MS Thesis in
Environment and Natural Resources

The Effects of Corporate Social Responsibility on Employees’ Motivation

A case of Orkuveita Reykjavíkur and its subsidiaries

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June 2017
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School of Social Science
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This thesis is equivalent to 60 ECTS towards MS degree in Environment and Natural Resources from the Faculty of Business Administration from the School of Social Sciences, University of Iceland.

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Printing: Háskólaprent
Reykjavík, 2017
Foreword

All praises to Almighty ALLAH, the omnipotent, the superior and sovereign who gave me the power and energy to undertake this research.

At first I would like to thank Dr. Lára Jóhannsdóttir and Dr. Snjólfur Ólafsson from the core of my heart for their support and help. Had they not been so generous in sparing the precious time to guide me, I am afraid, I would have not been able to accomplish the task so nicely. Thanks to my friends and family whose pieces of advices and comments always worked as driving force for me to move ahead.
Abstract

Corporate social responsibility (CSR) has gained attention and become an important part of the organisational strategic work. CSR has resulted in an increased awareness of employees’ motivation and vice versa. Companies can use CSR as a tool for motivating employees at workplace. The aim of this study is to investigate the perceptions of managers and employees about effects of CSR on employees’ motivation. In addition, this study helps in identifying the impact of various CSR practices on employees’ motivation.

This study was carried out to find the effects of so called internal and external CSR on employees’ motivation in Icelandic energy companies which are (Orkuveita Reykjavíkur and its subsidiaries). The study examined the relationship between internal CSR (employee related), external CSR (customers, local community and business partners related) with employees’ motivation.

Mixed methods, i.e. questionnaire and interviews, were used to collect data. The questionnaire was filled by 122 employees of Orkuveita Reykjavíkur and its subsidiaries. Statistical tests like regression and correlation analysis along with descriptive statistics were conducted to analyse CSR effects on employees’ motivation. Findings suggest that there is significant relationship between internal and external CSR practices with employees’ motivation.

In addition, managers were interviewed about CSR activities and its impact on employees’ motivation. The findings from the interviews also support the importance of internal and external CSR for employees’ motivation. Managers perceive that internal CSR (employees related) and external CSR practices (customer and local community related) greatly affect employees’ motivation. Yet, managers did not recognize the CSR practices towards business partners as a motivation factor for employees.

The study supports the claim that motivation of employees can be increased with the activities of CSR. The research indicates that companies can focus on CSR practices in order to enhance employees’ motivation.

Keywords: Corporate social responsibility, employee motivation, internal CSR, external CSR, strategy
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1 Introduction

Motivated employees are considered to be the most important factor for an organization’s performance. In fact employee’s positive behaviour at work supports the organization in achieving its goals and objectives. (Latif, Jalal, Anjum, & Rizwan, 2014). According to Latif et al. (2014), a well-organized and successful company tries to keep its employees motivated in order to get better performance and higher productivity. Furthermore, Latif et al. (2014) states that managers understand that motivated workers can help companies to gain a competitive edge over other companies causing companies to struggle to motivate their employees. In this context the human resource management plays an important role as it can apply different tools to enhance motivation of their employees in order to get higher productivity and efficiency in work environment (Latif et al., 2014).

Employees’ motivation is a significant factor used by human resource managers to increase the efficiency of employees’ in their organization (Latif et al. 2014). According to Khan, Rizwan, and Arshad (2013), motivated employees’ often work towards achieving organizational strategic goals and objectives. Employees should work effectively and efficiently in any environmental conditions, and this can only be accomplished if the employees are properly motivated.

Many different researchers have attempted to define motivation. Hence no general explanation of motivation has been developed (Skudiene & Auraskeveiciene 2012 ;Ryan & Deci 2000 ;Latham & Pinder, 2005). According to Latham and Pinder (2005), motivation is a package of active services that not only increase outside wellbeing of an individual but also the inside potential, such as stimulating him to develop professional attitude and to be able to identify him/hers own attitudes, power and limitations. What has been discovered is that motivation is imperative to progress of an organization (Latif et al., 2014).

According to the two pioneer in CSR studies Bowen and Johnson (1953), corporate social responsibility describes business activities, decisions, policies and operations which are acceptable to our society. According to Sacconi (2006), corporate social responsibility is described as “a model of extended corporate governance whereby who runs a company (entrepreneurs, directors, managers) have responsibilities that range from fulfilment of their fiduciary duties towards the owners to the fulfillment of analogous fiduciary duties towards all the firm’s stakeholders” (Sacconi, 2006, p. 262).
Heslin and Ochao (2008) described that corporate social responsibility can affect human capital’s turnover, employees’ satisfaction, retention, devotion to tasks in job and duties in an organization, and hence it is now true that human resource departments can use corporate social responsibility (CSR) as a tool to increase employees’ motivation. Employees’ motivation therefore leads to high productivity and efficiency in a competitive business environment (Heslin & Ochao, 2008).

Researchers such as Latif et al. (2014) have suggested a positive relation between CSR and employees’ motivation. The researchers further added that external CSR (discussed in chapter 2) is directly linked to employee’s commitment which can lead to job satisfaction and employees’ motivation towards job responsibilities (Brammer et al., 2007).

A study which was conducted by Skudiene and Auraskeviciene (2012) described the CSR effects on employees’ motivation in medium and large companies in Lithuania. The study findings show that internal and external CSR have positive relation with employees’ motivation. Furthermore, Latif et al. (2014) conducted similar kind of study on employees’ in an industrial company in Multan, Pakistan. The results of Latif et al. (2014) study did contradict with the findings of Skudiene and Auraskeviciene, (2012). First, according to Latif et al. (2014) they did not accept the hypotheses of internal CSR affecting employees’ motivation. Furthermore, according to Latif et al. (2014) all the hypotheses related to external CSR with employees’ motivation were not accepted while hypotheses that there was a causal relationship between internal CSR (employees’ related) and motivation were accepted. Another study on the topic was conducted by Forsgren and Haskell (2015). In this case the hypothesis about internal CSR and motivation were accepted while hypothesis about external CSR (customer, community and business partners related) and motivation were rejected. According to these conflicting results it is clear that there is still a gap in our understanding of how corporate social responsibility affects employees’ motivation. Hence this study will build on the current academic literature on how corporate social responsibility (CSR) affects employees’ motivation in different countries.

In order to understand the relationship between internal and external CSR activities and employees’ motivation, this study starts by identifying the relevant literature. The literature of these two variables in the study describes the connection between corporate social responsibility (CSR) and employees’ motivation in companies.
This study will answer questions regarding the effects of corporate social responsibility on employees’ motivation in the energy companies (Orkuveita Reykjavíkur and its subsidiaries). The study will explore three questions.

- How do corporate social responsibility activities affect employees’ motivation?
- What type of corporate social responsibility activities affects employees’ motivation?
- How do managers perceive the effects of corporate social responsibility activities on employees’ motivation?

The focus of the study is on different companies within the energy sector (Orkuveita Reykjavíkur, Veitur and Orka Natturunnar) in order to gain a deeper understanding about the influence of internal and external CSR activities on employees’ motivation. Employees’ are not only motivated by financial incentives as some other non-monetary elements can also influence employees’ actions (Frey, 1997). It is therefore, necessary to find out the connection between internal and external CSR activities and employees’ motivation in the energy sector.

