions, and the orientation of the firm's identity towards stakeholders (Bingham et al., 2011; Zink, 2005).

To study the incidence of corporate philanthropy on stakeholders, specifically the employees, we follow the social identity theory. Perceptions of an organisation's identity, its values and attributes (Dutton et al., 1994) may influence the strength of identification and the commitment of an employee with an organisation (Aguinis and Glavas 2012; Block et al., 2017). Social identity theory supposes that individuals are happy when they work in organisations that have positive reputations (Brammer et al., 2007). They may identify themselves with socially responsible behaviour of companies and increase their organisational commitment. This theory could explain the impact of corporate philanthropy on employees' attitudes, focusing on identity and trust (Ali and Jung, 2017). The development of a social identity would imply a positive differentiation with respect to other firms (Brunton et al., 2017; Karaosmanoglu et al., 2016; Shin et al., 2017).

The theoretical approach we adopt to address this question is that of the theory of organisational identity orientation (Brickson, 2005). The firm's activities are explained as responding to the fact that its identity is oriented towards the stakeholders (Bingham et al., 2011; Lin, 2017). This orientation can be either individualist, relational or collectivist (Brickson, 2005). In this paper, we examine collective values, i.e., what the firm does with respect to collective well-being, rather than individualist self-interest or that of a specific group (relational) (Bingham et al., 2011). Moreover, social commitment requires corporate governance mechanisms that favour the creation of a social identity (Brunton et al., 2017; Sen et al., 2006).

3. CORPORATE PHILANTHROPY AS PART OF BUSINESS STRATEGY: BACKGROUND AND FORMULATION OF HYPOTHESES

3.1. THE STAKEHOLDER IDENTITY ORIENTATION OF THE FIRM AND ITS MANAGEMENT

In the field of business organisation, the concept of identity is defined as the set of beliefs and values held by the members of the organisation (Van Riel and Fombrun, 2007). Thus, corporate values, mission and vision constitute the corporate identity (Perez and Rodriguez del Bosque, 2012). It is the combination of these characteristics that makes each organisation unique, identifying and distinguishing it from others (Albert and Whetten, 1985). Identity is also the means by which an organisation presents itself to its stakeholders (Perez and Rodriguez del Bosque, 2012). Companies reflect their identity in their corporate practices and in the way they interact with stakeholders (Karaosmanoglu et al., 2016). An organisation's stakeholder identity orientation favours interaction with stakeholders (Ali and Jung, 2017).

Values, goals and principles are related to organisational practices and provide a guide to corporate behaviour (Barreto and Patient, 2013; Muller and Whiteman, 2016). If a company presents a well-defined, pre-established corporate strategy this can be an indicator of its aims and objectives (Bingham et al., 2011). Planning involves setting organisational goals; with respect to corporate philanthropy, this means social goals (Gautier and Pache, 2015).

Corporate philanthropy responds to corporate governance decisions. If corporate philanthropy is to be properly implemented, an appropriate strategy must be adopted and applied. Actions are well planned and suitable organisational internal or external structures are developed (Marquis and Lee, 2013).The existence of a policy of corporate philanthropy requires a specific commitment by the board, as one of its responsibilities is to determine company strategy, and this may be an effect of the composition and reflected in its structure (Cha and Abebe, 2016; Marquis and Lee, 2013). With respect to boardroom composition, diversity has been considered an indicator of affinity to social issues (Hillman et al., 2002; Kabongo et al., 2013). According to some authors, there is a positive relationship between the presence of women on the board and practices of corporate philanthropy (Hinna and Monteduro, 2017; Williams, 2003) and hence social commitment (Williams, 2003). Women are more sensitive to social and ethical issues, which may be reflected in decisions on corporate philanthropy and ethical behaviour (Cha and Abebe, 2016), while men are more concerned with economic performance (Williams, 2003).

Board diversity is associated with strategic decisions in corporate philanthropy (Hinna and Monteduro, 2017; Ramly et al., 2017), and with the planning of these practices (Haro de Rosario et al., 2017), either internally or by channelling them through foundations. This association arises, among other reasons, from the fact that women have greater experience in these organisations (Hillman et al., 2002, Williams, 2003).

In view of these considerations, we propose the following hypothesis:

H1. Corporate philanthropy, when planned and structured, is positively related to board diversity.

When the strategic concept of philanthropy is adopted, committees are set up, specialised departments are created and/or philanthropy is integrated into existing departments (Brammer and Millington, 2006). The existence of specialised committees enables to monitor the quantity and quality of social actions (Fuente et al., 2017) and assures a positive corporate social performance (Eberhardt-Toth, 2017;Fernandez-Gago et al., 2016; Su and Sauerwald, 2018) and the establishment of stable lines of action (Fuente et al., 2017). Board CSR committees assess and monitor the social programmes employed in order to address stakeholder needs (Eberhardt-Toth, 2017). The existence of a committee specialised in social issues is positively related to the integration of stakeholders' social interests into the decision-making process (Amran et al., 2014; Godos-Diez et al., 2018).

