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MASTER'S THESIS

**THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY (CSR)  
IN ORGANIZATIONAL TRUST AND JOB SATISFACTION IN  
PUBLIC SECTOR COMPANIES: THE CASE OF BH TELECOM**

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AMRA NIŠIĆ

## AUTHORSHIP STATEMENT

The undersigned Amra Nišić, a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), author of this written final work of studies with the title The role of Corporate Social Responsibility (CSR) in organizational trust and job satisfaction in public sector companies: The case of BH Telecom, prepared under supervision of prof dr. Selma Kadić-Maglajlić

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## INTRODUCTION

Corporate social responsibility (hereinafter: CSR) is an idea that explains how companies knowingly and voluntarily dedicate activities emanating from their primary activities of the profit increase and positively affect their working, social and natural environment. CSR is essentially an awareness of the new position and importance that companies have in the modern, global society and the responsibilities of the resulting benefits (Baker, 2004). The practice of CSR refers to the overall functioning of a company: what products to buy and sell, whether it is law-abiding, how it relates to employees, whether investing in the community and in any way contributing to environmental protection.

CSR is a form of corporate self-regulation that is integrated into a business model. Its policy works on the principle of a self-regulating mechanism monitoring the company and ensuring its activity in accordance with the law and ethical standards as well as with the international norms. The aim is making companies take responsibility for their actions and encouraging a positive impact that their activities have on the environment, consumers, employees, communities, shareholders, stakeholders in the business and all other members of the public.

It became clear that in the modern days the economic viability, in itself, is not in a sufficient condition for the overall, long-term sustainability of society. In this sense, CSR, particularly of companies in the public sector, is seen as one of the key solutions and activities contributing to the harmonization of relations between the spheres of the economy, as the main carrier of the development of society as a whole (Holme & Watts, 2000). Moreover, CSR practice brings many benefits to the company, such as reducing costs, raising reputation, improving organizational trust and employees' satisfaction, which is reflected in the financial performance of the company. Thus, the main actors of CSR are consumers, employees and the community in general (Delić, 2013).

In BH, the concept of CSR in the way it is defined today, was not known within the socialist system of social relations. However, companies from former socialist countries, especially public companies, have largely practiced activities that would today be called socially responsible (Čekrlija & Pavlović, 2012). During socialism, donations and sponsorships from public companies for sports clubs, cultural events, the disabled and children, were very common. This is especially true for so-called "city-enterprises" of that period who were the primary engine of growth of the local community, not only in economic terms, but also in social and environmental terms. Therefore, "city-enterprises" were investing in everything that was relevant to the community, from infrastructure to schools and hospitals.

When it comes to the BH companies, CSR is generally being understood as philanthropy, donations, well-defined strategy for employment or business within legal norms. Thus, for most BH companies the main motive of practicing CSR is an increase of positive corporate image and obtaining a better market position. They treat their social engagement as their own

public relations tool so it is not strange that every large BH company had at least some sort of philanthropic activities.). Delić (2013) in his study indicates that the majority of BH companies decide to fund projects related to some form of education, projects related to the development of the local community, health, infrastructure projects (construction), environmental projects and sports. For example, BH Telecom supports the so-called projects of national importance (BH Telecom, 2015). Unfortunately, a negligible number of companies are ready to invest in culture and art.

In general, lack of awareness of diverse benefits of the CSR activities is regarded as a major obstacle to greater CSR initiatives in BH (Čekrlja & Pavlović, 2012). The awareness of employees about the concept of CSR is even lower compared to the awareness of their companies in general. Indeed, the benefits of adopting CSR, can vary depending on the type of business, given the time or the environment of the market. Companies have significant benefits such as simplifying the management of human resources and strengthening the reputation and brand name (Holme & Watts, 2000).

However, BH companies still do not perceive CSR as a tool that could bring them the business benefits and help in achieving their primary goals. In general, basic motives are mostly: improving the company's reputation, increasing productivity, quality and sales, greater customer loyalty and employee motivation, acceptance in the local community and the competitiveness and market positioning (Atanacković, 2012). On the other side, there is, among the representatives of the business sector, awareness of the existence of obstacles and risks with the introduction of the concept of CSR, and these are the most common ones: increase of costs and inadequate legal framework in the country (Delić, 2013). Although majority of the CSR activities are focused on external environment, they actually should have a great impact on the behavior of employees in the way of their organizational trust and job satisfaction (Shockley-Zalabak, Ellis & Winograd, 2000).

Organizational trust can be used in several different contexts, which imply mutual organizational trust or mutual trust between the two companies. In addition, organizational trust can also be used through relationship between employees and superiors, or from other employees and leaders (Dirks & Ferrin, 2002). On the other hand, some scholars believe that job satisfaction is referred to whether or not individuals like the job or individual aspects of the job, such as the nature of work or supervision (Bauman & Skitka, 2012). Job satisfaction appears as a term that shows impact on the job satisfaction, which is related to feelings or cognitive elements (Saeed, Waseem, Sikander & Rizwan, 2014). Therefore, the focus of this thesis is to examine the role of CSR in organizational trust and job satisfaction in public sector companies.

Some empirical studies (Lee & Park, 2013; Valentine & Fleischman, 2008) show how CSR positively affects the job satisfaction and organizational trust in company. Previous research is mostly focused on private companies, where scholars (Lee, Kim & Li, 2012) conclude that CSR has the capability to induce positive attitudes of employees, which results in

performance improvement. The results indicate that companies should consider employees' perception of CSR because it will positively effect on their attitudes and feelings regarding attachment to the company and on long-term performance. Therefore, general opinion is that CSR initiatives should be incorporated in business strategies, since the orgsnization's CSR activities positively affect the attitudes of employees.

The purpose of this thesis is to examine prior mentioned findings on the function of CSR in job satisfaction and organizational trust in public sector companies. For this purpose, research study will be conducted in a single public sector company in BH - BH Telecom. The primary objectives of this thesis are as follows:

- to present a comprehensive review of the concept, scope and the characteristics of implementation process of CSR activities;
- to explain and critically examine differences between CSR activities in public sector as well as in private sector companies;
- to determine how implementation of CSR activities can affect organizational trust of employees on the case of BH Telecom;
- to determine how implementation of CSR activities can affect job satisfaction of employees on the case of BH Telecom.

The importance of research of CSR of the BH Telecom company is reflected in a fact that BH Telecom has a leading role in the BH market when it comes to fundraising events, sponsorships, donations, education programs and partnerships with communities in country. If proved that CSR activities of BH Telecom besides contributing to local community has some internal employees related contributes as well, this can be used as motivator of other local companies on CSR adoption and implementation. Further, based on extensive literature review thesis will offer ideas how exactly the implementation of CSR can affect organizational trust and job satisfaction of employees, while quantitative research we will determine if that is present in the case of BH Telecom.

Perceptions of employees on CSR in BH Telecom in BH will be used to assess the benefits of the CSR in terms of their job satisfaction and organizational commitment. This research will examine and point out importance of CSR in terms of satisfaction and commitment of employees in the workplace. This will give direction for future efforts regarding CSR development and its usage internally within the firm.

In addition, findings of the research might be useful for deciding about improvements in the CSR procedures of BH Telecom to advance employees satisfaction. Research results might serve as well, as a source of information and ideas for educating other employers on this topic. Educational institutions will be able to use the results of this research for educating students in this field and as an incentive for future studies in the direction of deepening the findings made by this research.

In this thesis first chapter presents a literature review about CSR, where the section 1.1 will introduce concepts of CSR. Chapter 1.2 describes dimensions of CSR and 1.3 provide types of the social responsibility of the business system. The section 1.4 will introduce benefits of implementing CSR in company. Review of the empirical studies about relationship that CSR has with the organizational trust and CSR and job satisfaction will be provided in second chapter. The third chapter will be presenting a CSR concept in world and BH, where 3.1 section introduce us into CSR in today's business environment and 3.2 section introduce CSR in BH. Chapter four will provide hypothesis development. Chapter 5.1 will describe research methodology respectively research context, data sources, and measurements. Section 5.2 will provide analysis and findings where will be showed reliability assessment and hypothesis testing. Finally, last chapter will provide summary of all work, where will be presented implications of this research and limitations.

## **1 CONCEPT OF THE CSR**

### **1.1 Development of the concept of the CSR**

CSR is long-term, marketing and business orientation that goes beyond what the law prescribes. It includes the idea which states that is better to replace the reactive approach to social problems with the proactive one, and also to voluntary and preventive activities, in order to not spend limited resources on removing the consequences of the illegal and unethical management (Glavočević & Peša – Radman, 2013). Today companies around the world have strategies for CSR as their response to social and economic and social pressures. Companies through their expressions of CSR as well as volunteering based on statutory regulations standards strive to increase social development, respect for human rights and environmental protection (Bowen, 1953).

The stated good and transparent business results in sustainability and concept of the CSR of the company is not theoretically univocal. There are many definitions of the CSR, whose meaning is being changed through history, influenced by the development of the society. Bowen (1953), who offered one of the first definitions of this concept, is considered as a father of the term CSR. Bowen's (1953) definition of the CSR is: „CSR is a duty of the business people to chase such business policies, to make decisions and follow guidelines that are wanted in terms of achieving goals and values of our society.“ According to Skitan (2012), we can find four dimensions of the CSR that are including economic, legal, ethical and voluntary elements. Also, the most common problems in the field of CSR are relations with owners and shareholders (use of proper accounting procedures, providing all relevant information about the current and future operating of the company and the protection of rights and investments of owners), problems in relations with employees (flexible working hours, day-care centers, safe work place, providing equal rights to all employees), problems in relations with consumers (consumers expect companies to provide them appropriate and



safe products and to take care of their rights), environmental rights (consumers are increasingly interested in how companies take care of environment – recycling, drug testing etc.), and problems in relations with the community (donations to charitable companies).

The concept of the CSR, according to Howard (1953), is a duty that each company should implement, in accordance with the values that society advocates. The importance and the necessity of the some kind of the social revision of the operating stood out in the early 60s in last century. Revision that is in accordance with the standards of the social responsibility could provide lidars with the qualitative information's as new elements for the more efficiently decision-making, and at the same time, to provide stakeholders with the platform for making impact on the operating of companies (Howard, 1953).

A theoretical work that is especially related to the CSR is the work of Novak (2008) through which he developed the triple model for classification of the corporate behavior known as „the Corporate Social Performance“. Three types of the corporate behavior are based on:

- social duty (response to the legal and market restrictions);
- social responsibility (related to the harmonization of the performances of the company with the social expectations, values and normative);
- social sensibility (anticipatory and preventive adaptation of performances of the company to the social needs).

Within each company it is very important that the whole activity is directed towards the development of CSR, all in order to be able to work on certain problems that occur within the society (Howard, 1953). In order to precise the aspects of the CSR Carroll (1991) suggested the Pyramid of the CSR (Figure 1).

*Figure 1. Pyramid of the CSR*



Source: A. Carroll, *The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders*, 1991, p. 42.

In order to contribute the development of their community, regardless of their size, companies should be profitable, which shows an increase in yields, growth of the profit and company, growth in the market share and winning a best strategic position based on the different advantages. Second, following Carroll (1991) companies have to adhere to law, prescribed by the State in which they are operating. Ethical responsibility is related to the voluntary harmonization of its operating with the moral and ethical normative of the society and the community, in which the company operates. At the top of the pyramid is a philanthropic responsibility, which include the discretionary elements of donations and different society elements. Only philanthropic activities that create values for users and, at the same time, improving the operating of the company, and can be longterm sustainable.

It is important for the company to understand and adopt this pyramid or augmentation all listed in its own business. Time can count on long-term success through high reputation, good quotation on exchange, and therefore greater profitability. The presumption of CSR should be integrated into normal business practice instead of being left alone discretionary activities.

Ansof (1979) states that the company's activity should relate to the environment through which it operates and the general business activity. Every company needs this kind of action, as it has an impact on the advancement of social legitimacy. These ideas have influenced the forming of the attitudes of stakeholders of contemporary companies towards its strategic management. Theory of the ownership shareholding of companies claims that the aim of the company is to increase the benefit of the ownership shareholders with the subordination of some moral and social constrains, either because such increase leads to the greater good or because of property rights (Ansof, 1979).