The structure of the study is such that chapter 1 describes introduction and briefly defines corporate social responsibility and employees’ motivation, the introduction also describes the aim of the study and the research questions developed for the study. Chapter two discusses literature review on corporate social responsibility and motivation. This chapter describes both internal and external CSR in depth. It also looks at various motivation theories and the connection between CSR and motivation. Chapter 3 presents the research methods. Chapter 4 discusses the findings based on the survey and interviews. Chapter 5 provides the analysis and discussion of the study.
2 Literature Review

Chapter 2 explains the literature of corporate social responsibility, the importance of CSR and CSR in the energy sector followed by the literature of motivation, the various types of motivation and different motivation theories. This chapter discusses the stakeholder theory and the connection of CSR, stakeholder theory and motivation.

2.1 Corporate Social Responsibility

Carroll, Crouch and Maclean. (2011) studied the history of CSR and traced the origins back to fifties, often referred to as the era of corporate social responsibility (CSR).

The idea of corporate social responsibility (CSR) was first introduced by Howard Bowen “father of CSR” in his book “The Social Responsibility of the Businessman”. He suggested that a code of practices need to be established for businesses in order to eliminate the larger scale of waste as a result of excessive incomes. Furthermore, he added that a company needs to eliminate the unfair activities in their business operations (Carroll, 1999; Crouch & Maclean, 2011).

A pyramid developed by Carroll, (1991) explains that CSR frame should be develop in such a way that all the business responsibilities are incorporated. Furthermore, he mentioned four CSR factors economic, legal, ethical and philanthropic business responsibilities.

![Figure 1. CSR pyramid Source: Carroll, (1991, p. 42)](image-url)
Figure 1 shows the pyramid that describes the responsibilities that a company should follow. The economic responsibilities deal with providing goods and services to the society and also the profitability of the company. Secondly, companies need to operate according to laws and regulations. Next, the pyramid explains the ethical responsibilities. Ethical responsibilities develop a positive behavior of society towards organizations. Finally the pyramid explains the philanthropic responsibilities. Philanthropic obligations assist companies to become a good corporate citizen in the society (Carroll, 1991)

According to Carroll (1999), the focal point for businessmen is to adopt those policies, make those decisions which are not only directed towards the attainment of objectives but also not negligible towards the values of society. Corporate social responsibility (CSR) has become a strategy which is followed by large organizations in order to gain competitive edge over other organizations and also to reduce the flaws that can damage their brand (Crouch & Maclean, 2011). Furthermore, Skudiene and Auruskeveciene (2015) stated that small and medium size enterprises also follow corporate social responsibility in their day to day activities.

The definition of corporate social responsibility (CSR) formulated by Aguinis (2011) describes the notion of corporate social responsibility (CSR) as the economic, social and environmental performance of organization’s and it’s specific practices and planning that concerns the stakeholder’s expectations. This definition of CSR involves three dimensions: economic, environment and society. The first dimension regards financial matters. The second dimension involves both internal and external environmental issues and the third dimension is about issues regarding society (Garriga & Mele., 2004).

There are a number of international and local standards that defines the guidelines of how to implement and assess CSR. These include ISO 26000 that describes corporate social responsibility, ISO 14001 on environmental management, Global Reporting Initiative (GRI) and United Nations Global Compact. These standards help in implementing and assessing CSR in companies and industries.

The International Standard Organization defines CSR as a responsibility owned by a particular organization. A company with CSR should be specifically concerned with the influence of its activities on both its immediate surroundings and the overall environment. The organization implementing CSR needs to be based on ethical behavior resulting in sustainable improvement of both the company and the health and wellbeing of society. It is also important to keep in view the interests of the stakeholders, according
to the law and international norms of behavior, assimilated within the entire organization (ISO 26000 - Social Responsibility, 2010).

The ISO 26000 provides guidance on social responsibility. The ISO 26000 addresses human rights, labor practices, the environment, operational practices, customer issues and also the development of society (ISO 26000, Social Responsibility 2010). The ISO 26000 provides an important way for organizations to assess and control their CSR activities and build an accessible way for accountability.

CSR can also be assessed by using Global Reporting Initiative (GRI). A non-profit organization that offers standards for sustainability reports for companies which want to operate in a sustainable way. GRI guides the companies to report their economic, environmental and social impact (GRI, 2015).

The ISO 14001 focuses on environmental management. ISO 14001 guides companies and organization towards becoming more sustainable. The standard assists businesses to develop environmentally friendly strategies and to plan for the improvement of their business and stakeholders (ISO Central Secretariat, 2009).

Corporate social responsibility plays a significant part for a company’s stakeholders as CSR can be taken into consideration in order to add values to the internal and external stakeholders (Peloza & Shang, 2011). Greening and Turban (2000) discuss that CSR practices can influence employee’s desire to join an organization, therefore in current business era; CSR can be taken into account as a competitive edge over other organizations. It has been shown in a study that employees’ desire to perform well and contribute to organization can be directly affected by a company CSR activities (Aguilera, Rupp, Williams, & Ganapathi, 2007). CSR activities have been divided into two types namely internal CSR and external CSR explained in the next sections (Skudiene & Auruskeviciene, 2012).

2.1.1 Internal Corporate Social Responsibility

Internal corporate social responsibility (CSR) activities are the internal operational activities such as working conditions, work life balance, safety, fair wages of a company (Brammer et al., 2007). Internal CSR activities center on employee’s rights and working condition including security, safety, work life balance, training and development (Albdour, Nasruddin, & Lin, 2010).
Mory, Wirtz and Göttel (2015) explain that the internal CSR activities have strong effect on employees’ motivation and engagement. Employee’s engagement and motivation are forced positively by using different internal CSR tools and methods such as rewards, career opportunities, work and quality of life (Santoso, 2014). Employees’ are the critical internal stakeholders and wide literature represents the CSR activities regarding how to fulfill employees’ needs and wants in a company (Skudiene & Auruskeviciene, 2012; Latif et al, 2014; Chaudhry et al, 2015). CSR activities related to employees’ can be categorized into five different groups: employees’ skill development, social equity, working condition, content of the job incumbents, and the standard of work (Longo et al., 2005).

2.1.2 External Corporate Social Responsibility
External CSR activities describe the relation providing benefits to stakeholders. External CSR activities are related to outside stakeholders such as customers, local communities and other business related partners. External CSR activities describe the relation providing benefits to these outside stakeholders (Latif et al., 2014). The companies deliver their products and services in an environmentally friendly way if they care for social responsibility. Additionally, customers want to interact with organizations in such a way that they can make complaints, suggestions for products and services (European Commission., 2001). They should furthermore be able to buy products which are produced in a socially responsible manner. This means that, CSR activities can affect the customer’s demand which can then ultimately influence employees’ motivation (Longo et al., 2005). Companies also need to assist business partners in such a manner that they get better output from their activities (Longo et al., 2005).

According to Graafland and van de Ven (2006), the relationship with suppliers and business partners according to legal processes is part of corporate social responsibility (CSR). A CSR aware company prefers to deal with suppliers and trade allies that are socially responsible and in full compliance with law.

A positive relation has been found between external corporate social responsibility (CSR) and organizational commitment that leads to job satisfaction and employees’ motivation (Brammer et al., 2007). CSR practices have a great relation with customer-related outcomes and behavior towards that company practices and its brands (Khan et al., 2013). Furthermore, Latif et al. (2014) argued that external CSR practices are
strongly connected to employees’ motivation and their work performance (Latif et al., 2014).