The existence of programmes, guidelines, policies and organisational values aimed at producing a positive social impact is associated with the firm's philanthropy strategy. If the approach to philanthropy is strategic, philanthropic practices should be formalised and interrelated (Brammer and Millington, 2006; Muller and Whiteman, 2016).

Integrating corporate philanthropy through the creation and provision of an organisational structure limits discretionality (Marquis and Lee, 2013) and facilitates management by professionals and control by the board of directors (Liket and Maas, 2015).

Taking into account these considerations, we propose the following hypothesis:

H2: Corporate philanthropy, when planned and structured, is related to the existence of an organisational structure of supervision.

3.2. THE EFFECT OF CORPORATE PHILANTHROPY ON EMPLOYEES'ATTITUDES

To determine the efficiency and effectiveness of a philanthropic strategy, there must be mechanisms for its evaluation (Rowe et al., 2014). Traditionally, financial measures have been used to study the effects of corporate philanthropy (Wang and Qian, 2011). However, in many cases it is difficult or impossible to quantify relationships with the community and stakeholders in financial terms (Brammer and Millington, 2003). Nevertheless, greater concern for social issues can be valued by stakeholders and provoke an impact or change in their behaviour. Accordingly, it would be useful to analyse the social impact of corporate philanthropy strategies (Block et al., 2017; Rowe et al., 2014). Therefore, we should analyse intangible indicators, such as trust, loyalty and identity with the firm, which are fundamental to its sustainability (Park et al., 2014).

One of the most significant groups of stakeholders in a company is that of its employees (Ali and Jung, 2017; Fassin, 2012).The firm's human resource policies may directly affect employees (Lee et al., 2013; Muller and Whiteman, 2016), but they are also influenced by other types of social actions, such as philanthropic actions (Block et al., 2017; Gao and Yang, 2016). In this context, corporate philanthropic practices towards the community could have consequences affecting employees. Awareness of this information is significant for the firm's management and for its accountability.

Employees develop perceptions about the firm (Ali and Jung, 2017). These social activities may enhance the work climate, improving the commitment of employees and decreasing incidents and controversies in the workplace. In this context, philanthropic actions may also be related to improvements in the organisational climate (Zadek, 2004). Few studies have considered the elements that underlie the relationship between philanthropy and the firm's employees (Aguinis and Glavas 2012; Block et al., 2017; Gao and Yang, 2016). A broader study is also needed, regarding the possible effects of philanthropic strategies on employees' attitudes, a question that has previously been addressed in country-specific surveys related to workers' perceptions (Hameed et al., 2016; Pagliaro et al., 2018).

Research has shown that philanthropic practices improve employees' commitment to the organisation (Haski-Leventhal, 2013; Rodrigo and Arenas; 2008, Shin et al., 2016). Greater employee commitment leads to a more positive attitude towards the organisation, improved behaviour towards it and a better work climate. The existence of an ethical climate leads employees to feel an affective identification with the company, decreasing counterproductive work behaviour and improving organisational citizenship behaviour (Liu et al., 2018; Pagliaro et al., 2018; Sims, 1991; Valentine et al., 2006). In this study, we analyse the effect on employees of corporate philanthropy.

Corporate philanthropic activities can generate positive attitudes towards the company and raise employee morale (Porter and Kramer, 2002). For actions to have such an effect on attitudes, they must be clearly identified and integrated into corporate values (Lin, 2017; Newman et al., 2016) that generate a climate of trust (Berger et al., 2006; Gaudencio et al., 2016). It is generally understood that the existence of a corporate identity and of a climate of trust enhances employees attitudes and actions (Gaudencio et al., 2016; Newman et al., 2016).On the other hand, it has also been observed that when firms are socially engaged with their external stakeholders and pay greater attention to social issues, it is logical to consider that they will also be committed to internal ones (Muller and Whiteman, 2016).

Corporate philanthropy is observed and identified because is formalised (Brammer and Millington, 2006). This formalisation can take place through the creation of social guidelines and programmes to clarify the company's principles, values, policies, and priority issues and to establish the distribution of resources and procedures, thus highlighting the existence of a strategic position by the firm (Marx, 1999).

In view of these considerations, the following hypothesis is proposed:

H3. The existence of guidelines is inversely related to the occurrence of labour controversies and incidents.

Corporate philanthropy can also be managed externally through foundations. These can enhance a firm's relationship with the community and with society in general, connecting the individual with the organisation via shared values and ideas, thus strengthening the individual's identity with the firm (Deigh et al., 2016; Rim et al., 2016). Philanthropic actions managed through foundations can create a climate of trust and highlight the corporate identity, in an indirect way. The companies that manage philanthropy through foundations tend to be more stable employers, to pay higher salaries and to achieve greater permanence of their employees (Børsting and Thomsen, 2017). Hence, there is a better relationship with employees. This could influence the employees' motivation, commitment and identification with the firm (Berger et al., 2006, Brammer et al., 2007, Brunton et al., 2017). Therefore, we propose the following hypothesis:

H4. The existence of foundations is inversely related to the occurrence of labour controversies and incidents.