According to Pavić-Rogošić (2010) CSR includes the awareness that the business activities, generally have a great impact on the society. World Business Council for Sustainable Development (2013), says that CSR is following: „commitment of the company on the contribution to the sustainable economic development through the cooperation with employees, their families, local community and the society in global, with the aim to improve the quality of their life.“ In the guidelines for the policy of the CSR from 2003, European Commission defines CSR as following „concept according to which the company voluntary integrates the care about the social issues and the protection of the environment into its business activities and relations with stakeholders“ (owners, shareholders, employees, customers, suppliers, government and the wider public).

To summarize, CSR is an idea in which companies integrate the social and environmental care in their business, all on a voluntary basis. Significant orientation of business entities towards the socially responsible company stood out in the mid-twentieth century, when the interest of the economy for the society increased. Social responsibility is need for fulfilling obligations and generally fulfilling needs of society. According to Aras and Crowhter (2012) investing in technologies that are not harmful for environment can contribute to the competitiveness of the company. By implementing elements of the CSR, large corporate

customers, directly or indirectly, impose frameworks that enable all participants of the business process the operating according to the principles of the socially responsible business entity. The concept and the practice of the CSR is related to the total range of its work. The total impact of the company on the society entirely determines how that society include, how it affects the environment, employs and trains its own employees, invest in the society and respect human and labor rights. Positive and proactive approach of the business sector in all these areas became an established practice in developed countries, primarily because it turned out that all involved in this practice, have benefits.

CSR should not be confused with charity, social actions or philanthropy, but all these elements are certainly part of the same, by them CSR includes: honesty towards employees, transparent and honest relationship between managers and shareholders and take into account the protection of health, safety and customer interest etc. The bit of CSR is not damaging the system, no violate moral rules, expect companies to be responsible in their actions the same as it is expected from individuals, and expect their actions to be accountable the environment in which they operate to be conscientious and in this way contribute to the sustainability of the society.

A set of values, activities and activities of the company of socially responsible business they are focused and formed towards a sustainable relationship with their employees and the community the society in which they operate. Companies incorporating or embody socially responsible business operations, in some way, go beyond their scope, considering the broaderthe social frameworks in which they are doing, contemplating the upcoming and modern times social problems at micro and macro level. This makes the company a significant addition a value that is distinguished from other subjects within its scope. CSR is a partial response to the entire offer that is needed to maintain market competitiveness, the company's responsive way of doing business sends clear symbolic messages.

Companies can benefit from operating in accordance with the principles of the CSR and it is possible to harmonize them with the business efficiency and competitiveness because CSR can help the company to improve its sales and operating, to develop human potentials and to build trust in the company in total. According to UNDP and Guideline for CSR (2014) there are seven areas of the CRS:

- basic principles;
- mission and values;
- human resources;
- human rights;
- market;
- environment;
- community.

These are areas in which each company could benefit. Each of these areas are not related to all companies equally, because some areas are less important for small service company than for the large multinational company, It is important to identify ways in which the position of the company could be improved or weakened. CSR is also positive and useful in terms of care for society and environment, and is also useful for the business. In order for companies to be successful in those activities, communication by which they transfer knowledge and practices form the field of CSR is very important.

Around the world, according to UNDP (2014) companies' practice of the CSR (56%) has a greater impact on the impression of the individual companies than the quality/ reputation of the market brands (40%) or their basic indicators of the business (34%). Companies have to attract the best people and once they do it, they have to keep them. Social responsibility can be an important factor here because many people want to work for responsible companies. That was confirmed by researches of the Hrnjić (2009), which systematically showed that many people believe that the company which supports the community is considered as a desirable employer. Benefits are not limited just on attracting the best talents, but the social responsibility helps companies to keep and develop the employees' potential and to increase their efficiency.

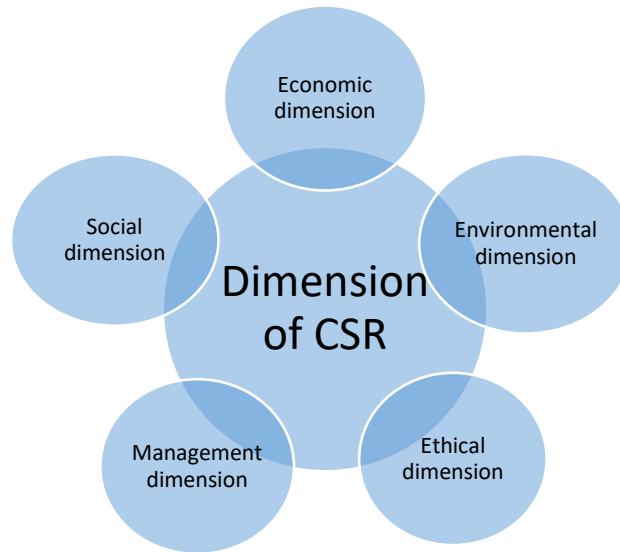
According to Glavočević and Peša – Radman, (2013) communication focused on the customers, informing them about the steps company is taking for the benefits of the society in which it operates, is very important part of a planned and specific approach to CSR. Company can present those activities in different ways. This primarily depends on who the company wants to address, because there are significant differences between all stakeholders that company includes. Reports created and accepted by the company are providing informations to external stakeholders about the social responsible activities in which the company invests. These reports are used to suit all government agencies, as well as financial institutions and customers to a lesser extent.

## **1.2 Dimensions of the CSR**

According to Carroll (1999) in practice it is possible to find a few basic dimensions that have a major impact on CSR. The author states that it is possible to find five different dimensions, which include the following dimensions:

- economic dimension;
- social dimension;
- environmental dimension;
- ethical dimension;
- management dimension.

Figure 2. Dimensions of CSR



Source: A. Carroll, *Corporate social responsibility: evolution of a definitional construct*, 1999, p. 284

It is important for the company to understand and adopt this dimensions or augmentation all listed in its own business. Time can count on long-term success through high reputation, good quotation on exchange, and therefore greater profitability. The presumption of CSR should be integrated into normal business practice instead of being left alone discretionary activities. Significant orientation of business entities towards the socially responsible company stood out in the mid-twentieth century, when the interest of the economy for the society increased Carroll (1999).

### 1.2.1 Economic dimension

According to Fitzgibbons (2009) economic responsibility of the company arises from the legally regulated definition of the company which says that the basic function of the companies is the conduction of business activities and the long-term increase in the value of invested funds, and on that way, justifying the confidence of shareholders. The only way for shareholders to achieve the desired refund of their investments is the profitability as the most important and the main goal of the management. The fact is that companies, by carrying out their tasks of making profit, led to the creation of strong companies that do not serve the interests of the society and environment.

Because of that, the profitability, as the main goal of the company, is nowadays considered as a negative business strategy, which is not right, because the profitability itself is the main precondition the company has to meet in order to carry out activities of the interest of all shareholders. In order to define and measure the improvement in reaching goals of the company, KPIs are of a great help. When the company is analyzing its mission and defining its goals, then it needs to find a way in which it will measure the improvement towards those goals. The KPIs are measurements, that are showing all the critical elements of the success in

the company. They often do differ from company to company. Whatever the selected key indicators are, they have to reflect goals of the company and have to be measurable. For the establishment of the KPIs, the long-term analyzing is usually needed, it is necessary to describe what they are and how they are measured. Goals for some KPIs can be modified as the company's goals are changed (Reh, 2014).

According to Reh (2014), the proper measurement of the process of sustainability and its integration in the corporate reporting can be achieved by focusing on KPI. Companies have to look at their specific circumstances and needs in order to decide on the appropriate KPI. The key for creating of the financial KPIs is to offer stakeholders enough measures for the evaluation of the sustainable business implementation. Reh (2014) also claims, that the important economic KPIs are consisted of the conventional financial information and non-financial information shown in the financial reports and the Management discussion and analysis.

Companies certainly are motivated by profit, but it is clear that only the business world in cooperation with the community can work together for the benefit of the society and environment. In this context, to make a profit, companies are now facing not only profit, but also consumers, investors and other internal and external stakeholders. Because of that, companies are aware that their survival on today's market depends on sacrificing the shortterm profits for the sake of positive effects in the future, which implies meeting the needs of stakeholders, not just the need for profit.

From the long-term point of view, opening of day care centers in the company will have a positive impact on the profitability, because employees will be less worried during the working hours, they will be loyal to the company etc. Economic responsibility, carried to its extreme point, is called the profit maximizing view which is advocated by the economist and Nobel Prize winner Milton Friedman. That point of view shows that the company should operate on the profit oriented base with the only mission of the profit increase as long as it follows the game rules.

Operations of companies are regulated by laws. The legal responsibility of the company represents the expectation that the company meets its economic goals within legal frameworks. All segments of the operations of the company, among which is the social operations of the company, must be carried out in accordance with the adopted laws and public policies which are the guiding principle in their work. Thanks to them, companies know which social issues have to be solved, and which of them are priorities. The law is the same for all companies, it orders them the equal social standards such as one related to the disposal of the hazardous waste. Disposal of such waste inappropriately will be sanctioned. All modern societies are based on rules, laws and regulations which companies have to follow (Reh, 2014).

### **1.2.2 Social dimension**

According to Brockett (2012) Social dimension of CSR includes the improvement of the reputation, brand quality, employee satisfaction, crisis management, environmental protection and the philanthropic activities. Emphasis is placed on the final result and its impact, reporting the social performances includes the analysis of declared goals of the institution, effectiveness of the system and services in meeting those goals, and the impact on the positive changes in the lives of clients. Social activities can be measured through the contribution to the society, strategic partners, impact on the local community, and through the time spent on volunteering. Proper measurement of the KPI related to the social responsibility of CSR enables companies to effectively report their social performance and meet their social obligations.

Brockett (2012) says that often using KPIs include the construction of the responsible network, corporate diversity, supporting community, social impact and some common examples are the percent of employees who consider that they are operating responsibly, number of permanent employees devoted to social projects, amount of funds collected per employee for non-profit and humanitarian organisations. KPIs of the CSR are:

- access to the adequate health care;
- access to the education;
- showing social and ethical elements in company;
- promotes different possibilities;
- donations and other social expenditures;
- structure of employees by the level of education, age, nationality and gender;
- satisfaction of employees, competence and commitment;
- political freedom and promoting human rights;
- training and internal education.

### **1.2.3 Environmental dimension**

The general approach to KPI of the environmental protection is to identify the relevant factors that could influence the design of initiatives and programs of the environmental protection. According to Brocket (2012) examples of the relevant environmental factors and measures include:

- effective use of scarce natural resources, including the consumption of energy and materials;
- continuous monitoring and replacement, where possible, of the nonrenewable resources by technological developments in mining of renewable and non-renewable natural resources;
- permanent and progressive use of technology that produces less waste;

- effective use of recycled materials;
- production of the environmental safe products;
- minimizing the use of environmental harmful materials and products;
- environmental protection and prevention of negative impacts on ecosystems;
- resolution of disputes, legal proceedings and receivables;
- providing compensation claims for negligence or improper use, disposal or transport of hazardous substances;
- profitability of the environmental protection and cost accounting.

#### **1.2.4 Ethical dimension**

According to Trcol (2001), ethical responsibility is consisted of procedures that are not necessarily codified in the law and do not necessarily serve the economic interests of the company directly. Ethical responsibility of the company is inevitable for activities that are expected by the society but are not defined by the legal regulations. In order to be an ethical decision-maker, the company must work honestly and fair, respecting the rights of individuals, and ensure the various treatments of individuals only when it is important for the goals and tasks of the company. Unethical behavior exists when decisions enable an individual or the company to work to the detriment of the society. Moral responsibility of the company is related to the individuals who are its employees and stakeholders. Some authors claim that the company can only economically responsible, that morally and legally responsible ones are humans, and that companies are here to make profit, social reforms, welfare and so are solely government's concern.

Ethical KPIs enable company to show how they are going with their ethical implicatons. KPI can be great tool for the evaluation of the harmonization of company with its internally set codes of the ethical behavior and all regulations, as well as the best practices. Good use of KPI enables company to implement its ethical elements and to make tools for measuring the effects. KPIs of the ethical dimension are:

- donations;
- creating social and ethical elements;
- promoting possibilities;
- good salaries and activities for employees;
- education for employees;
- diversity of employees based on demographical elements;
- all procedures of hiring and firing;
- productivity of employees;
- satisfaction, commitment and expertise of employees;
- satisfaction, retention and loyalty of customers;
- fair competition;



- true advertising;
- fair suppliers, contractual relations and negotiations;
- satisfaction, retention and loyalty of suppliers;
- political activities.