The literature suggests that external CSR activities have positive effects on employees’ motivation and different organizations can use CSR activities as a motivational method influencing their employees in a positive way.

2.1.3 The Importance and advantages of Corporate Social Responsibility
Company management is considered as an important factor for improving society, and management should think about society and stakeholders in every decision regarding business activities (Drucker, 1954). The demand for social justice and environmental awareness are increasing. Companies try to find more sustainable ways to conduct their businesses and implement CSR practices (Carroll, 1999).

CSR can support and help to solve issues regarding corporate strategy, in case of any violation of laws and regulation. In today’s businesses, many managers believe that CSR can enhance organization financial performance (Vogel, 2005) but CSR does not only help within organization’s financial performance but it also affects company other activities such as crisis management including dealing with disruptive and unexpected events that can influence business operations (Huber, Vollhardt, Matthes, & Vogel, 2010). According to Bustamante (2014) corporate social responsibility may influence company branding, thus increasing trust in organization.

According to Korngold (2014) companies that emphasize corporate social responsibility and address climate change make higher stock performance. The practice of carbon reduction generate high return on investment which means that these kind of practices are both financially rewarding and helpful for the environment (Korngold, 2014). Businesses that do not align their operations with CSR activities have poor revenue performance in the global competitive markets, while the companies practicing CSR activities demonstrate better performance (Rahim, Jalaludin, & Tajuddin, 2011).

Furthermore, Hosmer (1994) mentioned that companies that conduct ethical operations have a significantly higher chance of demonstrating higher productivity and better performance than those practicing unethical business operations. Buckley, Wiese and Johnsten (1996, p. 11) have reported that

“The "moral decay" in organizations is considered a business crisis because the repercussions of unethical business practices may be deadly to the organization.
Even if a company's unethical "virus" is initially undetected, the corporation will soon experience unhealthy symptoms. Successful enterprises are inevitably based on a network of trust binding management, employees, shareholders, lenders, suppliers, and customers. When companies begin to lose sight of ethical behavior, these crucial relationships start to deteriorate. At first, the effects may not be outwardly evident. Employers and employees may feel badly about what they are doing, but they are able to rationalize it. This is the beginning of "moral decay."

Employees with high personal integrity become disenchanted with their organization and go elsewhere. Customers that feel they have been given poor quality or charged too much for what they are receiving will turn to other organizations. People will begin "hearing things" about the organization's lackadaisical attitude towards ethics, causing the organization to have a difficult time keeping current customers happy, bringing in new business and/or hiring high quality employees. At this point the decay begins to be outwardly noticeable. (p. 11)

Moreover, Hosmer (1994) described that CSR need to be considered an important section in the planning process in order to enhance trust among all stakeholders of the company. Trust builds commitment, commitment builds exertion, and exertion that bring new ideas, that are strategically administered, ultimately leading to a better performance in a competitive global market. CSR has to be a mainstream, not a side activity, in management practices of the company.

Ferrell (2004) mentioned an issue that came up at the Ben and Jerry’s Inc., the ice cream manufacturer. It was consistently charged of ignoring economic performance due to its various CSR activities. However companies that operate their businesses ethically get high prices for their products and the buyers willingly pay to the ethical corporation (Ferrell, 2004).

### 2.1.4 Corporate Social Responsibility in the Energy Sector

In today’s businesses, corporate social responsibility (CSR) has become a popular and growing form of governance. United Nations and the Organization for Economic Cooperation and Development (OECD) have developed a standard for CSR in global market in order to reduce environmental issues that arise from different business
activities. CSR applies to a number of organizational practices that operate their businesses internationally (Streimikiene, Simanaviciene, & Kovaliov, 2009).

According to Streimikiene et al. (2009), government and society put pressure on energy companies to operate responsibly. The main factors that obstruct CSR in such companies include insufficient cooperation with stakeholders, lack of care for employees’ motivation, lack of awareness in society (Mezher, Tabbara, & Al-Hosany, 2010). In the energy sector, newly established companies tend to focus more on sustainability and corporate social responsibility (CSR) practices (Mezher et al., 2010).

Some European countries put special emphasis on developing corporate social responsibility (CSR) applicable to the energy sector. One example is the business guide “Corporate Social Responsibility of the Energy Industry” published in the European Union Green Paper. It mentions the significance of corporate social responsibility in energy firms and the importance of interaction with companies’ stakeholders. The guide focuses on the three dimensions of sustainability, i.e. economic, social and environmental dimensions (Finergy, 2002). In Sweden, the government has given more authority and power to the energy companies dealing with societal and environmental problems that are difficult for corporations to convince stakeholders to support (Trapp, 2012).

A study conducted in Greece revealed that the main factors that hinder the energy sector to implement corporate social responsibility (CSR), is when the government does not assist the energy firms such as by not providing them open fair trade relations with other companies and also not giving them enough space to dump their wastages (Metaxas & Tsavdaridou, 2012).

2.2 Employees’ motivation

Much has been written about employees’ motivation in the workplace. To begin with, the word motivation comes from motive which means causes for taking action (Ryan & Deci, 2000). It refers to the quick effect on the direction, speed and consistency of action. Motivation means to be moved to perform a task. A person who does not show any interest in performing a task is therefore considered unmotivated towards carrying out the task (Ryan & Deci, 2000). According to Atkinson (1964) motivation is how an employee starts and stays energized in carrying out certain behavior, maintained and directed towards the ultimate goals. According to Vroom (1964), motivation is a psychological attempt that affects need, path, and continuity of voluntary actions which leads to the ultimate goals. Motivated employees’ are those who are excited and energized towards
their work environment (Ryan & Deci, 2000). Furthermore, Mitchell (1982) explained that motivation is a process related to the force that prepares a behavior and shows the road towards achieving particular goals.

According to Higgins (1994), all these various definitions of motivation show some association with individual behavior. There are some needs which manifest behavior in different ways and then there are actions taken for goal achievement. Motivation is a continuous process which begins with a desire, with relentless exertion towards a goal achievement and finishes with gaining that desire or need. In Robbins (1996), it is argued that motivation is the desire that an individual struggles towards achieving organizational goals and objectives and while satisfying employees’ needs. General motivation is related with the attempt to achieve any goal, desire or wish. Three main words constantly mentioned in the definition of motivation are struggle, organizational goals, and needs (Robbins, 1996).

According to Robbins (1996), employees’ tension arise with an unsatisfied need and that tension leads to find a behavior in order to satisfy their need that eventually reduce the tension shown in the figure 2 below.

![Figure 2. Motivation Process. Source: (Robbins, 1996), own illustration.](image)

According to Robbins (1996), it is clear that motivated employees’ are experiencing a phase of tension. To reduce this tension, employees’ continue working to overcome it by finding a way for reducing the tension. According to Robbins (1996), the higher the tension level, the higher level of strive is required. This tension is reduced by struggle
and effective performance that paves the way for organizational goals. This definition reflects that individual’s desires and needs are connected with organizational goals (Robbins, 1996). Moreover, Mitchell (1982) stated that employees’ motivation is the concentration towards an activity because that very concentration is helpful in reducing the gap between the actual result and the standard result of organizational goals.