Philanthropic actions may also take the form of donations (Miguel-Molina et al., 2016; Rowe et al., 2014). Most such actions respond to personal practices or inclinations that have some influence on the behaviour of the firm (Agle et al., 1999; Williams, 2003). Managers can act in self-interest by making decisions in a random, informal or discretionary way (Marquis and Lee, 2013). These sporadic or discretionary philanthropic actions may also be taken to legitimise the company's actions (Deigh et al., 2016; Jamali et al., 2008), to improve its reputation or as opportunistic behaviour to conceal or distract from questionable actions (Hemingway and Maclagan, 2004). Employees can perceive these sporadic and discretionary philanthropic activities as opportunistic or as just a marketing tool (Brammer and Millington, 2006; Jamali et al., 2008). When such actions are not programme-linked, presenting entity-specific values, there may be no positive impact on employees and hence conflicts would increase (Jung and Kim, 2016). Accordingly, we propose the following hypothesis:

H5. The existence of donations is positively related to the occurrence of labour controversies and incidents.

3.3 THE EFFECT OF BOARD DIVERSITY AND CSR COMMITTEE ON EMPLOYEES´ ATTITUDES

The structure and mechanisms of corporate governance influence the attitudes of employees. Thus, the composition of the board of directors can impact on employees' confidence in the firm and their commitment to it. The presence of women on the board can provide it with knowledge, skills and perspectives that are female-specific and possibly related to a better understanding of stakeholders' preferences (Li et al., 2018). Women tend to internalise social demands (Kabongo et al., 2013), while men focus more on economic issues (Cha and Abebe, 2016). It has been observed that board diversity helps to promote better relationships and stronger links with employees (Kabongo et al., 2013, Li et al., 2018: Ramly et al., 2017, Williams, 2003).

Board diversity incorporates different experiences, knowledge, opinions and perspectives into the understanding of employees' demands, and therefore enriches the potential of the supervisory body (Li et al., 2018). The existence of divergent perspectives can lead to more innovative ideas and solutions, thus raising employee satisfaction (Creek et al., 2017). Accordingly, we propose the following hypothesis:

H6.Gender diversity in the board of directors is positively related to a better work climate.

Corporate philanthropy can be managed through a board committee or management team (Sims, 1991). Today, many companies have a CSR committee (Mahmood et al., 2018). These internal oversight mechanisms can boost the confidence of stakeholders (Benson et al., 2011; Jo and Hartojo, 2011; Lins et al., 2017). The importance granted to social aspects –the existence of formal decision-making structures (CSR committees) and formalised strategies – can improve stakeholders' perceptions and employees' attitudes (Gautier and Pache, 2015). The CSR committee is a management control mechanism that evaluates and controls the needs of stakeholders at a strategic level of the firm (Eberhardt-Toth, 2017). Although philanthropy is primarily aimed at the social needs of the community, CSR committees must also consider its impact on employees (Block et al., 2017). A greater concern for social aspects might lead employees to believe that their interests will also be protected (Muller and Whiteman, 2016). Similarly, the existence of better corporate governance has been related to greater employee satisfaction (Fauver et al., 2018). Therefore, we would expect to observe an inverse association between the existence of a CSR committee and the level of controversy with employees, as expressed in the following hypothesis.

H7. The existence of CSR committees is inversely related to the occurrence of labour controversies and incidents.

Finally, our review of previous research in this field shows that the results obtained differ among countries, reflecting diversity in cultural identities and traditions (Weltzien and Mele, 2009) and the institutional, socio-political background of the geographical area (Albareda et al., 2007; Maon et al., 2017). Thus, there may be marked differences between the situations observed, for example, in emerging countries and in Asia (Barakat et al., 2015). The values and beliefs of members of different countries influence not only their behaviour but also their outlook on what is considered legitimate, acceptable and effective (House et al., 2004). Culture provides the context for understanding the ways in which institutions are organised, when countries share similar cultural values. Nevertheless, even in this case, different styles can be distinguished (Kickert, 1997).

Another important point in the analysis of corporate philanthropy is that the firm's area of activity must be taken into account. In general, the greatest concern for philanthropy arises in companies with a high environmental impact (Cha and Abebe, 2016), which have higher levels of labour conflict and where human resources play an essential role. Companies with a high environmental impact (in sectors such as metals, other material resources, paper and pulp, power generation, water and chemicals) are often under greater pressure from stakeholders than other firms with less environmental impact (in newer manufacturing industries and in the service sector). Thus, more activism and more proactive actions are expected in the former. Accordingly, the analysis should take into account the sector in which the firm operates. In this respect, previous studies have indicated the influence of the industry sector on the social action adopted (Amato and Amato, 2012; Cha and Abebe, 2016).