Vision of the company must be based in accordance with its fundamental elements of integrity, honesty, transparency, loyalty, mutual respect, tolerance, acceptance, caring and compassion. These are not the only values that should determine the business culture, but are key for the sustainability of the organization. Values are the embodiment of what the company represents and in that way leads its members. Corporate ethical codes are often considered as an attempt to encourage good relations with the public, or to minimize the legal responsibility (Hrnjić, 2009).

### **1.2.5 Management dimension**

Brocket (2012) thinks that discretionary responsibility makes the top of the pyramid and is characterized by the voluntarism and is led by the desires of the company to make social contributions without commitments related to the economy, law or ethics. Discretionary activities include the generous philanthropic contribution that does not promise a refund on investments, and it is not expected. There are many examples of such philanthropic activities of companies such as: sponsoring the sports events and exhibitions, donations for building houses for poor, investment in the education of young people and elderly, volunteering of employees etc. Discretionary responsibility is the highest measure of the social responsibility because it exceeds the expectations of the society for the contribution to the community. Companies perform activities such as charitable donations and donations to cultural institutions at their own discretion.

## **1.3 Pillars of social responsibility**

Each company, when joining the CSR, selects the areas that are primary, so some companies place an emphasis on environmental protection, while other companies prioritize respect for human rights. It all depends on the business being carried out by the company and its goals that are specified in company strategies for the future period. It is important to emphasize that there are basic areas of CSR that have great influence on the internal and external environment (Brocket, 2012).

The CSR theory states the following basic areas (Brocket, 2012):

- market behavior;
- attitude toward employees;
- attitude towards the environment;
- relationship with the local community and society as a whole.

Fundamental principles relate to business ethics, mission and value of the company. Business ethics is based on the universality of the values of all faiths and peoples, which also determines social standards, which include regulations, laws, and examples of good practice. For example BH laws do not yet prescribe criteria for special companies, because the standards are actually both governmental and business and non-profit sectors. In companies that apply CSR there are elaborate programs. The mission and goals of the company are essential because they derive from the activities, structures and roles of the economy. Goals should be agreed on the interests of the consumers of companies that have CSR (Kurtić, 2009).

If companies want to be successful they must include in their actions (Kurtić, 2009):

- dedicating and motivating people who continually develop their skills and knowledge;
- reinvesting into the future life according to their own values;
- partnerships with suppliers;
- relationship with the local community and society as a whole;
- making money;
- satisfying consumer needs;
- anticipating expectations and building trust;
- a flexible culture of innovation and management;
- positive influence on society and environment.

Employees spend at least half of their day at their random location, and are upgrading and providing the chances of gaining work experience, thus increasing the flexibility and contribution that each employee is individually employed. All businesses should be able to provide lifelong learning. Learning, as well as quality work and a safe working environment with an emphasis on business and business balance and private life.

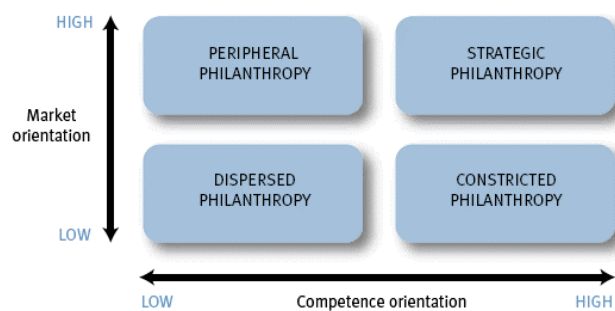
Companies that have CSR respect their suppliers as well stability. Companies use different natural resources in their work, and thus have a direct impact on environment. Use of the environment should be purposeful and controlled, because certain resources are being made should be left to future generations as well. Companies reduce the impact on the environment by doing so reduce the release of harmful substances and carefully plan the exploitation of more expensive and non-renewable energy sources. Products can also be obtained by paying more attention to environmental protection to encourage all participants to be more rationally related to the environment (Reh, 2014). Companies leave a great impact and play a major role in the social community and positive impact reflect on employment and payment of taxes, so that the business and community relationship is of good quality (Kurtić, 2009).

## 1.4 Types of corporate philanthropy

Since companies have come to the conclusion that social issues constitute a significant portion of their business, they have recently begun taking steps towards increasing their level of corporate philanthropy. This very important part of business operations nowadays leads companies to place a greater emphasis on charitable activities in order to improve both the relations with their consumers and their public image. This is important in both economic and ethical terms. There is no overarching strategy in terms of corporate responsibility. However, it is equally important to consider both ethical and practical implications of corporate philanthropy. A good idea may create actual value for the beneficiaries, while a poorly implemented one may actually run an initiative into the ground.

Bruch and Walter (2005) indicate that corporate philanthropy activities rely on market orientation and competence orientation. Since there is no umbrella approach towards this field, the corporate approach to this matter remains superficial at best.

Figure 3. Types of corporate philanthropy



Source: H. Burch & F. Walter, *The keys to Rethinking Corporate Philanthropy*, 2005, p. 51.

Certain companies choose to not rely on their employees' interests in conducting corporate philanthropy, but rather allow themselves and their initiatives to be driven by external stakeholders, arguably to capture a larger market share.

Those who become supportive of the market-oriented approach in terms of business philanthropy place the expectations of their stakeholders at the forefront. This approach, as questionable as it may be, has a potential of achieving great results. Since such an approach is typically aimed at satisfying the needs of a particular beneficiary, it also meets burning needs.

On the other hand, some companies choose to use the competence-oriented approach and focus on internal demands. This means using the company's skills, assets, manpower, etc. in order to best implement a given activity at a given time. An example of such an initiative would be a project implemented free of charge. In this scenario, the external stakeholders have a limited role in dictating a company's approach to corporate responsibility. Instead, it is the company which chooses which initiative it will support, in line with company's values

and other concerns. Some companies approach this field in a strategic manner, while others do not. There are four main approaches to corporate responsibility: peripheral philanthropy, constricted philanthropy, dispersed philanthropy, and strategic philanthropy. The last approach relies on a combination of both external and internal factors, and best matches the needs of various stakeholders with the skills of the given company.

#### **1.4.1 Peripheral Philanthropy**

Herein the initiatives are mainly fueled by external requests and stakeholders. This model tends to use corporate philanthropy as means of bettering the company's position in the market. That is why companies are able to enjoy the physical financial returns of their improved reputation. These activities, which might be labeled as superficial by some, tend not to use the entire strategic toolkit of the company. Instead, the short-term and a rather pragmatic goal of the company might lead to the consumers and the general public to perceive this form of philanthropy as disingenuous. This process is likely to lead to the company being perceived as not having any particular values it cares about and wants to steward. This approach is merely a short-term one.

#### **1.4.2 Constricted Philanthropy**

This approach tends to be more strategic in nature. It combines the company's assets, human resources, and unifies them towards a single goal. This approach might even be described as a transformative one, since this approach implies that there is a potential for change for the company – be it internal or external. These kinds of initiatives have a potential to transform both the image and culture of a company, employees' mindsets, etc. There is one significant criticism of this approach, however – that it is too inwardly oriented. In this case, the company tends to use its own resources to focus on a narrow field dictated by the field of work, using own products, solutions, etc. The need to address a critical issue in a community is therefore left unaddressed.

This approach is useful simply if another approach would not be useful in a given set of circumstances. Since it does not address the needs of the community in a strategic manner, the competitive factor can be characterized as limited.

#### **1.4.3 Dispersed Philanthropy**

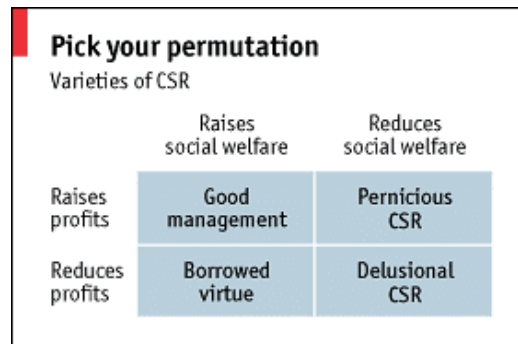
This approach can be characterized as a mish-mash approach. To be more precise, this approach implies that the company's resources are so thinly spread out, without much or any strategic guidance, that the final results remain ambiguous at best. Decision-making within the company on redirecting resources is on an ad hoc basis. This approach is a rather inefficient one since the project portfolio is not using the company's central resources, and since it is acting on so many initiatives at once. As is the case with several other approaches, there is also almost no strategic planning herein.

### 1.4.4 Strategic Philanthropy

This final approach is the most efficient one for a variety of reasons. First of all, the company is able to use its strategic resources in every field to effectively coordinate an initiative which is both close to the company's core values and is meaningful for the beneficiaries. This approach, to a large degree, is able to avoid any fear of the initiative coming off as superficial or shallow. Furthermore, the synergies created in this process create added value, since a truly strategic approach to corporate philanthropy will undoubtedly reflect on the market standing of the company, allowing it to reap the positive benefits of such initiatives. The employees, for their own part, are also likely to increase their own level of corporate loyalty, bringing the company yet again concrete benefits.

### 1.5 Varieties of CSR

Figure 4. Varieties of CSR



Source: C. Cook, *A survey of Corporate Social Responsibility*, 2005, p. 4.

There are two opposing views on CSR. According to one, companies must utilize their resources for the benefit of the society. The other side of the spectrum, led by Milton Friedman, postulates that CSR is simply a business strategy like any other, intended to create profits. One might even argue that this is a “the ends justify the means” approach. The greatest debate revolves around whether the company should consolidate and use its resources for the greater/social good or simply to increase brand awareness. Michael Porter argues that the corporations may strategically consolidate their resources and increase their long-term business prospects. This theory makes more sense in the contemporary business context, whereby large corporations and CSR cannot be separated. This approach is also a strategic one, since it understands that the long-term stability of doing business is also largely dependent on being part of the community, being perceived as a stable partner, and giving back to the community. The changing market preferences are a clear driver of such a process.

The effect of such initiatives may vary greatly. However, it is important to keep in mind that no CSR should ever serve to replace an essential social service provided by the government. To that end, companies must always insist on having a proper legal infrastructure to pursue their goals. In an extreme scenario, CSR can even be seen as a way of being granted an entry into a market.

A successful CSR initiative is usually good at both. Just by operating a profitable company, they are also doing public good. In a sense, even good corporate relations, employee satisfaction, etc. can be considered a CSR initiative, since it leads to a greater overall community cohesion. However, local NGOs and non-profits typically remain unimpressed at this, since it is seen as an integral part of company operations, with (what they perceive) no added value to the external community. Criteria of a successful company nowadays often rely on having good social standing with the community, represented by not only local employees, but also community-based organizations and citizen's associations.

Many managers would not completely disregard the business side of CSR. Taking part in a public activity, through any channel, is likely to bring in free advertising. In terms of finances, there is an interesting twist. Since giving money to a local cause siphons the money away, it is ultimately transferred onto the expense of the firm's owners. The concept of corporate philanthropy can also be labeled as borrowed virtue.

In terms of ethics, funding charitable causes out of budgets of publicly owned companies is another controversial issue. Shareholders might express disagreement on the way how money is spent, while others may have bought shares of the company precisely because of that factor. In the end, most CSRs can be labeled as incurring at least somewhat of a cost, if only overhead even. Without proper guidance, without a clear idea of an initiative, and without any kind of awareness of the issue at hand, the shareholders might not even think anything of the company. The entire structure might just automatically go through the motions of the whole process, not realizing really what the needs of the community are, or why they are important to begin with. In extreme cases, even this lack of a clear vision can cause price shocks in the stock market.

Institutions such as the World Bank, UN, and others constantly point out the sustainable development component. This idea, which implies that conditions must be created and nurtured which would help a region achieve self-fueled development, has been shifting to the center of CSR, too. To that end, numerous companies have revised the ways in which they do business. These kinds of revisions range from ethical codes, fair trade codes, fair business codes, labor unions, minimum wages, lifelong learning, training courses within the company, etc. Essentially, the companies, as of recent, are attempting to create added value for both the company (increase brand/employee loyalty) and the community as such. An especially important part of this debate has been the issue of fair treatment of workers. There has been some debate as to how high exactly the bar should be set in terms of labor

conditions, but a consensus does exist that any advancement in working conditions is a long-term win-win situation for everyone. Certain sustainable development advocates, NGOs, and other stakeholders have been pointing out an argument that it is unfair, indeed ethically wrong, to hire people in developing nations on any terms inferior to those in the wealthy countries of origin of the companies. A consequence of this kind of a debate, or rather a fair labor movement, has been that several large companies have pulled out of places like Bangladesh or India. Ultimately, it can be concluded that corporate citizenship, i.e. corporate responsibility has already led to a significant shift in the market and investment. There appears to be a fine line between investments and fair labor conditions. Currently, the markets are in an adjustment process and it remains to be seen exactly how the situation will play out.