According to Hellriegel (1999), motivation is any cause that stimulates a desire about something, shows direction, and sustains behavior to achieve organizational goals. The manager’s task is to define the factors which motivate employees’ in order to enhance their job performance. In addition, Ciscel (1974) argued that motivated employee’s provide performance in the form of a competitive advantage of an organization that helps to achieve the company goals and objectives. Among monetary, economical, and human capital, it is the human capital which plays a vital role in an organization’s success. According to Ryan and Deci (2000), motivation can be categorized into different types and rises from various causes and goals which are known as intrinsic motivation and extrinsic motivation see further discussion in the following section.

Employees’ motivation can be achieved by different means providing financial gain such as salary, bonus, commissions and nonfinancial rewards such as promotion, training and development, development such as achieving the status of an employee of the month/year. Furthermore, Carrell, Michael, Elbert, Norbert, Hatfield and Robert (1995) suggest that organization can develop numerous ways to motivate their employees, including:

- Development meaningful goals and objectives
- Appreciation of employees participation
- Employees awareness about their performance
- Rewarding of good work
- Fair relation with employees
- Interesting work
- Learning about cultural differences
- Preparing of employees growth and development
2.2.1 Intrinsic Motivation

Intrinsic motivation means to perform a task that influences personal feelings and excitement not for some external reasons (Ryan & Deci, 2000). According to Ryan and Deci (2000) internally motivated individuals perform activities or tasks for personal satisfaction, happiness, excitement not for some external factors such as force.

Furthermore, Ryan and Deci (2000) mentioned that different subject matter experts (SME) stress that internal motivation is very important in social and economic dealings with employees, monetary rewards may fail to motivate employees’ for long time (Benabou & Tirole, 2003). Additionally, Ryan and Deci (2000) mentioned that employees’ are motivated by different motivation factors but the most important one is intrinsic motivation. The reason is that, intrinsic motivation builds interest and excitement for work which intrinsically motivates people to perform effectively and efficiently in the work environment (Ryan & Deci, 2000). Intrinsic motivation is very important for the people that push them to take on activities that help them learn new things in their work environment (Ryan & Deci, 2000). Generally, intrinsic motivation can be enhanced informally through thanks by managers and appreciation by managers for work well performed by employee’s (Reinholdt, 2006).

In addition Adones (2006) said that different rewards increase the level of intrinsic motivation. Some factors which arise from intrinsic motivation includes:

- Building of confidence: This can be helpful to increase confidence of employees’ in an organization.
- Improving performance: Intrinsic motivation provides enthusiasm for employees’ to perform well in the work environment
- Absence reduction: Absence rate will be reduce through motivation and employees’ like to come to work
- Maintenance of employees: Employees’ love to work within the organization if they are intrinsically motivated

2.2.2 Extrinsic Motivation

“Extrinsic motivation is a construct that pertains whenever an activity is done in order to attain some separable outcome” (Ryan & Deci, 2000, p. 60). External factors such as pay,
wages, bonuses and incentives are a type of extrinsic motivation influencing individual to complete tasks in order to get an external reward. Monetary rewards play a vital role for motivating an employee to join or leave an organization therefore, it is argued that salary is one of the best method to motivate employees’ to accept or reject to join an organization (Rynes, Gerhart, & Minette, 2004).

Furthermore, according to Bainbridge (2011), extrinsic motivation describes the factors which motivate employees are outside factors such as pay, commissions and bonuses. These factors motivate employees’ and give satisfaction and prosperity. According to Bainbridge (2011), extrinsic motivation advocates that employee will not be satisfied even if they fulfill their task successfully until they get some external rewards. The task or assignment may stimulate the feeling of boredom or dislike in the employees but with external rewards they will strive to perform better which will motivate them to work hard in work environment (Ryan & Deci, 2000).

Employees’ motivation can be achieved by providing them fair pay, bonuses and commissions in order to enhance their motivation level and financial rewards are considered as the most important factor in increasing employees’ motivation (Ryan & Deci, 2000).

2.3 Motivation Theory
According to Steers et al (2004), the 1960’s and 1970’s were referred to as the “golden age” for motivation theories. Longo Mura and Bonoli (2005), p, 31) “argue that value generating CSR activities towards the employees of a firm should be based on accepted motivation theories”. In this context it is important to note the previous researches that CSR does affect employee’s motivation (Latif et al., 2014; Skudiene & Auruskeviciene, 2012).

Herzberg (1968) and Maslow (1943) strived to find out the causes for motivation within an organization’s environment (Steers, Mowday, & Shapiro, 2004). According to Steers et al, (2004) employees’ motivation is considered as one of the most significant part of management because motivated employees can lead to achieve high productivity. Furthermore, it is mentioned that motivated employees tend to perform well in work environment while those who are less motivated show poor performance in working environment (Amabile, 1993).
According to Sadri and Bowen (2011) motivated employees not only work hard but they also enhance the organization’s productivity and quality work as they become loyal to their job as well as to their organization.

Researchers such as Herzberg (1968) and Maslow (1943) have developed theories about employees’ motivation which can help in enhancing employees’ motivation in work environment. Management experiences different kind of motivational issues that can be explained by using various motivation theories. For instance, a matrix developed by Kreitner et al. (1999, p. 184) explained the suitable theory for each outcome. For example effort can be increased by many motivational theories illustrated in the following table 1.

Table 1 Theories and workplace outcome. Source: Kreitner et al. (1999, p. 184)

<table>
<thead>
<tr>
<th>Outcome of interest</th>
<th>Need</th>
<th>Reinforcement</th>
<th>Equity</th>
<th>Expectancy</th>
<th>Goal setting</th>
<th>Job Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Choice to pursue a course of action</td>
<td>×</td>
<td>×</td>
<td></td>
<td>×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effort</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Performance</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absenteeism</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>×</td>
<td>×</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Hellriegel et al. (1999), different motivation theories can be classified into four different parts illustrated in the figure 3 below. Motivation theories based on the individual difference are Maslow hierarchy of needs, Alderfer’s ERG theory, McClelland learned need. Following are job and organization context theories such as Herzberg’s two factor theory, Job enrichment theory and equity theory. Moreover, the third group of theories are based on motivation such as basic expectancy theory and integrated expectancy model. Furthermore, some of the theories are based on managerial behavior such as reinforcement theory and goal setting theory. All the theories from the
individual’s differences are explained in the following section that describes motivation in work environment.

2.3.1 Maslow Hierarchy of Needs

One of the most famous theory of motivation is Maslow’s (1943) hierarchy of needs. He developed a motivation theory which combines all the human needs in a particular model referred to the figure 4 below (Oleson, 2004). The most basic needs are at the bottom of the pyramid then the needs turns from the most basic ones to the most complex ones (Maslow, 1943).

Human needs are divided in the pyramid into five classes which are “psychological, safety, belongingness, esteem, and self-actualization needs”. These five human needs are categorized into 3 broad classes such as self-fulfillment which covers self-actualization needs while psychological needs covers esteem and belongings needs. Basic needs cover

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Figure 3. Categories of motivational theories. Source: Hellriegel et al. (1999, p. 463)
physiological and safety needs. According to Oleson (2004), the first need in Maslow hierarchy is the psychological needs which are considered as basic needs such as water, food, shelter, rest etc. which is necessary for sustaining life.