4. DATA AND METHOD OF ESTIMATION

4.1. SAMPLE

This study focuses on 232 European companies from 13 countries, using data obtained from the Sustainalytics database for the year 2015. Sustainalytics is a data provider for socially responsible investors, facilitating analyses of social, environmental and governance aspects of corporate entities. A profile is generated for each company, from data disclosed by the firm, from media data and from interviews with stakeholders. This report is then sent to the company for verification and correction. Any changes suggested by the company are then verified by Sustainalytics. The work is carried out by experts who apply the same parameters of analysis to each company, thus minimising the bias to which all surveys are subject. This database has been used in previous CSR research (Surroca et al., 2010; Wolf,

2014) and provides data to STOXX ESG indices. They also provides detailed information about the industry in which these companies operate.

Sustainalytics has defined a set of indicators which evaluate the performance within each criterion. The set of indicators follows the Key Performance Indicators for ESG 3.0 outlined by DVFA (Deutsche Vereinigung fur Finanzanalyse und Asset Management) and EFFAS (The European Federation of Financial Analysts Societies). The evaluation is based on a continuous research and analysis process using company data, media reports, sector studies and public institutions.

4.2. RESEARCH METHOD

In accordance with the study goals, hypotheses 1 and 2 were tested through a correlations analysis, and the rest of hypotheses, concerning the variables that affect the level of incidents and/or labour disputes, were tested using the following multiple regression model.

$$\begin{aligned}\text{CONTROV} = {} & \beta o + \beta 1\text{Guidelines} + \beta 2\text{Foundation} + \beta 3\text{Cash Donation} + \beta 4\text{Board diversity} \\ & + \beta 5\text{CSR Oversight} + \beta 6\text{Industry} + \beta 7\text{British Isles} + \beta 8\text{Northern Europe} \\ & + \beta 9\text{Continental Europe}\end{aligned}$$

Employee-related controversies or incidents (Controv) identifies companies that have been involved in recent social controversies or incidents related to employees. The indicators used are injuries, occupational diseases, days lost due to absenteeism, number of fatalities, strikes and lockouts and human rights complaints (Belot and Waxin, 2017). The assessment is based on a contextual assessment of the case(s) taking into account amongst others the following: the seriousness of the case; the frequency and/or pattern of such controversies; company personnel involved and their seniority; the extent to which the controversies stand out given the nature and practice in the industry; and the corporate response made, including possible steps taken to prevent similar controversies in the future. Controversies are assigned a value ranging from zero (no evidence of controversy in any of the indicators that define the variable) to five (severe and high social impact and high risk to company in all of the indicators that define the variable).

Guidelines for philanthropic activities (Guidelines) is a yes/no variable that takes the value of 1if the firm has a guideline for philanthropic activities and 0 otherwise.

Corporate foundation (Foundation) is a variable that takes the value 1 when the company has a corporate foundation and 0 otherwise.

The variable Cash donation (Cash Donation) is measured as a percentage of NEBT.

Diversity in the board (Board diversity) is measured according to the number of women on the board. This variable takes values ranging from 0 (no women on the board) to 3 (3 or more women on the board).

The oversight of CSR issues (CSR Oversight) refers to the existence of a structure for supervising CSR issues related to the firm. This is a yes/no variable that takes the value 1 when there is oversight of CSR by a committee, a board member, etc. and 0 when there is no such supervision (Fuente et al., 2017).

The variable regions is defined in four groups, the British Isles, Northern Europe, Continental Europe and the Mediterranean region (Albareda et al., 2007; Maon et al., 2017), according to the priority granted to philanthropic activities and the institutional, socio-political background of the geographical area. Every region is defined through a dummy variable that takes the value 1 when the company is in the region and 0 otherwise. Finally, the industry sector is measured by the FTSE4Good classification in relation to the impact of the activity on stakeholders (Arminen et al., 2018) taking values from 1 (low-impact) to 5 (high-impact). The description of the sample by industry sector, age and size is shown in Table 1.

Table 1. Characteristics of the firms in the sample (N= 232 firms)

	N	%	Description
Sector			
Low-impact	68	29.3%	Biotechnology, financial services, telecommunications, trade and business services
Medium/low-impact	11	4.8%	Consumer service
Medium-Impact	52	22.4%	Machinery, equipment manufacturing, retail trade, and energy and real estate services
High/medium-impact	48	20.7%	Energy group, including power generation and distribution companies
High-Impact	53	22.8%	Agriculture, mining and extraction, construction and real estate, transportation and logistics
Regions			
Northern Europe	61	26.3%	Denmark, Finland, Netherlands, Norway, Sweden
British Isles	59	25.4 %	Ireland and United Kingdom
Continental Europe	68	29.3%	France, Germany, and Switzerland
Mediterranean region	44	19%	Greece, Italy, Portugal, Spain
Age			
< 10 years	16	6.9%	
10-20 years	73	31.5%	
21-50 years	49	21.1%	
>50 years	94	40.5%	
Size			Market cap. (year end, mln. USD). Mean: 25015.40 Standard Deviation: 35554.94
Quartile 1 (less than 4647)	58	25%	
Quartile 2 (from 4647 to10972)	58	25%	
Quartile 3 (from 1097 to 27835)	58	25%	
Quartile 4 (over 27835)	58	25%	

5. RESULTS AND DISCUSSION

Table 2 shows the descriptive statistics obtained and the correlations between the variables.