A good part of the development-oriented NGO community has been insisting that better labor conditions be put into practice, building on top of global best practices. FDI (foreign direct investment) has a capacity of uplifting entire developing nations from poverty, China being the best example. Although the working condition in MNC (multinational corporations) in a developing nation are not the same as in the parent company in the developed country, the working conditions are so much better across the board than the domestic labor offer that there is high competition for such jobs. However, if companies are shamed because of their practices, whichever these might be (some even call them “sweatshop practices”), it is possible companies would not invest at all, leaving the labor force in a state of perpetuated poverty. There is space for CSR and being a responsible employer. However, such a take on labor conditions should always be observed on a case-by-case basis, and not applied universally. To avoid this, one must always keep in mind that companies depend and rely on public view for their success. They therefore make constant strides to be perceived in a better light. On the flip side of the profitability and investment argument, if the companies do not give some concessions and improve working conditions, they would not be able to drive their profits at the levels they currently do in developing nations due to substantially lower labor and operational costs. There is a fine line which must be found.

Such a pressure on companies should be well-informed. It requires basic understanding of economics. There is a difference between the market responding in terms of economics (boycotting a product due to inferior quality if made abroad) and emotions (boycotting a product because of the fact it's made abroad). The first makes perfect economic sense, allowing the market to level off. The latter, however, is an emotion-driven decision. Such a scenario would not push a company to return to the parent state, but cancel the service provision altogether, affecting the market on non-market terms. Since economics is intrinsically impacted by public opinion, it is in the best interest of the company to advance CSR and attempt to alleviate at least that one factor of potential criticism. One might call this process a battle of ideas, quite like the doctrine of US Armed Forces to “win hearts and minds” overseas, and not only conduct military operations. All of this fits within capitalism

– both good and bad managers, good and bad PR, and well or poorly directed criticism of corporations abroad.

Pernicious CSR raises profits, but reduces social welfare. Such practices might even be considered by some as predatory. Is this entirely unethical? Paradoxically, not always. Managers, all other things remaining the same, are only tasked with increasing profit in the long run. To them, the main issue would be legality – are any laws broken, is the company compliant, etc. Any further considerations simply go beyond their job. If they have broken one of the clearly established ethical principles – if they had lied, engaged in bribery, coercion, etc. – then they must be held accountable. However, if they did not break any code of conduct or ethical rule, then they are technically correct to have acted against public interest. In monopolies, for example, such an approach is taken to the extreme. Monopolies, managers would argue, are good for the company because they both raise the profits of the company and the number of workers employed. If the law allows such behavior, there is no ethical concern behind allowing competition to flourish. In that sense, the company had not violated any rule by simply striving to control the market. This approach could be described in brief as “if it is not illegal, it is legal.” Lobbying to keep this kind of a status quo alive, from the standpoint of managers, is therefore perfectly fine, provided the company does not get involved in any coercive or corruptive behavior. To that end, advocating for protection against competition from abroad can be put in the bracket of protecting the company’s workers from losing their jobs. Although the society might view such practices with doubt and contempt, they are perfectly ethical. What appears to be a paradox underpins that companies ought not to replace the work done by governments, and vice versa. The relationship between these two stakeholders should always be given special attention in order to see if there is any suspicious behavior on either part of the equation. As cruel as it might sound, managers have a professional capacity to act and not be concerned with public good. Their competencies and lack of democratic credential give them the necessary breadth of action to maximize the firm’s profits. If they remain focused on that alone, they are already performing public good since they are helping the local labor and production market to develop. Governments are the guards of public good, not companies. Elected officials set regulatory goals, work on market externalities, mediate among interests, use the tax money for public good, and organize available resources. Business is business, and no one should apologize for the simple fact they do business.

## **1.6 Types of the social responsibility of the business system**

According to Kurtić (2009) there is an increase in the number of business entities which promote their strategy of the CSR, as an answer to various economic and social pressures. In that way, business entities want to send a message to various interested stakeholders, with whom they are in contact, such as: employees, investors, consumers, public sector and the civil society organizations. This is a way of investing in the future of the business entity.



Depending of the orientation of the company, whether it is understood by the economic entity whose aim is to make profit for owners or the business entity is a socio-economic entity with the aim of making economic and social contribution to the society, it is possible to distinguish two models of stockholders (Buble, 2009):

- stockholder model;
- stakeholder model.

Stockholder model (shareholders) has a starting point of thinking in the fact that the company is a private property and that its aim is the exclusively maximization of the profit and is considered as the classical economic model. Based on various interest groups, i.e. employees, customers or suppliers, social responsibility of companies is reflected the best in the market transactions (Buble, 2009). When it comes to the management, it achieves its CSR in the best way when it take care about the financial interests of the shareholders.

According to Buble (2009) stakeholders starts from the point that the company does not have only one goal and that it has to be useful for the entire society; it is also calls the socio-economic model. Basically, stakeholders are those groups on which the survival of the company depends, and they are shareholders, employees, customers and suppliers. The wider meaning is that it makes influence by its products, policies and work processes. For example, these are local societies, governmental organizations, trade associations, competitors, trade unions and the press (Buble, 2009).

One company is considered as a social responsible one if it takes care about the interests of various stakeholders. Such views on the social responsibility resulted with pros and cons of the CSR. According to Varney (2015) pros of the CSR are:

- The company is inevitable involved in the social issues. It is whether the art of the solution or the part of the problem. It can't be denied that it is partially responsible for social problems such as unemployment, inflation or environmental pollution.
- The company disposes with technical, financial and managerial resources, thanks to which it is able to cope with complex social problems. The private business sector can have a decisive role in solving the complex problems of the society and after all, without the support of the society, the company could not be able to create those resources.
- Better society means better environment for the company. The company is able to increase its long-term profitability by investing in the society.
- The social responsible operating of the company will prevent the governmental intervention. The government will force companies to do what they haven't done voluntary, such as the Government of the USA did with the law on equal rights in employment and the law on the control of the pollution.

## 1.7 Benefits of the implementation of the CSR business practice

Figure 5. Benefits of implementation CSR



Source: P. Kotler, *Modern marketing*, 2007, p. 147.

According to Kotler (2007) and based on the experiences of the international multinational companies, there are a lot of key benefits of investing in the CSR. One of the benefit is the increase in sales and market share, because consumers are more likely to buy brands that support the social objectives. In the other hand, CSR is showing the position of the company, because customers are showing more and more directions to the psychological and sociological aspects of the the brand, they exceed the question of functionality and rational benefits of products. Differentiation of brands of brands related to the competition can be achieved by the strategically designed social initiatives. Besides that, if customers and consumers perceive a company as an ethical and the social responsible one, it is more likely for them to be loyal to its brand.

Strengthening the possibilities for attracting, motivating and keeping employees is also benefit, because besides the height of the salary, description of the job and possibilities for the progression, employees evaluate the company based on culture, values and readiness to include in the socially useful initiatives. Reducing the operating costs according to the Kotler (2007) is main benefit, because companies that adopt ecological initiatives, whose aim is the waste reduction, re-usage of elements and to grow income from the nonrefundable aid and benefit, which they get as environmentally responsible companies.

Last advantage is the increase of the attractiveness for investors, because good image of brand can show the values of the company, because the market appreciates the companies

that are less included in all kinds of risks. Increased numbers of the mutual funds integrate the criteria of the CSR in their selective process, and also deny loans to companies that do not respect the certain environmental standards. An increasing number of joint funds have an impact on CSR processes and have an impact on the company's own borrowing if they have good social responsibility. Investors are generally decided to invest in companies that apply CSR, and therefore this segment has implications for the company through enabling capital increase.

## 1.8 Corporate Social Initiatives

Kotler and Lee (2005), outlined six social initiatives as the most important ongoing activities of company to take steps to support social goals and fulfill their CSR.

Figure 6. Corporate Social Initiatives



Source: P. Kotler & N. Lee, *Corporate social responsibility : doing the most good for your company and your cause*, 2005, p. 23.

**Cause Promotions:** Financial, in-kind contribution, or other means of supporting an awareness-raising social cause. A company may initiate an activity, act as a partner, or simply one of several sponsors.

Corporate promotion of social goals with the aim of developing a community awareness of an important social goal, or interest in it to raise funds and ensure it achieving this goal, or solving the social problem. This can be through founding a foundation companies and through various other initiatives that companies can take with the same goal. Kotler and Lee

(2005), states that cause promotion differ from other corporate social initiatives primarily because it puts emphasis on promotional strategies. They stress out next differences:

- This action differs from cause-related marketing by the fact that contributions and support are not related to the sale of a company's product.
- It differs from corporate philanthropy by the fact that the company is looking for something more than simple cash contributions.
- From social responsible business practices it differs in the focus of communication. It rather has external communication (with outside world) than internal communication, because the target group that they want to operate with is outside the company.

**Cause-Related Marketing:** This scenario is a relatively linear one. A company aims to increase sales of a particular product (not necessarily sub-par in terms of quality), decides to partner up with a charity organization, and advertise the product heavily as a socially responsible purchase. One of the key elements of these initiatives is their time-limited character.

**Corporate Social Marketing:** Similarly to the cause promotion, a company decides to support a public campaign in a given field (i.e. environmental protection, social services, public health and safety, etc.). Herein the company is not actually trying to sell anything; it is merely attempting to impact the public opinion for a cause it considers noble, charitable, and socially beneficial. It may implement a campaign independently; however, more often than not a company decides to partner up with a non-profit in the given field.

**Corporate Philanthropy:** Direct financial contributions to a charity/cause. This would be mainly in the form of cash transfers, financial grants. Corporate philanthropy has the longest tradition, and it needs to be distinguished from sponsorship because sponsorship is gained advertising controversy, and gifting is excluded. Behind the corporate philanthropy always stands an individual philanthropist and actor of action. For a great number of years this approach was the most common one, since it only implied setting aside a certain amount of money, without mobilizing other strategic resources.

A socially-useful work through which companies encourage their employees to volunteer during their work time (one day per month or by appointment by participating in some local activities).

**Community Volunteering:** There has recently been a rise in community volunteering organized either by the company, employees, or a third-party partner. These may be in the form of a mentorship or independent volunteering activities. In some scenarios, employees would receive additional paid days off as an incentive to be more corporate responsible.

Socially Responsible Business Practices: Adopting a broad set of rules, policies, and guidelines to better serve the needs of a given community. These may be organized individually or in partnerships with others.

It is important to note that the terminology sometimes overlaps. For example, corporate social marketing may be considered a subset of cause marketing, while cause promotions might be compared to cause marketing. On the other side, community volunteering is often serviced by community involvement, mentorships, various forms of partnerships, etc. For some, all of these are synonymous with Corporate Social Responsibility (CSR).

## **2 EMPIRICAL STUDIES ON THE INFLUENCE OF CSR**

### **2.1 CSR and organizational trust**

In modern society, importance of organizational trust is shown through large number empirical studies. In general, according to Hayek (2013) organizational trust can be defined as a positive expectation that the companies in which employees are employed, will do the right things through the right words, actions or decisions, and that these procedures will have a positive impact on stakeholders. Bartone (2014) showed that the relationship within the organizational trust and CSR is very powerful, but that problems arise in the implementation of positive relationships in company. The biggest problem in companies is the fact that the process of building relationships between management and employees is not focused on building organizational trust. Research of Kelly (2014) shows that organizational trust is not unconditional and boundless. According to this study, it is inevitable that there are certain restrictions imposed internal and external stakeholders, which can have a big effect on the perception and interpretation of organizational trust.