On the other hand, according to Maslow (1943), the next need is “safety” where people feel secure about their life. This is followed by the “need of belonging” where one tries to show love for his or her family, friends, wife or children. After belonging needs are satisfied, “self-esteem” need to be fulfilled this means that where a person tries to make himself or herself famous by striving for getting reputation in society. The final need is “self-actualization”. Maslow (1943) stated that a person achieve full potential, including creative activities. Self-actualization process include where one tries to become a fully self-realized person in a society (Oleson, 2004).

![Figure 4. Abraham Maslow Motivation Theory. Source: (Maslow, 1943, p. 107)](image)

2.3.2 ERG Theory

Alderfer (1973) suggested a revision to the Maslow hierarchy, but he categorized human needs into 3 broader categories which are “growth needs”, “relatedness needs” and “existence needs”. According to Carrel et al. (1995), humans try to fulfill their next level of need when one need is achieved. ERG theory explains the three categories of need represented in figure 5.
2.3.3 Herzberg two Factor Theory

A theory elaborated by Herzberg (1968) is known as two factor or motivation/hygiene theory. The two factor theory has so called hygiene factors which include company policy, salary, supervision, status, security and relationship with supervision (Herzberg, 2003). The second motivation factor includes achievements, recognition, growth and responsibility within an organization see table 2.

Demotivation increases if the hygiene factors are not good enough for employees within a company (Amabile, 1993). Employees get motivation from the tasks they carry out which moves them towards using their abilities and skills (Vroom, 1964).

Table 2. Herzberg two Factor theory. Source: (Herzberg, 1968) Own illustration.

<table>
<thead>
<tr>
<th>Hygiene Factors</th>
<th>Motivators</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Company policies and administration</td>
<td>• Achievement</td>
</tr>
<tr>
<td>• Interpersonal relations</td>
<td>• Recognition</td>
</tr>
<tr>
<td>• Working conditions</td>
<td>• Responsibility</td>
</tr>
<tr>
<td>• Salary</td>
<td>• Work itself</td>
</tr>
<tr>
<td>• Job security</td>
<td>• Advancement</td>
</tr>
<tr>
<td>• Status</td>
<td>• Personal growth</td>
</tr>
<tr>
<td>• Benefits</td>
<td></td>
</tr>
</tbody>
</table>
2.3.4 The McClelland Need Theory
According to Ramlall (2004), individuals try to become successful for personal satisfaction, not under influence of external forces. The theory of need defines the three needs: achievement, power, and affiliation. Need for achievement is movement towards a direction, to get predetermined goals and attempt to succeed (McClelland, 1961).

According to McClelland (1961), high achievers tend to be leading entrepreneurs. Motivation and productivity lead to a different level of needs for achievement. The need for power is to influence behavior he or she wants from others. The need for affiliation is the desire for friendship and relationship with others (McClelland, 1961). People wish to have more time to take part in social actions and to sustain relationship with others. The power need shows that the person wishes to affect others, thus enabling them to reach their goals and objectives. Top management must have a power to influence an employee’s behavior (Kreitner, Kinicki, & Cole, 2003).

2.4 Corporate Social Responsibility and Employees’ Motivation
CSR has positive effects on employee’s motivation (Amabile, 1993). Furthermore, Morgeson, Aguinis, Waldman, and Siegel, (2013) mentioned that combined CSR and motivation have not been discussed widely in the literature. Mirvis (2012) conversely states that many studies have been conducted on the connection between corporate social responsibility (CSR) and employee’s engagement showing a positive relationship between employees’ commitment and their organizations (Chaudhary et al., 2015; Latif et al., 2014; Skudiene & Auruskeviciene, 2012). Employees’ are not only motivated by the financial incentives as nonmonetary elements also motivate employees’ in a company (Frey, 1997). In this context CSR can be used to motivate the potential employees’ as well as the current workforce in an organization (Turban & Greening, 1997).

Moreover Sims and Keon (1997) mentioned that an ethical behavior leads to high trust in organization, more committed employees’, low turnover and less absenteeism of employees’, high productivity and positive attitude towards the work. Many studies have found a positive relation between the ethical working conditions in a company and job satisfaction (Sims & Keon, 1997; Viswesvaran & Ones, 2002; Skudiene & Auruskeviciene (2012).

Furthermore, Brammer et al. (2007, p, 1701) states that “External CSR is positively related to organizational commitment and that the contribution of CSR to organizational commitment is at least as great as job satisfaction”. Employees’ are concerned with
employees realize they are contributing to social conscious values within the organization (Aguilera et al., 2007). Employees’ prefer ethical attitude hence, it is mentioned in the social identity theory that socially responsible organizations strengthen employees’ self-image, assist them to identify themselves in an organization and also meet the need for belongings (Turban & Greening, 1997). For these reasons some workers prefer to get less pay for an opportunity to be a part of socially responsible organization (Heslin & Ochao, 2008).

Empirical research shows that CSR can increase employees’ satisfaction, commitment and loyalty (Aguilera et al., 2007; Brammer et al., 2007; Heslin & Ochao, 2008). CSR assists workforce to meet their needs of belonging as it enhances the social relationships within the company and between the different companies (Aguilera et al., 2007). The results of a previous study of Gavin and Maynard (1975) have already suggested a strong relation between the degree to which an organization fulfills its societal responsibilities and the extent to which workers are motivated and satisfied with their work.

Furthermore, Tamm, Emets and Motsmees (2010) stated that finding ties between CSR and various characteristics of motivation and satisfaction at job such as workload, work stations, relationship with others, training and development opportunities, supervision and financial rewards. The employees that working for low practicing CSR companies obviously are less motivated and less satisfied with any kind of task they perform while the employees are motivated that work for organizations which practice CSR in their operations.

According to Aguilera et al. (2007), socially responsible companies are considered to be fair companies which lead to increase the employees’ trust in organizations and also employee’s feel pride for being a part of that organization, thus employee’s perform in a better way to enhance the company overall performance.

It is mentioned that organizations need to develop an environment of trust among employees’ at workplace. Integrity and honesty should be the main ideas of business. It is stated that it is the company’s responsibility to demonstrate ethical activities in their goals, objectives and operations (Gray et al., 1996).

According to Latif et al. (2014), and Skudiene and Aurskeviciene (2012), CSR has a positive relation with employees motivation. Furthermore, Alguilera et al., (2007) argued that CSR can be used to increase employees’ commitment towards their work. These
studies represents the connection between CSR and employees’ motivation and commitment.

Figure 6 shows the process of CSR input, process and outcomes. The organization identify a type of CSR activities either from company characteristics or employee characteristic that needs to be fulfilled. In results it leads to internal and external outcomes. Companies should change their management style towards CSR approaches in order to gain job satisfaction, job commitment, less absenteeism, low retention and loyalty of the employees at workplace (Bhattacharya, Sen, & Korschun, 2008).

Figure 6. CSR process and outcomes. Source: (Bhattacharya, Sen, & Korschun, 2008)

2.5 Corporate Social Responsibility and Stakeholder Theory
Stakeholder theory is considered relevant because of the increasing role of large corporations in today’s society. According to Freedman, (1973.p. 41), “Corporations have stakeholders, that is, groups or individuals who benefit from or are harmed by, and whose rights are violated or respected by the by corporate actions”. Society and environment can be affected by activities of large corporations because of the enormous amount of finances they have (Laplume, Sonpar, & Litz, 2008). Additionally, Skudiene and Auraskeviciene (2012) explained that societies can also be affected by collective impact of SMEs.