Table 2. Descriptive statistics and correlations

Variables	Mean	SD	1	2	3	4	5	6	7	8	9
1. Controversies	2.80	0.47	1								
2. Guidelines	0.65	0.26	-0.187**	1							
3. Foundation	0.63	0.98	-0.272**	0.350**	1						
4. Cash Donation	0.73	0.59	-0.087	0.361**	0.299**	1					
5. Board Diversity	1.46	1.03	-0.201**	0.226**	0.115	0.016	1				
6. CSR Oversight	0.73	0.43	-0.061	0.207**	0.120	0.230**	0.388**	1			
7. Industry	3.59	1.56	-0.137*	-0.030	-0.019	0.082	-0.207**	0.090	1		
8. British Isles	0.25	0.44	-0.094	0.074	0.233**	0.010	0.064	0.042	-0.122	1	
9. Northern Europe	0.26	0.44	-0.053	0.014	-0.160*	0.071	-0.057	0.136*	-0.004	-0.349**	1
10. Continental Europe	0.29	0.46	0.062	-0.202**	-0.105	-0.201**	0.113	-0.140*	0.125	-0.376**	-0.385**

*p< 0.05; **p<0.01

In general, the level of incidents and controversies in the workplace (77%) among the companies sampled reflects the importance of companies' controlling and managing this risk factor. A significant number of companies have established concrete guidelines for social performance, and most of them manage the resources dedicated to philanthropy through foundations. 89% make donations, although only 29% specify the amount allocated to this purpose. On average, there are 1.46 women on the board of directors. Finally, with regard to the oversight of CSR issues, only 13% of the companies in the sample do not supervise any aspects of CSR, while most have a system for the control and oversight of CSR practices, including philanthropy. The existence of such a system facilitates the management of the firm's philanthropic activities (Liket and Maas, 2015).

Analysis of the results obtained highlights the existence of organisational structures to supervise CSR practices, the importance of planned philanthropy and the significant presence of foundations created to manage philanthropic funds. In view of these findings, there can be said to exist a corporate philanthropic strategy (Gautier and Pache, 2015), which supports the theory of social identity (Brammer et al., 2007). The study of correlations show that the presence of women on the board is positively associated with the existence of guidelines, foundations and supervision committees. Board diversity leads the company to follow a planned and structured philanthropy, and so hypothesis 1 is accepted.

The fact that formalised or institutionalised strategies are adopted is indicative of companies' strategic orientation towards social commitment (Brammer and Millington, 2006; Marquis and Lee, 2013). The strategic approach requires firms to set criteria for the materialisation of social policies (Muller and

Whiteman, 2016). Their policies on social commitment and philanthropy are implemented via appropriate guides and programmes (Brammer and Millington, 2003). There is a relationship between the existence of foundations and the establishment of guidelines and donations and there is a positive relationship between the existence of CSR committee with the presence of guidelines and donations. These results lead us to accept hypothesis 2.

The existence of CSR oversight in the governance structure is not associated with the presence of foundations, which indicates that firms opt for one of these two systems of management and supervision.

The correlations obtained show there is a positive, significant relationship between diverse manifestations of corporate philanthropy. This fact could be related to the existence of a planned corporate philanthropy rather than discretionary actions (Gautier and Pache, 2015; Muller and Whiteman, 2016; Vveinhardt and Zygmantaite, 2015).

Table 3 shows the results obtained in the regression analysis.

Table 3. Regression coefficients for employee-related controversies or incidents

Independent and control variables	All	British Isles	Northern Europe	Continental Europe	Mediterranean region
Intercept	3.410** (29.271)	3.258** (13.501)	3.333** (16.538)	3.294** (22.432)	3.388** (19.122)
Guidelines	- 0.300* (-2.434)	- 0.722* (-2.312)	0.157 (0.599)	- 0.160 (-0.878)	- 0.568** (-2.814)
Foundation	- 0.248** (-3.894)	- 0.101 (-0.501)	- 0.409** (-3.064)	- 0.257* (-2.583)	- 0.127 (-1.488)
Cash Donation	-0.023 (-0.436)	0.080 (0.609)	- 0.212 (-1.867)	-0.133 (-1.024)	0.077 (1.210)
Board diversity	-0.192** (-2.630)	-0.320 (-1.324)	-0.318* (-2.087)	-0.070 (-0.611)	-0.101 (-1.051)
CSR Oversight	0.056 (0.746)	0.194 (0.831)	0.067 (0.423)	- 0.014 (-0.127)	-0.084 (0.798)
Industry	-0.174** (-2.850)	0.029 (0.195)	-0.393** (-3.262)	-0.186 (-1.827)	-0.177 (-1.931)
British Isles	-0.128 (-1.467)				
Northern Europe	-0.188* (-2.186)				
Continental Europe	-0.072 (-0.814)				
R Square	0.207	0.231	0.373	0.251	0.285
F-Statistic	6.430	2.602	5.357	3.402	2.463
Probability	0.000	0.028	0.000	0.006	0.042
N	232	59	61	68	44