Research Fitzgibbons (2009) has shown that there is a clear link between CSR and organizational trust. Skitan (2012) found that that employees who work in companies that have a strong CSR, are generally happier and have greater confidence in the company. Skitan (2012) confirms that there is a clear correlation between organizational trust and CSR. Study showed that companies that do not have a culture of CSR have a very poor relationship with employees, and in these companies productivity is a lot smaller. Arah (2015) also conducted a study about the connection of organizational trust and application of CSR. Based on the conducted study, it was shown that the application of any type of CSR starts to build a stronger connections between stakeholders and company. Strengthening the organizational trust increases the productivity of the company but also enables good coordination and improve communication between employees and managers. Furthermore, it was clear that the companies that do not apply CSR that companies are more prone to changing employee. These results, the authors linked to a lack of organizational trust, because employees do not have confidence in a company that will do the right things, and therefore prefer to work for the other company who is based on CSR and can build a stronger connection. The same findings were confirmed through empirical research by Kamberović (2011). Another

important study that confirms the link between CSR and organizational trust is research from Smith (2014), which showed that employees in companies that pay attention to CSR have greater organizational trust in company. Relationship between employees of the company and companies with greater CSR are much stronger, so in the end employees are more productive.

Studies conducted by Ninković (2014) showed that the relationship between organizational trust and CSR is strong. Research was conducted through online research within the four companies in Serbia and this study showed that employees have greater confidence in the company when the company is implementing CSR activities. Those companies which have not carried out activities of CSR did not have a strong relationship with employees, and study showed that employees did not have trust in the company. In these companies, research has shown that employees often change jobs, and they would be happy to have job in another company if there is the opportunity. On the other hand, in companies in which the activities of CSR is implemented, it became clear that employees were much more connected, and showed no inclination to changing work.

Research that was conducted by Zahn (2015) showed that there is a strong relationship between CSR and organizational trust. The survey was conducted among employees of telecommunication companies and research included all employees in the company, regardless of the position of employment. It was clear that the relationship between CSR and organizational trust in this case was strong, considering that the employees stated that they are aware of all the activities of CSR that the company conducts, and finally because of that, they expressed much more organizational trust. Consequently, employees believe that their company if it exercise CSR activities can do the right things that will have positive effects on the entire society, and thus strengthen their relationship with the company. Therefore, it is expected that CRS is strengthening the organizational trust.

## **2.2 CSR and employees satisfaction**

Job satisfaction as a concept has been investigated in many scientific disciplines. The interest in this aspect originate primarily by employers of manufacturing sector, subject to a interest and intention to create working conditions and environment that will improve labor productivity. Satisfied employees are more efficient, more productive and more loyal, showed numerous studies, but it still is a secret how to achieve that. It is important to understand that each company or sector have different ways of achieving employee satisfaction (Novak, 2008). Increased awareness of CSR has raised the questions about how responsible operating of companies impacts employees' well-being. The study that investigated the connection between CSR and job satisfaction, is the one by Clark (1997) and they found out that there is a strong connection between CSR and employees satisfaction.

Skitan (2012) states that employees whose companies apply CSR are generally better off workers than those whose companies do not apply CSR. Also, it became clear that the size of

the company is very important, as smaller companies show greater responsibility than major companies in practice. Also study of Skitan (2012) shows that, as arisen from resistance to influences that are coming from various stakeholder demands, larger companies tend to be less socially responsible.

Furthermore, Edwardson (2012) for the first time evaluated the relationship between internal and external CSR which were not investigated before. Internal CSR occurs within the policies and practices of the company, which is associated with mental and psychological positive impact on employees. Internal CSR is associated with organizational ethical standards and moral values that have an impact on employees. On the other hand external CSR implies the effort of the company and practice of a company that is focused on reputation among external associates. Study of Edwardson (2012) showed that companies that take more care about their external stakeholders are also considered as higher contributors towards their employees. This can serve as proof that companies do not only attempt to show their external responsibility to build a better reputation, as declared by the critics, but while doing it they are simultaneously meeting their obligations towards employees.

In general, studies show that when analyzing the relationship between CSR and various aspects of job satisfaction there are a large number of implications that are associated with many organizational parts, which are related to working with lower companies and higher social responsibility. The biggest difference between these companies is evident in the job satisfaction itself, as surveys show that employees within CSR companies are much more satisfied with the job, are more dedicated to job assignments and apply social responsibility themselves. On the other hand, companies that do not apply social responsibility have employees who are dissatisfied, less committed to work assignments and do not apply neither at work nor private social responsibility.

Another study was conducted by Chloe (2015), which explored the relationship between employee satisfaction and CSR in companies. This research showed that generally employees whose company is focused on CSR has a positive relationship with employees, and employees are much more oriented towards business activities and they are satisfied with the job. Because of that, it is important to realize that as a consequence of the CSR company reports higher productivity, because employees are aware that the company pays attention to the environment. All this represents an ideal basis for the creation of stronger relationship between the company and employees, and ultimately increase job satisfaction.

The latest survey, which will be specified, was conducted in the framework of the integration of CSR and job satisfaction by Cyrus (2014). This research is modeled on the current featured research directed towards research question concerning the relationship between CSR and job satisfaction. The survey showed that in the context of public company employees show a lot more interest and a lot more job satisfaction when companies implement CSR activities. By analyzing the results of the research, it was clear that in the

public companies that implement CSR activities, employees are more motivated, more productive, rather perform tasks, and ultimately many more want to participate in projects of the company.

Some empirical studies of Lee et al. (2013) and Valentine and Fleischman (2008) showed how CSR has a positive impact on job satisfaction and organizational trust in company. Previous research is mostly focused on private companies, where scholars Lee et al. (2012) conclude that CSR has the capability to induce positive attitudes of employees, which results in performance improvement. The results indicate that companies should consider employees' perception of CSR because it will positively effect on their attitudes and feelings regarding attachment to the company and on long-term performance. Therefore, general opinion is that CSR initiatives should be incorporated in business strategies, since attitudes of employees are positively influenced by the company's CSR activities.

Research Hanson (2014) has shown that there is a clear link between CSR and employees satisfaction. Elif (2013) found that that employees who work in companies that have a strong CSR, are generally more satisfied with their job and the company. Elif (2013) confirms that there is a clear correlation between employees satisfaction and CSR. Study showed that companies that do not have a culture of CSR have a very unsatisfied employees and that unsatisfaction has strong impact on organizational performans. Cliff (2015) also conducted a study about the connection of employees satisfaction and application of CSR. Based on the conducted study, it was shown that the application of any type of CSR have real impact on satisfaction in company and company performance. Strengthening the employees satisfaction increases the productivity of the company but also enables good coordination and improve communication between employees and managers. Furthermore, it was clear that the companies that do not apply CSR that companies are more prone to changing employee. These results, the authors linked to a lack of employees satisfaction, because employees are not satisfied with their job in a company and generally they want to leave company. The same findings were confirmed through empirical research by John (2014).

Another study was conducted by Yusoof (2015), which explored the relationship between employee satisfaction and CSR in companies. This research showed that generally employees whose company is focused on CSR has a positive relationship with employees, and employees are much more oriented towards business activities and they are satisfied with the job. Because of that, it is important to realize that as a consequence of the CSR company reports higher productivity, because employees are aware that the company pays attention to the intern and extern stakeholders.



### **3 CSR IN THE WORLD AND IN BOSNIA AND HERZEGOVINA**

#### **3.1 CSR in today's business environment**

Nowadays, companies are operating in an uncertain business environment characterized by sudden and deep changes and uncertain future as well. Only those companies that can quickly and effectively adapt to new circumstances on the market, can be successful in such environment. Thus, the continuous improvement of operations is one of elements that are an integral part of the strategic approach to creating competitive benefits. Relating to that, CSR become necessarily element. Namely, modern companies are becoming more and more aware of the sensibility of today's society when it comes to the social goals, so there is an increased number of companies trying to implement the social responsibility in their business concept, even if it is just declaratively. It often happens that many companies emphasize CSR as a part of their practices on their websites, but in reality, they practice it rarely, partially or not at all. However, we should mention the fact that in the practice of developed countries, appliance of CSR reached the certain level and has a tendency of further growth, which is favorable for the increase of the appliance of CSR in transition countries as well (Truck, 2016).

Establishment of the concept of CSR is a complex and long process which requires the high social responsibility of the entire community. One of important preconditions for raising the awareness of the social responsibility is the process of education itself. Thus, economic and social development of one country largely depends on the education level of the society and the cultural and historical heritage. According to Buble (2009), in recent decades, the evolution of the social awareness is more than obvious, so there is an increased number of people showing interest for the preservation of nature, work and human rights, humanitarian actions and other social issues. Besides the price and quality, an important element of the competitiveness is CSR itself. Some researchers have shown that consumers are more inclined to those companies that chose social responsibility as their business strategy. Therefore, there is an increased number of companies trying to adapt to such needs of the market. This is why managers are trying to predict needs of the society and balance the interests of the entire society and the company itself. Those needs are not homogenous at all, they depend on several factors so companies have to carry out certain researches and tests in order to get closer to the community and consumers through their socially responsible actions (Buble, 2009). Thus, CSR should be in favor of all participants. For this purpose, the state and its institutions is obliged to implement specific measure in order to educate the population and encourage the development of the social awareness. By examining such development in the long term, positive trends in the economic development can be recognized. The impact of the high CSR can be seen in the example of almost all Scandinavian countries. Those countries have minimal illiteracy rate and the high rate of

highly educated population. Social responsibility is a part of the social awareness so there is almost no corruption and the trust is very important segment in business. Besides that, there is a strong social policy and environmental concerns. Although this example is related to leading European countries, social arrangement is more than obvious and it points out the importance of education and the role of the state itself when it comes to the social responsibility. In this case, it is important to mention the media as well, because they affect the awareness of people, and promote the social responsibility through their stories. All this show that there is social awareness on the social responsibility in every country and every society and that it is the subject to various actors, but it is the major precondition for the development of CSR (Aras & Crowther, 2012).

### **3.2 CSR in Bosnia and Herzegovina**

Consideration of the CSR within frameworks of the BH economy requires the systematical analysis of specific factors that influenced and still influence the development of the economic environment in BH. In that sense, the specific Yugoslavian system of self-management, the homeland war, transition, privatization and the liberation of the market with all challenges of the globalization process, should be mentioned as well. CSR practice in BH occurred under the influence of various factors that are mainly typical for this area. It is necessary to mention the heritage of the self-management socialism that was based on the so-called social ownership and the labor self-management.

In BH, the concept of CSR in the way it is defined today, was not known within the socialist system of social relations. However, companies from former socialist countries, especially public companies, have largely practiced activities that would today be called socially responsible (Čekrlija & Pavlović, 2012). During socialism, donations and sponsorships from public companies for sports clubs, cultural events, the disabled and children, were very common. This is especially true for so-called "city-enterprises" of that period who were the primary engine of growth of the local community, not only in economic terms, but also in social and environmental terms. Therefore, "city-enterprises" were investing in everything that was relevant to the community, from infrastructure to schools and hospitals.

BH companies generally understand CSR as philanthropy, donations, well-defined strategy for employment or business within legal norms. The transition as a process of comprehensive changes and the transition from the socialism to the capitalism in BH started in 1990s, in conditions of the political instability, war and the disintegration of Yugoslavia. At the beginning of the transition to the market economy, BH partly had an advantage over the most countries of the socialist world because the economic system of the former Yugoslavia was much less centralized than systems of those countries. However, war circumstances have significantly slowed down the process of transition and the development of the economy so in that period of troubles, nobody thought about the concept of social responsibility, at that time of transition processes, transformation and privatization, corruption took place and all advantages that the BH economy had, were lost. As a result of such events, social

responsibility was marginalized and since the recent times, there is a need for the establishment of CSR (Hrnjić, 2009).

Thus, for most BH companies the main motive of practicing CSR is an increase of positive corporate image and obtaining a better market position. They treat their social engagement as their own public relations tool so it is not strange that every large BH company had at least some sort of philanthropic activities. Delić (2013) in his study indicates that the majority of BH companies decide to fund projects related to some form of education, projects related to the development of the local community, health, infrastructure projects (construction), environmental projects and sports. For example, BH Telecom supports the so-called projects of national importance (BH Telecom, 2015). Unfortunately, a negligible number of companies are ready to invest in culture and art.