Clarkson (1995, p, 106) described stakeholders as “persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past present, or
“future” Stakeholder theory is considered the opposite of shareholder theory (Kakabadse, Rozuel, & Lee-Davies, 2005). The Stakeholder theory deals with all stakeholders who affect or are affected by a company while the shareholders theory focus on those who are connected with an organization only for a financial stake (Kakabadse et al., 2005).

The stakeholder theory focuses on the relationship between different stakeholders i.e. the suppliers, customers, employees, financier and managers striving for the aim of creating value (Parmar et al., 2010). Stakeholder theory can be divided into the following parts: descriptive variant and instrumental variant, (Donaldson, Preston, & Preston, 1995). According to Donaldson et al, (1995) descriptive part of the stakeholder theory refers to the organizational behavior. The instrumental variant explains the relationship between stakeholders and company goals (Donaldson et al., 1995).

The connection between organization’s CSR practices and its stakeholders are significant as CSR activities have an impact on stakeholders (Longo et al., 2005). CSR literature and concept partially explains the stakeholder’s engagement with the firms (Kakabadse et al., 2005).

There is a growing body of literature discussing that a company efforts to be involved in practices associated with corporate social responsibility have effects on different stakeholders’ responses to a company (Valentine & Fleischman., 2008; Chaudhry et al., 2015; Skudiene & Auruskeviciene 2012).

Stakeholders are identified as all those who lose something in response to if an organization fails. This can be financial, social or psychological factors (Attas, 2004). Attas (2004) argued that companies need to be aware of the stakeholder’s preferences in decision making (Attas, 2004). One of the major challenges for managers is to identify the most important stakeholders for an organization (Carroll, 1991). Moreover, Valentine and Fleischman (2008) stated that according to the stakeholder theory, workers join an organization with some expectations that should be fulfilled by the organization for building trust and commitment by workers, which is considered to be a necessary factor for its long-term survival. Commitment is ensured only when workers are motivated and satisfied with their work environment.

Skudiene and Auruskeviciene (2012) mentioned that the workforce in an organization is a significant internal stakeholders group. This shows that most of the internal CSR practices focuses on employees’. Longo et al, (2005) defined that corporate social responsibility (CSR) practices increase or create value for the employees’. According to
Longo et al. (2005) and Maslow (1943, p. 371), employees’ satisfaction enhances as a consequence of “development of competence and professionalism, climatic conditions of the working environment, consideration given to ideas and their proactivity”. Skudiene and Auruskeviciene (2012) described that these factors can increase employees’ motivation in a company.

According to Longo et al. (2005), there are three external stakeholders with their various needs and wants: Suppliers, customers, and community. “The suppliers' concern is that of obtaining from the company an order flow that increases consistently in time but suppliers also wish to be stimulated to improve the products and services for the company buying them” (Longo et al., 2005, p. 31).

Customers are also an important external stakeholders for an organization. Customers focus on the quality of the goods and services they receive from a company (Longo et al., 2005). According to Longo et al. (2005), the customer wants to send complaints, proposals, and suggestions to the firm (Longo et al., 2005). Customers always care about the activities and practices involved in complete production process and services, which need to be practice in a socially responsible way (Christmann & Taylor, 2006).

The third external stakeholder group is people and environment that are considered as the community (Longo et al., 2005). Local community affects the CSR activities of a company (Marquis, Glynn, & Davis, 2007). According to Marquis et al. (2007, p. 927), there are two reasons why the local communities effects CSR activities of a firm. “The first reason is the understandings, rules, and norms of the community put institutional pressures on the firms while the second reason is that chief executives of firms are more likely to conduct CSR activities in the local community where they reside”

2.6 Connection between CSR, Motivation and Stakeholder Theory
As discussed before corporate social responsibility (CSR) has become very important in today's businesses and it has positive effects on employee’s motivation (Amabile, 1993). However, Morgeson et al. (2013) acknowledge that the connection between CSR, stakeholder theory, and motivation is insufficiently described in the literature.

A study was conducted by Skudiene and Auruskeviciene (2012) in Lithuania in a company to find the relation between corporate social responsibility and employees’ motivation. The results suggest that internal and external CSR practices have direct and positive effects on motivation level of employees’.
Additionally, a similar study was carried out based on a questionnaire developed by Latif et al. (2014) to understand the connection between CSR practices and employee’s motivation. According to Latif et al. (2014), external CSR (suppliers related) have positive relation with employees’ motivation while internal CSR (employees related) and external CSR (customer related) have insignificant relationship with motivation. The results from these studies somehow contradict each other as some of the hypothesis are not supported by all while the hypothesis about external CSR (community related) and motivation was accepted in the three studies while rejected in Forsgren and Haskell, (2015). The table 3 shows the contradictory results from different studies about the relationship between corporate social responsibility and employees’ motivation.

Table 3. Hypothesis results from previous studies. Own illustration

<table>
<thead>
<tr>
<th>Authors</th>
<th>Internal CSR (employees related) with motivation</th>
<th>External CSR (customers related) with motivation</th>
<th>External CSR (Suppliers related) with motivation</th>
<th>External CSR (Community related) with motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skudiene &amp; Auruskeviciene, (2012)</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>Latif et al. (2014)</td>
<td>Rejected</td>
<td>Rejected</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>Chaudhry et al. (2015)</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Rejected</td>
<td>Accepted</td>
</tr>
<tr>
<td>Forsgren &amp; Haskell, (2015)</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Rejected</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Table 3 represents that, the hypothesis of a firm’s internal CSR activities positively affecting employees’ motivation was rejected by Latif et al. (2014) while Skudiene and Auruskeviciene (2012) and Chaudhry et al. (2015), accepted the hypothesis. Furthermore, Latif et al. (2014) rejected the hypothesis firm’s external CSR activities (customer related) positively affecting employees ‘motivation while Skudiene and Aurukeviciene (2012) and Chaudhry et al. (2015) accepted the hypothesis. Additionally, Chaudhry et al. (2015) rejected the hypothesis that a firm’s external CSR activities (suppliers related) positively affecting employees’ motivation. The same hypothesis was was accepted by (Latif et al., 2014; Skudiene & Auruskeviciene, 2012). Furthermore, hypothesis about external CSR activities (community related) affecting motivation was
accepted by (Latif et al., 2014; Skudiene & Auruseviciene, 2012; Chaudhry et al., 2015).

These contradictory findings suggest that there is still a gap in the study of corporate social responsibility (CSR) and motivation. Hence this study aims to gain a profound knowledge regarding CSR practices and employee’s motivation.

Latif et al. (2014) and Skudiene and Auruseviciene (2012) collected the data through survey’s sent to employees’. Another study carried out through mixed methods by Forsgren and Haskell (2015) find out some contradictory results to Latif et al. (2014) and Skudiene and Auruskevičiene (2012). According to Forsgren and Haskell (2015), firms with CSR practices related to employees positively affect employees’ motivation. Furthermore, CSR activities related to suppliers and community have no direct relation with employees’ motivation. This study will be based on surveys as well as interviews to find the impacts of internal and external CSR on employees’ motivation.