Non-standardised coefficients are reported with t values in parentheses. *p< 0.05; **p<0.01

As regards the relationships between variables, there is a significant inverse relation between planned philanthropy, the existence of guidelines and foundations, and that of labour disputes and incidents, and therefore hypotheses 3 and 4 are accepted. In other words, firms that use planned instruments with which to conduct philanthropic actions tend to have fewer labour controversies and incidents. The adoption of these measures helps create a climate of trust in the company or better defines its identity by achieving greater identification by employees (Lee et al., 2014). However, strategies that are not clearly oriented towards a specific stakeholder may be more diffuse (Porter and Kramer, 2002; Zadek, 2004), and so it is very important for such strategies to correspond to the company's principles and values, so that they can be perceived and appreciated by different stakeholders (Newman et al., 2016), not only by those directly affected. The organisational identity orientation of the firm may be collectivist (Brickson, 2005).

The donations variable is not significant in the regression model; thus, labour disputes and incidents are not related to sporadic or discretionary giving actions. There are fewer labour controversies when philanthropic activity is planned and when there exists a visible strategy in the form of programmed actions or foundations, which are viewed as a tactic for legitimating the company's actions (Brunton et al., 2017). The existence of formal mechanisms is associated with social value and fewer labour conflicts and incidents (Marquis and Lee, 2013). On the other hand, addressing philanthropy in a discretionary way does not produce a social impact with respect to employees. Donations alone do not create a climate of trust that leads to greater employee commitment or greater identification with the company nor it is perceived as a marketing or opportunistic tool (Deigh et al. 2016; Jamali et al., 2008). Therefore, hypothesis 5 is rejected. In this respect, some authors present two possible scenarios for firms that make donations. In the first, companies with a surplus of financial resources donate, but achieve no impact on employee attitude thereby; in the second, companies that formalise and integrate social commitment into their strategies allocate resources to this objective and make an impact on social values (Gautier and Pache, 2015; Tonello, 2011). The results obtained in this study verify the second scenario, showing that philanthropy can be evaluated like any other company strategy, not only by how it affects the immediate objective but also by how it impacts on the organisation as a whole (Liket and Maas, 2015).

The presence of diversity often makes the board more receptive to the interests of employees (Kabongo et al., 2013). Hence, there is an inverse relationship between labour disputes and incidents and gender diversity, which leads us to accept hypothesis 6. In other words, the presence of women on the board is related to a better work climate. This might be explained in terms of women being more concerned about social issues, a concern that is perceived and valued by employees (Creek et al., 2017). Accordingly, board diversity facilitates the company's adoption of policies that reflect its employees' interests (Kabongo et al., 2013).

No significant relationship was observed between the existence of a CSR committee and any reduction in labour conflicts. Although these committees encourage philanthropic practices, they do not noticeably enhance the work climate. The function of this body is to meet social demands, but employees may perceive that its actions are more oriented towards improving relationships with other stakeholders. Possibly, communication is inadequate and employees are unaware of its work. In view of these considerations, hypothesis 7 is rejected. The CSR committee would appear to impact on employees' attitudes only if its actions are observed by the employees, that is, if there are specific guidelines or if they are carried out externally, via foundations.

Among the control variables, the activity sector in which the companies operate is a significant variable. Our results show that primary industries present a lower level of labour incidents than service industries. In relation to the regions, there is a positive relationship between the existence of employees' controversies and Mediterranean firms and, on the other hand, these controversies decrease in firms in northern Europe, with respect to Mediterranean firms.

Possibly, the regions where firms operate can also influence the relationship between independent variables and employees' controversies. To test this concern, a regression has been performed for each region, whose results have been included in table 3. The results show that there are differences by regions in the variables that have a significant incidence in employees' controversies. In British Isles, which pioneered the formalization of CSR, the existence of guidelines is negatively associated to the volume of employees' controversies. However, Northern Europe employees value the institutionalized performance through foundations and the presence of women on the board. In Continental Europe firms, employees' controversies is only associated to foundations. Finally, Mediterranean countries, whose CSR disclosure has been widely accepted (mainly GRI guide), the volume of employees' controversies is negatively associated to the existence of guidelines. There are differences among countries due to traditions, culture or institutional reasons (Albareda et al., 2007; Maon et al., 2017).