In general, lack of awareness of diverse benefits of the CSR activities is regarded as a major obstacle to greater CSR initiatives in BH (Čekrljija & Pavlović, 2012). The awareness of employees about the concept of CSR is even lower compared to the awareness of their companies in general. Indeed, the benefits of adopting CSR, differ depending on the type of business, given the time or the market environment. In transition economies, a firm's benefits of CSR are reduced costs or improved access to international markets (Kamineni & Tsang, 2006). They have significant benefits such as simplifying the management of human resources and strengthening the reputation and brand name (Holme & Watts, 2000).

However, BH companies still do not perceive CSR as a tool that could bring them the business benefits and help in achieving their primary goals. In general, basic motives are mostly: improving the company's reputation, increasing productivity, quality and sales, greater customer loyalty and employee motivation, acceptance in the local community and the competitiveness and market positioning (Atanacković, 2012). On the other side, there is, among the representatives of the business sector, awareness of the existence of obstacles and risks with the introduction of the concept of CSR, and these are the most common ones: increase of costs and inadequate legal framework in the country (Delić, 2013).

According to Hrnjić (2009), during socialism, donations of individual and companies, as well as sponsorships of the sports and cultural events were common practice. Also, socialism was characterized by the high level of the protection of labor rights and the fundamental labor standards. However, in that time, the civil society was significantly less developed, there wasn't enough attention to the environmental protection and the sustainable development, and so in this case, we cannot talk about the socially responsible behavior. Yet, period from the war is specific for the social policy that should be a part of CSR today, so it's clear that the BH economy had good preconditions for the implementation of the CSR in its business systems. But, in this case, it is necessary to mention the fact that in the whole period of Socialism, from 1945 to 1990, BH had a slower economic growth than it could have related to its material and human potentials. Such slow economic growth was the consequence of

inefficient functioning of the system and the redirection of resources to other republics of the former Yugoslavia (CBBIH, 2016).

According to Kamberović (2011) during that time in the world, the process of the globalization and liberation of markets started and they affected almost all countries, as well as BH. Such processes inevitable seek the open and competitive economy, and one of predictions for the competitiveness are socially responsible practices that became universal through the global processes. In that sense, institutions of the EU are making numerous efforts in order to popularize the introduction of the social responsibility in the business processes of the companies, and all that in the aim of reaching the leading economic force that will be able to compete at the world market with its regulated social and business standards and the unique monetary currency. For this reason, BH state institutions strive to achieve the environment of CSR and encourage companies to introduce the form of business.

According to research of Prime Communications Agency in (2014), BH are mainly socially irresponsible. Research showed that Hypo Alpe Adria Group, HT Eronet, BH Telecom, Bosnalijek, P&G and Avon are the companies with most evident implementation of CSR. On that event, representatives of companies (92%) said that CSR is involved in annual plans of their companies, but at the same time, 87,5% of them added that BH companies are occupied with other priorities and that it will take much time for CSR to take a significant place in BH. Results of the research showed that about 58% of BH companies are not socially responsible. It is important to specify in this context that a total of five listed companies, three companies are local, while the two companies are international. All of these domestic companies are fully or partially publicly owned.

## **4 DEVELOPMENT OF THE HYPOTHESES**

As stated previously, there are numerous studies showing the interaction between the CSR, organizational trust and job satisfaction. The relation between the CSR, organizational trust and employees' job satisfaction is in the focus of new studies that are being conducted in new contexts. Through the study conducted by Vlachos et al. (2013), it was found that there is a strong bond between the CSR and the impact on the organizational trust and job satisfaction. As Carroll already stated (1979), CSR is consisted of the pyramid that, among other things, includes ethical CSR, philanthropic CSR, legal CSR and economic CSR. Therefore, building on the previous literature, this study will examine how different elements of CSR are related to organizational trust and job satisfaction in the context of public owned company (BH Telecom) operating in BH. Therefore, based on literature review we establish and elaborate research model. Literature review included the analysis of journal articles and scientific books. Methods such as description, compilation, deduction and induction were used in this paper. Research model is given on Figure 7.

*Figure 7. Research Model*



Based on the previous studies presented in the thesis, it is possible to define following hypotheses:

- H1- Perception of the employees in BH Telecom within the economic CSR has a large impact on the organizational trust.
- H2- Perception of the employees in BH Telecom within the ethical CSR has a large impact on the organizational trust.
- H3- Perception of the employees in BH Telecom within the legal CSR has a large impact on the organizational trust.
- H4- Perception of the employees in BH Telecom within the philanthropic CSR has a large impact on the organizational trust.

Besides the relationship of the CSR with the organizational trust, it study will examine relationship between dimensions of the CSR and the job satisfaction. As well as in the case of the relationship between the CSR and organizational trust, it is clear that the strong bond between the CSR and job satisfaction was established in the previous studies. According to that, it is possible to define the additional hypotheses:

- H5- Perception of the employees in BH Telecom within the economic CSR has a large impact on the job satisfaction.
- H6- Perception of the employees in BH Telecom within the ethical CSR has a large impact on the job satisfaction.
- H7- Perception of the employees in BH Telecom within the legal CSR has a large impact on the job satisfaction.
- H8- Perception of the employees in BH Telecom within the philanthropic CSR has a large impact on the job satisfaction.

## **5 RESEARCH METHODOLOGY**

### **5.1 Research Context**

BH Telecom emerges as the BH leading operator with the largest market share in the field of telecommunications services, mobile and internet networks. BH Telecom is established in 2001 as a public company, and since 2004, this telecommunications company became the shareholding company. In 2016, BH Telecom had 3.400 employees. BH Telecom is a company that provides modern telecommunication services to all BH citizens. This company is trying to ensure good communication in BH. Working as a generator of development of BH economy and civil society, BH Telecom for many years successfully works on the field of telecommunications as well as the most socially responsible company. Above the fact that company is providing benefits for BH economy and all segments of civil society with the most advanced telecommunications and information services appropriate to the needs of all demanding market, BH Telecom is actively and continuously working to promote CSR.

CSR of BH Telecom is focused on sports activities, cultural activities, educational activities and many other projects, which gives support and carried out thanks to the involvement of every employee of the company. For example in 2015 total grants in the amount of 1.3 million KM were distributed to 840 different companies divided into the following categories: culture, sports, and social and humanitarian organizations. The amount mentioned BH Telecom was promptly arranged for these institutions to help developing bh. society and actively participate in creating our brighter future. BH Telecom creates good elements to society, to development and through financial elements, as well as to stimulate other BH companies on the expression of understanding for social needs and socially responsible action. The company's mission is to provide high-quality telecommunication services, as well as CSR, which is focused to investment in the area of culture, sports, arts and provide help to community. At the same time, the most important segment of socially responsible activities is investment in education and support to young people through a scholarship program and carrying out internships in the company.

It is clear that BH Telecom has certain interest groups under which it undertakes activities related to CSR. Within the publication, the management of this company has stated that the basic groups on which the company makes decisions about CSR activities are precisely:

- employees;
- suppliers;
- users of services;
- investors;
- public, government and society.

Figure 8. BH Telecom business activities with compliance



Source: BH Telecom, *Corporate social responsibility of BH Telecom* 2015, p. 25.

According to BH Telecom, areas of CSR Initiatives in this company are:

- customer satisfaction, where BH Telecom provides great experience that exceeds customer expectations;
- quality, where BH Telecom offers different products and services that are important to customers;
- safety, where all BH Telecom's clients are protected;
- environment, where company environmental impact are good for environment;
- respect for people, with hrm division;
- social contributions, contributing to local communities as a good corporate citizen.

The company also presented in their publication the factors of the success of their social social responsibility as shown in the following figure.

Figure 9. Successful CSR of BH Telecom



Source: BH Telecom, *Corporate social responsibility of BH Telecom* 2015, p. 27.

Data collection was conducted among the employees in BH Telecom through the formalized written questionnaire, which was precisely constructed and the questions and responses were precisely defined. This sort of the questionnaire is practical, and it is possible to collect a large number of data in the relatively short period (Hair et al., 2009). The questionnaire was anonymous, in order to collect as realistic data as possible. Within the written questionnaire, basic terms that were necessary for filling the questionnaire were presented to respondents. Besides that, the aim of the study, that included testing and emphasizing the CSR in the field of the job satisfaction and commitment of employees in their workplaces, were presented in the questionnaire.

### 5.1.1 Measures

We relied on existing literature for measures of our constructs. The study was conducted in order to measure attitudes of employees in BH Telecom company towards the importance of CSR in terms of job satisfaction and the organizational commitment of employees in BH Telecom. According to that, this study resulted in analysing the perception of employees in terms of CSR, and will give instructions in the field of the future of company, which is related to the development and usage of CSR.

Research instrument consists of multi-item scales adopted from the literature. The questionnaires were distributed to respondents in their workplaces. The response format was five-point Likert scale, ranging from "strongly disagree" (1), "disagree" (2), "neutral" (3), "agree" (4) to "strongly agree" (5). For reverse questions we used reverse scoring which means that the numerical scoring scale runs in the opposite direction. So, in reverse questions the response format was from "strongly disagree" (5), "disagree" (4), "neutral" (3), "agree" (2) to "strongly agree" (1).



The research questionnaire consisted of three parts. The first part of the questionnaire measured the perceptions of BH Telecom employees on CSR activities of BH Telecom. Items developed by Turner (2008) were used to measure CSR as given bellow.

*Table 1. Items CSR*

<b>Construct</b>	<b>Items</b>
<b>Economic CSR</b>	Our business has a procedure in place to respond to every customer.
	We continually improve the quality of our products.
	We use customer satisfaction as an indicator of our business.
	We have been successful at maximizing our profits
	We strive to lower our operating costs.
	We closely monitor employee's productivity.
	Top management establishes long-term strategies for our business.
<b>Legal CSR</b>	Managers are informed about relevant environmental laws.
	All our products meet legal standards.
	Our contractual obligations are always honored.
	The managers of this company try to comply with the law.
	Our company seeks to comply with all laws regulating hiring.
	We have programs that encourage the diversity of our workplace.
	Internal policies prevent discrimination in employees' compensation.
<b>Ethical CSR</b>	Our business has a comprehensive code of conduct.
	Members of our company follow professional standards.
	Top managers monitor the potential negative impacts of our activities on our community.
	We are recognized as a trustworthy company.
	Fairness toward co-workers and business partners is an integral part of our employee evaluation process.
	A confidential procedure is in place for employees to report any misconduct at work (such as stealing or sexual harassment).
	Our salespersons and employees are required to provide full and accurate information to all customers.
<b>Philanthropic CSR</b>	The company tries to improve the image of its product.
	The company tries to improve perception of its business.
	The company tries to improve its corporate image.
	The company tries to help the poor.
	The company tries to contribute toward bettering the local community.
	The company tries to fulfill its social responsibility.
	The company tries to accommodate governmental request.

The second part of the questionnaire measured organizational trust and job satisfaction. Five items adopted from studies of Crosby, Evans and Cowles (1990) and Garbarino and Johnson (1999) were used to measure organizational trust as given below.

*Table 2. Organizational trust*

<b>Construct</b>	<b>Items</b>
<b>Organizational trust</b>	Our company tries to meet my expectations.
	Our company is committed to proper management practices.
	Our company is committed to understand employees.
	Our company has an overall responsibility.
	I trust our company.

Job satisfaction, defined as “a pleasurable or positive emotional state resulting from the appraisal of one’ job or job experiences” is linked to employees’ job performance and the company’s overall performance. Items used from the study of Brayfield and Rothe (1951) were used measure job satisfaction, as given bellow:

*Table 3. Job satisfaction*

<b>Construct</b>	<b>Items</b>
<b>Job satisfaction</b>	I consider my job pleasant.
	I am relaxed with my job.
	I feel fairly well-satisfied with my present job.
	Most days, I have to force myself to go to work.
	I definitely like my work.
	Most days, I am enthusiastic about my work.
	My job is pretty interesting.
	I find real enjoyment in my work.
	I am disappointed I ever look this job.

Finally, in the fourth part the questionnaire included some socio-demographical questions about gender, age, level of education and job position.

Pre-testing of the questionnaire was conducted on 20 employees, in order to identify and improve some elements of the questionnaire, and to improve the questionnaire's form itself.