Based on the discussion above figure 7 can be seen that internal and external CSR activities increase the level of employees’ motivation at the work place where motivation of employees’ further lead to increase productivity and a high quality of work in the company. Motivation should also decrease the retention and absentee rate.

![Figure 7. CSR outcomes. Source: Own illustration](image-url)
Figure 8 shows the number of publications of articles that cover the connection of corporate social responsibility, employees and motivation. When combining all the terms together in a search then a total of only 12 articles were found. This suggests that there is gap in the literature. The figure represents three different search engines: Pro Quest, Web of science and leitir.is. The Pro Quest outcome shows that total number of article on corporate social responsibility are 20,280, employees 24,649 and motivation 37,549 while its shows only 5 articles related to CSR and employees motivation all together. Furthermore, Web of Science shows 3455 articles with CSR, 4,639 with employees, 8,638 for motivation and combined search resulted in 12 articles. Additionally, leitir.is shows CSR in 1,236 articles, employees in 26,172 articles, motivation in 9,869 articles while CSR and employees’ motivation resulted in only 3 articles.

It is clear from the results that publications on employees and motivation are far more numerous than publication about the combination of CSR and employees’ motivation. It is therefore safe to say that the correlation between corporate social responsibility and employees motivation has not been studied thoroughly. This study assists in investigating the relationship between corporate social responsibility and employee’s motivation.

![Publication results](image-url)

**Figure 8. Publication rate. Own illustration**
3 Theoretical Framework

This study is based on two parts, quantitative and qualitative studies, where an attempt is made to understand the effects of corporate social responsibility on employees’ motivation.

The quantitative part of the study focuses on investigating the effects of CSR on employees’ motivation. The model presents the following independent variables: Internal CSR (employees’ related) and external CSR (customers, business partners and local communities) tested with the dependent variable which is employees’ motivation. The model presented in figure 8 consists of five concepts which are internal CSR (employees related) and external CSR that are (customers, business partners and local community related) along with motivation. The model attempts to explain the effects of internal and external CSR activities on employees’ motivation.

Figure 9. Theoretical framework for study. Source: Chaudhry et al. (2015)

Four hypothesis were developed (H1, H2a, H2b, H2c,) to test the above conceptual model. Previous studies have been conducted by different researchers to test these
hypothesis with mixed results (Chaudhary et al., 2015; Latif et al., 2014; Skudiene & Auruskeviciene, 2012; Forsgren & Haskell., 2015).

These contradictory results from hypotheses lead this study into further questioning the internal and external CSR activities effect on employees’ motivation.

Table 4 shows the hypothesis used for this research.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Internal CSR activities (employees’ related) positively effect employees’ motivation</td>
</tr>
<tr>
<td>H2a</td>
<td>External CSR activities (customers related) positively effect employees’ motivation</td>
</tr>
<tr>
<td>H2b</td>
<td>External CSR activities (suppliers related) positively effect employees’ motivation</td>
</tr>
<tr>
<td>H2c</td>
<td>External CSR activities (local communities related) positively effect employees’ motivation</td>
</tr>
</tbody>
</table>

The hypothesis will be tested using simple regression analysis to find out the connection between internal and external CSR practices with employees’ motivation.

The second part of the study is based on qualitative data collected through Interviews from managers of the selected companies. For the qualitative part of the study, questions are categorized into 4 different themes. The first theme relates to some general questions which were developed in order to understand the interviewer position, experience and knowledge about corporate social responsibility. The next theme is about CSR activities of the company. The third theme covers the stakeholders of the company, where interviewer are asked about the stakeholders and CSR practices towards its stakeholders. Regarding the fourth theme interviewer were asked about the CSR practices that can help in motivating the employees during work. The data then compared with the results gained from our quantitative data which is calculated using statistical package for social science (SPSS, 2016).
4 Research method

The chapter explains the research methods used for this study which are mixed. For quantitative data collection, a questionnaire was distributed among employees at (Orkuveita Reykjavíkur, Veitur and Orka Natturunnar) and managers were interviewed for qualitative data collection. The energy industry was choose for data collection as the energy sector deals greatly with environment and CSR related issues. Each part is explained in the following sections.

4.1 Case selection: Orkuveita Reykjavíkur and subsidiaries

Orkuveita Reykjvíkur (OR) an Icelandic Energy Company was founded in 1909. The initial purpose was to provide water utility but later it started to produce electricity, geothermal water for heating, and cold water for the capital area of Reykjavik (Orkuveita Reykjavíkur, 2013). In 2016 Orkuveita Reykjavíkur total number of employees were 503. The company was separated in 2014 into three separate business units Orkuveita Reykjavíkur (OR), Orka Natturunnar (ON), and Veitur.

ON produces electricity and hot water close to the capital area of the country. The companies believes in sustainable energy production, cost-effective management, excellent services and low prices (Orkuveita Reykjavíkur, 2015). ON had 61 full time employees’ by the end of the year 2015. The production of hot water in 2015 was approximately 38 million m³ and electricity production were 3.25 terawatt hours by the end of 2015 (Orkuveita Reykjavíkur, 2015).

Veitur used to run their business using the brand name of Reykjavik energy but later on 1st December 2015 Veitur came up with their own name. In 2015 the total number of full time employees’ in Veitur were 164. In the year of 2015 Veitur offers utility services to the Icelanders about 40% for sewage, 43% waterworks, 55% electric distribution and district heating were about 73% (Orkuveita Reykjavíkur, 2015).

Following is the map of OR power station presented in figure 10.
4.2 Quantitative research

According to Bickman and Rog (1998), there are two types of data which are called primary data and secondary data. Primary data directs to the collection of new data for a particular study while secondary data has been already collected for some other purpose (Blaikie, 2009). This study was based on primary data.

For the quantitative part of the study a survey see, Appendix A, was distributed among 170 employees of OR, ON and Veitur whereof 122 employees responded. The employees were targeted for data from upper level to lower level.

The questionnaire used for the study comes from a paper “The impacts of rewards and corporate social responsibility on employees motivation” (Latif et al., 2014, p. 77). The survey contained a five point Likert scale where respondents (1) strongly disagree (2) disagree (3) neutral (4) agree and (5) strongly agree with the statement proposed. Since the study focus was only on CSR and motivation some questions from the previous study related to rewards were excluded for this study see, appendix A.

The questionnaire has 3 sections which are (1) motivation containing 6 questions (2) internal CSR activities (employee related) containing 4 questions and (3) where external CSR (customer related) contained 3 questions, supplier related part including 4 questions, and local communities part with 4 questions. The independent variables were internal and external CSR while dependent variable was motivation as stated before.

The questionnaire was translated into Icelandic. It was first distributed to several Icelandic persons through email to check the content validity of the survey. Some
changes related to language and sentence structure were suggested by the respondents. After the pilot study the suggested points related to language and sentence structure were used to improve the questionnaire in order to eliminate the probability of complexity in the questions. An online survey method was used by the target companies where the survey questions were put into their own system and employees were asked through an email to fill out the questionnaire. Statistical package for social sciences (SPSS version 2016) was used to calculate the cronbach alpha, demographics, regression, correlation and descriptive statistics for the purpose of data analysis.