Following to Howell (2010: 213), we have calculated the *t* test for two independent samples to verify whether the differences between betas coefficients in the regressions by regions are significant. The table

4 shows the results. There are significant differences in the effect on employees' controversies between British Isles and Northern Europe regarding the existence guidelines and the type of industry; and between northern Europe and the Mediterranean region in guidelines and cash donation. The effect of independent variables on the dependent variable is statistically significant or not depending on the region where firm operates.

Table 4. Results of the differences of betas coefficients in the regressions by regions (t test for two independent samples)

	British-Northern	British-Continental	British-Mediterranean	Northern-Continental	Northern-Mediterranean	Continental-Mediterranean
Guidelines	-2,181	-1,618	-0,387	-1,018	2,071	1,477
Foundation	1,289	0,726	0,107	0,928	-1,638	-0,923
Cash Donation	1,692	1,154	0,019	0,456	-2,011	-1,246
Board diversity	-0,007	-0,986	-0,758	1,332	-1,112	0,194
CSR Oversight	0,458	0,853	0,390	-0,434	-0,083	-0,623
Industry	2,214	1,216	1,082	1,333	-1,349	-0,062

The shaded cells indicate significant differences at 5%.

6. CONCLUSIONS

The results of this paper have various implications, from theoretical and managerial perspectives. In the first of these respects, our findings support the stakeholder theory as an adequate framework with which to study the incorporation of corporate philanthropy into the core of a business. The results show that corporate philanthropy is totally integrated into the management and organisational structure of the firm and presents a formalised strategy. In addition, the results reflect a stakeholder identity orientation of the firm and a collectivist orientation of organisational identity (Brickson, 2005) because the philanthropic activities of the firms are aimed at influencing the various agents involved in the company, among which are the employees. Systematic, planned philanthropy helps employees perceive the firm's corporate identity and specific values (Muller and Whiteman, 2016) and as a consequence can favour the identification between employees and the firm (Rim et al., 2016) and, in general, improve labour relations. This conclusion contributes to and corroborates social identity theory (Brammer et al., 2007), an area that has attracted little previous research attention.

From a managerial perspective, the study provides a much-needed intangible measurement of organisational success (Park et al., 2014), highlighting the incidence of different types of social commitment on the employees, by enhancing trust, identification with and attitudes towards the firm, which is relevant information for managers and owners. The existence of a well-defined social corporate identity improves the relationship with employees (Bingham et al., 2011). Therefore, an important implication of this study is the need to take into account in the management of philanthropy the importance of good communication with the employees, so that they perceive the actions performed in this respect, both by the company itself and by external agents.

This paper, moreover, provides a holistic view of how the adoption of a given strategy may affect principal stakeholders other than those directly targeted by the action. The results show that philanthropic strategies help to increase the commitment of stakeholders and improve their attitudes. Thus, another managerial implication of the study is the necessity for firms to have guidelines and a clear programme of corporate philanthropy. The results obtained show that examination of the impact on labour disputes and incidents is a good measure of the effectiveness of philanthropic strategies (Rowe et al., 2014).

When philanthropy is integrated into business strategy, this can lead to the creation of internal and external organisational structures for the governance and oversight of philanthropic practice. Thus, philanthropic actions can be systematised and planned, appropriate guidelines established, and relations determined among different philanthropic practices. If this is done, the possibility of personal or discretionary actions is reduced (Brickson, 2005). The philanthropy developed within the framework of corporate strategy affects not only the community at large but also other important stakeholders, which highlights the fact that both direct and indirect effects of the policies adopted must be taken into account. When an organisation expresses social commitment, this can enhance the overall context in which it operates (Tonello, 2011); the present study shows that this applies, in particular, to the labour environment. A final managerial implication is that firms that integrate and materialise social commitment through strategic corporate philanthropy benefit their internal and external contexts and, therefore, relationships with their stakeholders.

In relation to gender diversity on the board, the results show that an important role is played by women in the strategic orientation of companies, emphasising social commitment. Hence, their presence has a positive impact on the work climate. These results have implications for decisions taken regarding the composition of the board, showing that greater involvement of female members of the board contributes to improving the attitudes of employees.

The results obtained show that the industry is related to the work climate and that the region influences the determinants of the volume of employees' controversies. Depending on the region, there are differences in the way in which the independent variables (guidelines, foundation, cash donation and board diversity) affect or not the volume of employees' controversies. It can be said that the employees' controversies are framed within an institutional, cultural or traditions context.

This study presents some limitations. On the other hand, acknowledging and identifying these limitations suggests interesting areas for future research. First, we focus on observations collected in a single year, which limits the generalization of the results obtained. Secondly, our analysis is focused on the effect of corporate philanthropy and corporate governance mechanisms on the attitudes of employees; however, there may be other variables, such as direct social measures for employees, which could be more explanatory. Such variables were not included in the present model as our study aim was exclusively to determine the effects of philanthropic strategies. In addition, further work is needed regarding non-financial indicators, which provide a more complete vision of aspects that affect the work climate, and to analyse the effects of corporate strategies on philanthropy on key stakeholders other than employees.