### 5.1.2 Sample and Data Collection

The study was conducted among 219 employees in BH Telecom, where employees had an opportunity to voluntarily participate in the study that was conducted for the purpose of master thesis. Data collection was conducted from in January 2017. The study included males and females from 27 to 54 years old, who were on different working positions in the company. The questionnaires were distributed to respondents in their workplaces, and it was emphasized that the questionnaire is anonymous. According to Podsakoff et. al. (2012), problems in data collection can arise from various factors such as the ability factors, motivational factors and tasks factors. Further one it was necessary to avoid any problems like giving socially desirable answers, fear of giving the wrong answer, etc. Accordingly, it was mentioned to respondents that there are no right or wrong answers. Just opposite, all answers should reflect their opinions, and their answers will be used and interpreted for academic purposes only.

All respondents who accepted to participate in the questionnaire were given the questionnaire, through which employees had to express their opinions in the form of questions. A total of 219 questionnaires were received, and the detailed study showed that all questionnaires were valid with no missing data. Thus, it is possible to say that not a single questionnaire that was filled in the process of the study, was excluded due to certain irregularities. Table 2. shows the descriptive characteristics of the sample.

*Table 4. Sample profile*

<b>Characteristic</b>	<b>Result</b>
<b>Gender</b>	<b>%</b>
Male	38.2
Female	61.8
<b>Age</b>	<b>%</b>
From 27 to 30	12.6
From 31 to 40	48.9
From 41 to 50	21.0
From 51 to 54	17.5
<b>Highest formal education level</b>	<b>%</b>
Secondary education	34.6
Bachelor or equivalent	42.4
Master or equivalent	23.0
PhD	.0

(table continues)

(continued)

Characteristic	Result
Job position	%
Referent	50.3
Senior referent	8.8
Associate	16.7
Sector associate	4.8
Head of department	14.9
Executive director	4.5

In analyzing sample profiles on the basis of the above table it is clear that the study included more females (61.8%), while men took part (38.2%). The highest percentage of respondents had between 31 and 40 years, and also from 41 to 50 years. On the other hand, analyzing the results of demographic characteristics, it was found that 42.4% of respondents have bachelor or equivalent degree, and a minimum of respondents had a master or equivalent degree. The rest of the respondents (34.6%) had the highest secondary education. Last, in terms of job position, half of the respondents worked on referent position, then followed the associate and head of department. The study least involved respondents who are in positions of executive director, sector associate, and senior officer. In analyzing the data, it was not possible to establish special relationships between the elements in sample profile.

## 5.2 Analysis and Findings

### 5.2.1 Reliability Assessment

For the purpose of the reliability analysis, Cronbach Alpha values were examined for all scales, where non-valid items were removed. Microsoft Excel was used to calculate the Cronbach Alpha. Thus, it was important to show usual criteria for Cronbach Alpha reliability coefficient, where all values of Alpha coefficient below 0.60 are unacceptable, 0.60 – 0.65 boundary, 0.65 – 0.70 acceptable, 0.70 – 0.80 very good, while values above 0.80 are excellent (DeVeliss, 1991).

Based on the conducted scale reliability analysis, it is possible to present obtained results through the following tables.

Table 5. Cronbach analysis

Latent variable	Items	A	Alpha	AVE <sup>e</sup>	Mean	SD
Economic CSR <sup>a</sup>	Our business has a procedure in place to respond to every customer complaint.	0.824	0.854	0.749	4.152	1.049

(table continues)

(continued)

Latent variable	Items	A	Alpha	AVE <sup>e</sup>	Mean	SD
	We continually improve the quality of our products.	0.843				
	We use customer satisfaction as an indicator of our business performance.	0.834				
	We have been successful at maximizing our profits.	0.899				
	We closely monitor employee's productivity.	0.845				
	Top management establishes long-term strategies for our business.	0.816				
Legal CSR <sup>b</sup>	The managers of this company try to comply with the law.	0.772	0.818	0.827	4.209	1.021
	We have programs that encourage the diversity of our workplace (in terms of age, gender, or race).	0.865				
	Internal policies prevent discrimination in employees' compensation and promotion.	0.872				
	Our contractual obligations are always honored.	0.752				
	All our products meet legal standards.	0.868				
Ethical CSR <sup>c</sup>	Our business has a comprehensive code of conduct.	0.758	0.798	0.708	4.182	1.343
	Members of our company follow professional standards.	0.774				
	Top managers monitor the potential negative impacts of our activities on our community.	0.869				
	We are recognized as a trustworthy company.	0.859				
	A confidential procedure is in place for employees to report any misconduct at work (such as stealing or sexual harassment).	0.817				
	Our salespersons and employees are required to provide full and accurate information to all customers.	0.853				
	I am disappointed I ever look this job.	0.846				

(table continues)

(continued)

<b>Philanthropic CSR</b>	The company tries to improve the image of its product.	0.783	0.798	0.813	4.086	1.365
	The company tries to improve perception of its business conduct.	0.844				
	The company tries to improve its corporate image.	0.872				
	The company tries to help the poor.	0.858				
	The company tries to contribute toward bettering the local community.	0.888				
	The company tries to accommodate governmental request.	0.849				
<b>Organizational trust</b>	Our company tries to meet my expectations.	0.775	0.864	0.738	4.101	1.127
	Our company has an overall responsibility.	0.839				
	Our company is committed to proper management practices.	0.858				
	I trust our company.	0.818				
	Our company is committed to understand employees.	0.892				
<b>Job satisfaction<sup>d</sup></b>	I consider my job pleasant.	0.782	0.832	0.831	2.223	1.353
	I am relaxed with my job.	0.887				
	I definitely like my work.	0.845				
	Most days, I am enthusiastic about my work.	0.822				
	I find real enjoyment in my work.	0.786				
	Most days, I have to force myself to go to work.	0.855				
	I am disappointed I ever look this job.	0.846				

*Note. Items removed from further analysis (due to the low loadings and/or high error variance):*

<sup>a</sup> *We strive to lower our operating costs.*

<sup>b</sup> *Managers are informed about relevant environmental laws.; Our company seeks to comply with all laws regulating hiring and employee benefits.*

<sup>c</sup> *Fairness toward co-workers and business partners is an integral part of our employee evaluation process.*

<sup>d</sup> *I feel fairly well-satisfied with my present job.; My job is pretty interesting.*

<sup>e</sup> *Average variance extracted*

Items with low loadings were excluded from the further testing. So for example, according to recommendations of DeVellis (1991) statements such as „we strive to lower our operating costs“ were excluded due to low loadings, while on the other hand, statement such as „my job is pretty interesting“ was excluded due to high error variance. Table 4. is showing results that are proof of the reliability of measures. As per DeVellis (1991) it is clear that the

Cronbach Alpha of each latent variable given in Table 2 was  $>0,7$ , which implies that measures are reliable to be used. Once we exclude all the items with low loadings, all standardized factors loadings were greater than 0.7 and statistically significant, what represented a proof of convergent validity. As all scales proved to be reliable, average values were calculated for each of variables using only valid items.

### 5.2.2 Hypothesis Testing

After analyzing the measures and testing the validity of indicators of latent factors, attention is focused on examination of path estimates among latent factors. To finally test the relationship between the dimensions we used LISREL, statistical software package that is used for structural modeling for the manifest and latent variables. According to the recommendations of Joreskog (2006) we used the average scale scores for all factors that proved to be reliable as written above. Finally Table 5. presents an insight into the standardized parameter estimates.

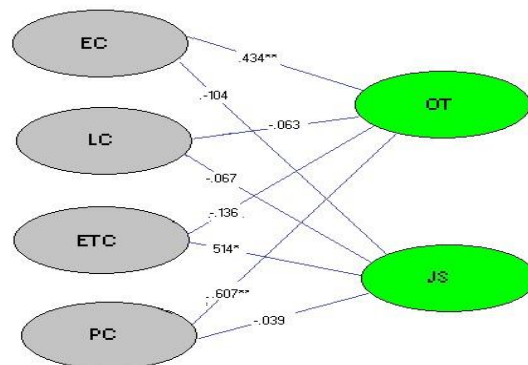
Table 6. Standardized parameter estimates

Hypothesis	St. beta	t – value
H1: Economic CSR $\rightarrow$ organizational trust	0.439	2.535**
H2: Legal CSR $\rightarrow$ organizational trust	- 0.059	- 0.543
H3: Ethical CSR $\rightarrow$ organizational trust	- 0.124	- 0.546
H4: Philanthropic CSR $\rightarrow$ organizational trust	0.621	4.246**
H5.: Economic CSR $\rightarrow$ job satisfaction	- 0.101	- 0.543
H6: Legal CSR $\rightarrow$ job satisfaction	- 0.059	- 0.598
H7: Ethical CSR $\rightarrow$ job satisfaction	0.521	2.454**
H8: Philanthropic CSR $\rightarrow$ job satisfaction	- 0.390	- 0.435

\* $p < 0.05$ .

\*\* $p < 0.01$ .

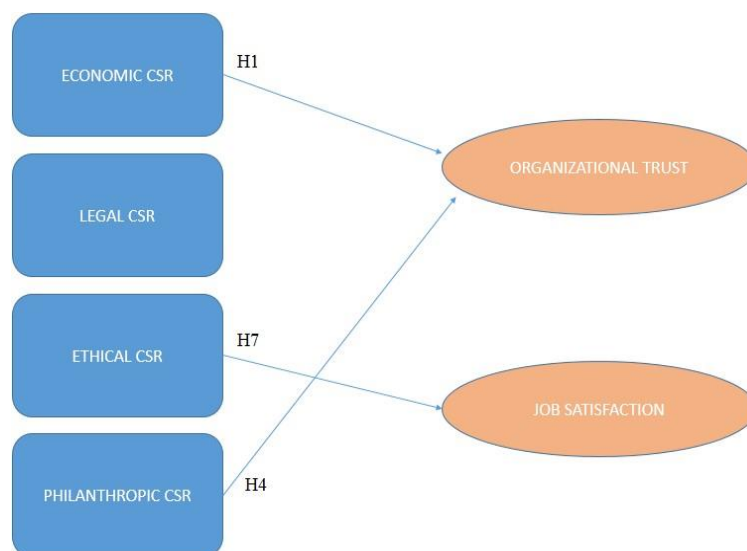
Figure 10. Relationship between items



Based on results presented in Table 9, H1, which was related to the relationship between the economic CSR on the organizational trust showed that there was a strong relationship between these two elements ( $p < 0.01$ ). Besides economic CSR, it is clear that H4 was confirmed as well, since  $p < 0.01$  showed that there is a significant relationship between philanthropic CSR and the organizational trust. On the other hand obtained results showed that there is a negative although insignificant relationship between legal and ethical dimensions of CSR and organizational trust. Thus, it is clear that H2 and H3 cannot be confirmed and that impacts of legal and ethical dimensions are not statistically significant.

On the other hand same four dimensions of CSR were hypothesized to be related to job satisfaction. When identifying relationship between the dimensions of CSR with job satisfaction it is possible to state that there is a relationship between the ethical CSR and job satisfaction which confirms H7 ( $p < 0,05$ ). On the other hand, when connecting other dimensions of CSR (legal CSR, ethical CSR and the philanthropic CSR), negative although insignificant relationships are found, although not statistically significant. Thus, it is clear that H5, H6 and H8 were not confirmed. Based on above mentioned findings, it could be concluded that economic and philanthropic CSR are related to the organizational trust, while on the other hand only ethical dimension of CSR has impact on the job satisfaction. So, based on the conducted study, it is clear that all dimensions of CSR have not direct impact on the organizational trust and job satisfaction and it is possible to show this kind of impact through the following illustration:

*Figure 11. Confirmed hypothesis*





## CONCLUSION

This study was focused to examine the relationship between the CSR and the organizational trust and job satisfaction. CSR is long-term, marketing and business orientation that goes beyond what the law prescribes. It includes the idea which states that is better to replace the reactive approach to social problems with the proactive one, and also to voluntary and preventive activities, in order to not spend limited resources on removing the consequences of the illegal and unethical management. Today companies around the world have strategies for CSR as their response to social and economic and social pressures. Companies brought their expressions of CSR as well as volunteering based on statutory regulations standards strive to increase social development, respect for human rights and environmental protection. Within each company it is very important that the whole activity is directed towards the development of CSR, all in order to be able to work on certain problems that occur within the society (Howard, 1953). In order to precise the aspects of the CSR Carroll (1979) suggested the Pyramid of the CSR. In order to contribute the development of their community, regardless of their size, companies should be profitable, which shows an increase in yields, growth of the profit and company, growth in the market share and winning a best strategic position based on the different advantages. Second, following Carroll (1979) companies have to adhere to law, prescribed by the State in which they are operating. Ethical responsibility is related to the voluntary harmonization of its operating with the moral and ethical normative of the society and the community, in which the company operates. At the top of the pyramid is a philanthropic responsibility, which include the discretionary elements of donations and different society elements. Only philanthropic activities that create values for users and, at the same time, improving the operating of the company, and can be longterm sustainable.

Given that according to a large number of authors, it was evident that there is a large number of CSR conceptualizations that are using different dimensions to explain CSR. In this study four dimensions from Carroll (1979) were used to prove the connection between CSR and these two elements (economic, ethical, philanthropic, legal). Consideration of the CSR within frameworks of the BH economy requires the systematical analysis of specific factors that influenced and still influence the development of the economic environment in BH. In that sense, the specific Yugoslavian system of self-management, the homeland war, transition, privatization and the liberation of the market with all challenges of the globalization process, should be mentioned as well. CSR practice in BH occurred under the influence of various factors that are mainly typical for this area. It is necessary to mention the heritage of the self-management socialism that was based on the so-called social ownership and the labor self-management. BH companies in generally understand CSR as philanthropy, donations, well-defined strategy for employment or business within legal norms. The transition as a process of comprehensive changes and the transition from the socialism to the capitalism in BH

started in 1990s, in conditions of the political instability, war and the disintegration of Yugoslavia. At the beginning of the transition to the market economy, BH partly had an advantage over the most countries of the socialist world because the economic system of the former Yugoslavia was much less centralized than systems of those countries.

However, BH companies still do not perceive CSR as a tool that could bring them the business benefits and help in achieving their primary goals. In general, basic motives are mostly: improving the company's reputation, increasing productivity, quality and sales, greater customer loyalty and employee motivation, acceptance in the local community and the competitiveness and market positioning. On the other side, there is, among the representatives of the business sector, awareness of the existence of obstacles and risks with the introduction of the concept of CSR, and these are the most common ones: increase of costs and inadequate legal framework in the country.

BH Telecom is a company that provides modern telecommunication services to all BH citizens. This company is trying to ensure good communication in BH. Working as a generator of development of BH economy and civil society, BH Telecom for many years successfully works on the field of telecommunications as well as the most socially responsible company. Above the fact that company is providing benefits for BH economy and all segments of civil society with the most advanced telecommunications and information services appropriate to the needs of all demanding market, BH Telecom is actively and continuously working to promote CSR. CSR of BH Telecom is focused on sports activities, cultural activities, educational activities and many other projects, which gives support and carried out thanks to the involvement of every employee of the company.

Generally, this study showed the perception of the employees in BH Telecom, which is the leading BH company, in the field of telecommunications and study showed that economic and philanthropic CSR have impact on organizational trust and that ethical CSR have impact on job satisfaction. In total eight hypotheses were examined, and in the end only three of them were confirmed. Based on the research and analysis, it is possible to state that interesting results were obtained.

Thus, the study showed that all dimensions of CSR have not the same impact on the organizational trust and job satisfaction. We will take the organizational trust as an example. Analyzing all the elements, it was found out that according to the perception of employees in BH Telecom, only two dimensions of CSR have an impact on the organizational trust. According to the results, economic and philanthropic dimensions of CSR can serve as a connection between the organizational trust and CSR. Primarily, if we take for an example the economic dimension of CSR, it will be clear that as every employee, employees in BH Telecom as well want their company to operate profitably, and all that to satisfy their interests but also the interests of other stakeholders. As well as companies themselves, employees are also motivated with the profit. According to Brockett and Rezaee (2012), it is

inevitable that the organizational trust is conditioned with the performances of the company related to the economic elements. Based on this, it is clear that the profitable company, which shows its economic responsibility, build longterm relations with it employees and the public in general. Based on this, by analyzing and interpreting results, it became clear that the connection of this dimension of CSR with the organizational trust for employees in BH Telecom is certainly justified.

On the other hand, the philanthropic dimension of CSR therefore implies the management dimension of CSR and represents the top of the pyramid (Srblijinović, 2012), combines voluntary and the relationship of the social contribution with no obligations in the relation to the economy, law and ethics. Indeed, BH Telecom carries out a large number of philanthropic activities that obviously impacts the employees (Srblijinović, 2012). Given that this is a service company, and it is inevitable that service companies includes the 7P concept (Babic-Hodovic, 2009), among other things, where one P belongs to employees themselves, it is possible to state that the BH Telecom conduct numerous activities that have an impact on employees. Through a large number of educations, team buildings and rewarding, this company enables the growth and the development of employees, and thus creates the organizational trust. In addition to this BH Telecom through sponsorships, donations, investments in the community etc., creates an image of the company that takes care of the environment, and that is being perceived and positively evaluated by employees whose organizational trust is increasing. Therefore, activities that have an impact on the wider community, and are voluntary enable the creation of the organizational trust, and therefore increase the connection between employees and BH Telecom.

However, when it comes to the ethical and legal dimension of CSR, it is clearly determined that these dimensions of CSR as perceived by employees of BH Telecom do not influence the organizational trust. When it comes to the ethical dimension, it is possible to say that the negative connection determined in this context is a surprise, since the ethical responsibility of the company is an inevitable activity that is expected from the society (Trcol, 2001). From the other side ethical dimension is still a major source of debates in general since there are opinions stating that the company can only be economically responsible, and that only human can be ethically and legally responsible. Therefore, according to a large number of authors (e.g. Brockett & Rezaee 2012) it is believed that companies are here just to make profit, while social reforms and similar elements need to be in the focus of other institutions. It is possible to explain the negative connection of the ethical and legal elements with the organizational trust in opinions of employees in BH Telecom through the opinion of Brockett and Rezaee (2012). However, it is important to understand how the BH Telecom company which has quite a bad reputation in terms of employment, lack of transparency and ethics in terms of the amount paid in relation to the environment, and because of that it is possible to expect that employees are aware of the difference between said. Precisely this can occur as a concrete explanation of the creation of links between given variables, and because of that organizational trust is insignificant.

It is also possible to state that results related to the job satisfaction were also interesting. In fact, it is often possible to hear that generally money does not make employees satisfied, but that the other things as relationships with management etc. have impact on satisfaction. Analyzing and interpreting results of this study showed that the ethical dimension of CSR has an impact on the job satisfaction of employees in BH Telecom. Therefore, it is clear that the insignificant relationships between three other dimensions (economic, legal and philanthropic) and job satisfaction was established. Relationship between the ethical dimension of CSR and job satisfaction of employees in every company, as well as in BH Telecom is inevitably large. Since the job satisfaction is the key element in the business environment. Through ethical responsibility, employees have the feeling that the operating of the company is not only focused on the economic interests, but also on relations inside and outside the company. Respecting socially accepted laws, righteous work and respecting the rights of individuals clearly impacts the job satisfaction. Companies that are focused on creating treatments that are specific for each person (when it comes to objectives and obligations), inevitably impacts the job satisfaction. Thus, it is clear that the moral responsibility of the company is related to individuals who are employees in the certain company, and therefore affects the job satisfaction of employees in BH Telecom. Based on this, it is clear that by further busting ethical dimension BH Telecom will have consequences in employees job satisfaction. Therefore, it is possible to conclude that by respecting socially accepted ethical principles, it is possible to impact the job satisfaction in BH Telecom.

As for the rest of the hypotheses that have not been confirmed, and by relationship from CSR to other dimensions, it is possible to specify that other hypotheses have not been confirmed because the employees are not considered to have an impact on organizational trust and job satisfaction. Taking into account the ethical and legal elements that affect organizational trust, we can specify how these actions do not apply to employees since these components have no impact on the actual practice of employees as opposed to the economic dimension and philanthropic dimension. Furthermore, when it comes to the impact of economic, legal and philanthropic dimension of CSR it is possible to conclude that neither of these hypotheses have not been confirmed in the context of job satisfaction. This is because it has been proven that in most job satisfaction affect ethical norms advocated by the company itself. On the other hand, legal, philanthropic and economic dimension have no impact on job satisfaction, since it does not act directly on the staff, and they do not have a direct impact on their business activities carried out in the workplace. Because of this, what certainly has an impact on employees in BH Telecom refers to the ethical norms by which the company itself operates, and therefore are employees directly covered by them.

## **Practical Implications**

This study shows that all dimensions of CSR are not related with the organizational trust and job satisfaction in same direction and magnitude. So, through this study the clear relationship between the economic and philanthropic CSR with the organizational trust was established.

On the other hand, it is established that the ethical CSR is inevitably key for the job satisfaction. Therefore, this study offers an insight into the perception of employees in BH Telecom, that can be used in future operating and management of the company. Through obtained results of this study, management of BH Telecom has an ability to connect additional dimensions of CSR with employees in BH Telecom, and all that to increase the organizational trust and job satisfaction.

At the same time, the management of BH Telecom following the findings of this study can observe that investment in CSR should not be necessarily only externally oriented, and oriented towards external stakeholders. Conversely, the CSR in any context must be oriented to employees, and internal stakeholders as it has a strong and positive impact on employees. In this case, the management of BH Telecom should also direct some of its CSR activities towards employees, and provide them with better working conditions through these dimensions, all in order to increase job satisfaction and organizational trust. As previously defined as economic and philanthropic dimension have an impact on organizational trust, it is necessary to act in creating a better economic situation, higher income, and generally better conditions of work in economic terms. On the other hand, counting on philanthropic dimension necessary to enable employees better training, equal opportunities, greater motivation, and in general a better relationship through all social elements, and will at the same time these implications enable greater organizational trust and job satisfaction

## **Limitations and Further Research**

Like any other study, this study as well has some limitations that emerged in the process of making it. Firstly, the limit occurred within this study could consider sampling method that was not probability based, and could be argued it is not totally representative for population (BH Telecom employees).

Besides limitations related to the sample, it is necessary to mention the research method itself that was chosen in this segment. This study was focused on quantitative data, but in order to obtain more insights into this phenomena, future studies could use qualitative data as well, i.e. to studies that would involve in-depth interviews etc. Such actions would provide less data, but it will be surely useful when it comes to new views on the connection of CSR with the organizational trust and the job satisfaction.

The last limitation of this study involves the dimensions that were used within this study. In literature, emergence of various actions of companies implicates the environmental dimension as the fifth dimension (Brockett & Rezaee, 2012), however, it was not included in this study. Therefore, in future studies, it is possible to act in the field of implementation of the environmental dimension in questionnaires themselves, and all that with the aim of determining whether the environmental dimensions of CSR has an impact on the organizational trust and the job satisfaction.

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## **APPENDIXES**



**TABLE OFAPPENDIXES**

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## Appendix A: LISREL output

The following lines were read from file C:/temp/cfa/values\_ord.ANS:

SYSTEM FILE from file 'C:/temp/CFA/values\_ord.ndf:

### SUMMARY OF ANALYSIS

Number of groups	1
Number of observations	219
Number of dependent variables	4
Number of independent variables	0
Number of continuous latent variables	2

Observed demendent variables

Binary and ordered categorical (ordinal)

EC LC ETC PC

Continuous latent variables

OT JS

THE MODEL ESTIMATION TERMINATED NORMALLY

### TESTS OF MODEL FIT

Chi-Square Test of Model Fit

Value	13.924	
Degrees of Freedom	8	
P-Value	0.062	CFI/TLI
CFI	0.934	
TLI	0.934	

Number of Free Parameters

RMSEA (Root Mean Square Error Of Approximation=

Estimate 0.049 SRMR

(Standardized Root Mean Square Residual)

Value 0.017 WRMR

(Weighted Root Mean Square Residual)

Value 0.435

Correlation Matrix, mean and standard deviation

	EC	LC	ETC	PC	OT	JS	
	-----	-----	-----	-----	-----	-----	
EC	1.000						
LC	0.732	1.000					
ETC	0.715	0.722	1.000				
PC	0.702	0.613	0.721	1.000			
OT	0.604	0.543	.533	.532	1.000		
JS	-0.421	-0.435	-.502	-.743	-0.582	1.000	
Mean	4.152	4.209	4.182	4.182	4.086	4.101	2.223
SD	1.049	1.021	1.343	1.343	1.365	1.127	1.353

## **Appendix B: List of abbreviations**

CSR	Corporate Social Responsibility
UNDP	United Nations Development Programme
KPI	Key Performance Indicator
BH	Bosnia and Hercegovina