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Table

Table 1. Characteristics of the firms in the sample (N= 232 firms)

	N	%	Description
Sector			
Low-impact	68	29.3%	Biotechnology, financial services, telecommunications, trade and business services
Medium/low-impact	11	4.8%	Consumer service
Medium-Impact	52	22.4%	Machinery, equipment manufacturing, retail trade, and energy and real estate services
High/medium-impact	48	20.7%	Energy group, including power generation and distribution companies
High-Impact	53	22.8%	Agriculture, mining and extraction, construction and real estate, transportation and logistics
Regions			
Northern Europe	61	26.3%	Denmark, Finland, Netherlands, Norway, Sweden
British Isles	59	25.4 %	Ireland and United Kingdom
Continental Europe	68	29.3%	France, Germany, and Switzerland
Mediterranean region	44	19%	Greece, Italy, Portugal, Spain
Age			
< 10 years	16	6.9%	
10-20 years	73	31.5%	
21-50 years	49	21.1%	
>50 years	94	40.5%	
Size			Market cap. (year end, mln. USD). Mean: 25015.40 Standard Deviation: 35554.94
Quartile 1 (less than 4647)	58	25%	
Quartile 2 (from 4647 to10972)	58	25%	
Quartile 3 (from 1097 to 27835)	58	25%	
Quartile 4 (over 27835)	58	25%	

Table 2. Descriptive statistics and correlations

Variables	Mean	SD	1	2	3	4	5	6	7	8	9
1. Controversies	2.80	0.47	1								
2. Guidelines	0.65	0.26	-0.187**	1							
3. Foundation	0.63	0.98	-0.272**	0.350**	1						
4. Cash Donation	0.73	0.59	-0.087	0.361**	0.299**	1					
5. Board Diversity	1.46	1.03	-0.201**	0.226**	0.115	0.016	1				
6. CSR Oversight	0.73	0.43	-0.061	0.207**	0.120	0.230**	0.388**	1			
7. Industry	3.59	1.56	-0.137*	-0.030	-0.019	0.082	-0.207**	0.090	1		
8. British Isles	0.25	0.44	-0.094	0.074	0.233**	0.010	0.064	0.042	-0.122	1	
9. Northern Europe	0.26	0.44	-0.053	0.014	-0.160*	0.071	-0.057	0.136*	-0.004	-0.349**	1
10. Continental Europe	0.29	0.46	0.062	-0.202**	-0.105	-0.201**	0.113	-0.140*	0.125	-0.376**	-0.385**

*p< 0.05; **p<0.01

Table 3. Regression coefficients for employee-related disputes or incidents

Independent and control variables	All	British Isles	Northern Europe	Continental Europe	Mediterranean region
Intercept	3.410** (29.271)	3.258** (13.501)	3.333** (16.538)	3.294** (22.432)	3.388** (19.122)
Guidelines	- 0.300* (-2.434)	- 0.722* (-2.312)	0.157 (0.599)	- 0.160 (-0.878)	- 0.568** (-2.814)
Foundation	- 0.248** (-3.894)	- 0.101 (-0.501)	- 0.409** (-3.064)	- 0.257* (-2.583)	- 0.127 (-1.488)
Cash Donation	-0.023 (-0.436)	0.080 (0.609)	- 0.212 (-1.867)	-0.133 (-1.024)	0.077 (1.210)
Board diversity	-0.192** (-2.630)	-0.320 (-1.324)	-0.318* (-2.087)	-0.070 (-0.611)	-0.101 (-1.051)
CSR Oversight	0.056 (0.746)	0.194 (0.831)	0.067 (0.423)	- 0.014 (-0.127)	-0.084 (0.798)
Industry	-0.174** (-2.850)	0.029 (0.195)	-0.393** (-3.262)	-0.186 (-1.827)	-0.177 (-1.931)
British Isles	-0.128 (-1.467)				
Northern Europe	-0.188* (-2.186)				
Continental Europe	-0.072 (-0.814)				
R Square	0.207	0.231	0.373	0.251	0.285
F-Statistic	6.430	2.602	5.357	3.402	2.463
Probability	0.000	0.028	0.000	0.006	0.042
N	232	59	61	68	44

Non-standardised coefficients are reported with t values in parentheses. *p< 0.05; **p<0.01

Table 4. Results of the differences of betas coefficients in the regressions by regions (t test for two independent samples)

	British-Northern	British-Continental	British-Mediterranean	Northern-Continental	Northern-Mediterranean	Continental-Mediterranean
Guidelines	-2,181	-1,618	-0,387	-1,018	2,071	1,477
Foundation	1,289	0,726	0,107	0,928	-1,638	-0,923
Cash Donation	1,692	1,154	0,019	0,456	-2,011	-1,246
Board diversity	-0,007	-0,986	-0,758	1,332	-1,112	0,194
CSR Oversight	0,458	0,853	0,390	-0,434	-0,083	-0,623
Industry	2,214	1,216	1,082	1,333	-1,349	-0,062

The shaded cells indicate significant differences at 5%.