4.3 Qualitative research

For the qualitative part of study the data was collected by interviewing managers of the Orkuveita Reykjavíkur, Orka Náttúrunnar and Veitur. The study aim was to interview the upper level managers to investigate their perception regarding CSR and employees’ motivation. Before starting the interview all the managers were briefed about the study aim and purpose. All the 6 managers interviewed were from different departments including human resources department, communication, environmental managers and logistic managers, etc. The interview questions were divided into different themes which are general questions about the manager position, experience, and day to day activities. According to the second theme, which is CSR, manager were asked how they would define CSR and what type of CSR activities take place in work environment. The third theme, stakeholders contained questions emphasized the company stakeholders and the company’s relationship with stakeholders. The fourth and the last theme was about motivation where manager were asked how they motivate employees see appendix B. What type of CSR activities can motivate employees? All the interviews themes are grounded in the survey submitted to employees.

All the interviews were recorded and manuscripts analyzed. Interviews content were categorized into three different themes, CSR, Stakeholders and Motivation. All the interviews manuscripts were well organized before analyzing and different respondent answers were integrated into single answer in order to understand the responses of each interviewer. All the interviews were read carefully in order to draw out the contents related to CSR and employees motivation. Mind map manager 2017 was used to classify corporate social responsibility activities into themes related to activities that effect employee’s motivation in the company. Different separate mind maps were developed for each theme and also for internal and external CSR activities based on the hypothesis.
assumed for the study. All the contents from different themes and CSR activities maps were integrated into a single mind map see, section 6.4, figure 17. The perceptions of managers and employees responses are compared in section 6.6.

Table 5 shows the number of respondents, length of interviews and companies’ names.

Table 5. Interview details

<table>
<thead>
<tr>
<th>Interviews number</th>
<th>Duration</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview 1</td>
<td>26 minutes</td>
<td>Veitur</td>
</tr>
<tr>
<td>Interview 2</td>
<td>43 minutes</td>
<td>Orkuveita Reykjavíkur</td>
</tr>
<tr>
<td>Interview 3</td>
<td>17 minutes</td>
<td>Orka Natturunnar</td>
</tr>
<tr>
<td>Interview 4</td>
<td>31 minutes</td>
<td>Veitur</td>
</tr>
<tr>
<td>Interview 5</td>
<td>48 minutes</td>
<td>Orkuveita Reykjavíkur</td>
</tr>
<tr>
<td>Interview 6</td>
<td>41 minutes</td>
<td>Orka Natturunnar</td>
</tr>
</tbody>
</table>
5  Findings of the quantitative study

This chapter discusses the results of the quantitative study. The results start with presenting the demographics outcomes of employees. Secondly, the chapter shows the reliability analysis and descriptive statistics. Next, the chapters presents the correlation findings followed by regression analysis.

5.1  Demographics of participants

The questionnaire contained some background information regarding age, gender, working experience and job title, each of which is discussed below.

5.1.1  Age of respondents

The respondent age was divided into 6 categories. In the first category, out of the total 122 respondents 0.8 percent of the respondents (1 individual) were under the age of 20. The second category included employees between 20-30 years of age and the respondent rate was 13.8 percent (16 individuals). In the third category 31.7 percent of the respondents (39 individuals) were between 31-40 years of age while those between 41-50 years of age were 21.1 percent (26 individuals) who filled the questionnaire. Moreover, in both categories 51-60 of age and those above 60 years of age the response rate was with 16.3 percent (20 individuals) of those who participated in the study.

![Figure 11. Age of the respondents](image-url)
5.1.2 Gender of participants
Figure 12 shows the participation of gender in the survey. In the survey, male participation was to a small degree of higher participants than female. Out of the total 122 responses from OR, ON and Veitur, 55 percent (67 individuals) of the respondents were male while 45 percent (55 individuals) were female. This represents a relatively equitable distribution of each gender group.

Figure 12. Participation of gender

5.1.3 Job titles of participants
Figure 13 shows the job titles of the respondents who participated in the study. They were divided into different groups including upper level manager, middle level manager, supervisor, expert and skilled worker/craftsman. Out of the total 122 respondents 2.4 percent (3 individuals) were working as upper level managers while 13.8 percent (17 individuals) of the respondents were found to be middle level manager. Supervisor and skilled worker/craftsman were 16.3 percent (20 individuals) and 22.0 percent (27 individuals) respectively. Out of the total participants 44.7 percent (55 individuals) of the respondents were experts.
Figure 13. Working title of participants

5.1.4 Working experience

Figure 14 shows the working experience of respondents. The working experience years were categorized into groups ranging from 0 to 5 years, 6 to 10 years, etc to above 25 years. In the total of 122 respondents, 120 of the respondents filled in an answer for working experience. The statistics shows that 30 percent (37 individuals) of the respondents had working experience between 0 to 5 years and 20 percent (25 individuals) of the respondents had 6 to 10 years of working experience. Furthermore, 18 percent (23 individuals) and 15 percent (16 individuals) of the respondents participated in the study had working experience between 11 to 15 years and above 25 years respectively. Out of the total 122 respondents, 13 percent (16 individuals) had working experience between 16 to 20 years while 2 percent (3 individuals) had working experience between 21 and 25 years. Also, answers from two individuals of the total number of respondents were missing.
5.2 Reliability analysis

Cronbach’s alpha reliability test in statistics is considered an authentic and one of the most used tools for constructs (Bonett & Wright, 2015). According to Bonnet and Wright (2015), Cronbach’s alpha below 0.7 is not considered to be acceptable but no universal principal has been set concerning rejecting or accepting alpha value but in contrary to that according to Nunnally (1978) an Cronbach’s alpha close to 0.9 are considered as “excellent” for research study while alpha close to 0.8 applies for basic research and alpha between 0.5 to 0.6 are considered for explanatory research. Cronbach’s alpha below 0.6 is acceptable for conducting a study and even lower that 0.6 can be considerable (Prosser et al., 1998).

Table 6 shows the reliability statistics of the survey items derived from Latif et al. questionnaire (2014). The questionnaire contained 5 variables whereof four are independent variables, external CSR customer related, business partners and local community related and fourth is internal CSR (employees related). Additionally, one is a dependent variable (motivation). All these variables contained different questions related to respective contents see, Appendix A. Table 6 shows the number of items and respective alpha for each independent and dependent variables. One of the construct internal CSR activities (employees related) had a low alpha value of 0.5. According the rule of 0.6 alpha, the rest of the variables had acceptable reliability value. The construct
for motivation had 0.6 level of reliability and external CSR (customer, business partners and local community related) had 0.6, 0.7, and 0.7 respectively.

Table 6. Reliability of Scale

<table>
<thead>
<tr>
<th>Variables</th>
<th>No of items</th>
<th>Alpha (α)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>6</td>
<td>0.665</td>
</tr>
<tr>
<td>Internal CSR (employees ‘related)</td>
<td>4</td>
<td>0.543</td>
</tr>
<tr>
<td>External CSR (customer related)</td>
<td>3</td>
<td>0.689</td>
</tr>
<tr>
<td>External CSR (business partner related)</td>
<td>4</td>
<td>0.769</td>
</tr>
<tr>
<td>External CSR (local community related)</td>
<td>4</td>
<td>0.735</td>
</tr>
</tbody>
</table>

5.3 Descriptive statistics

This section discusses the descriptive statistics of the variables included in this study. According to the variables motivation, internal CSR activities (employees related) and external CSR (customer, business partners, local community related) descriptive statistics were determined. Mean, median, standard deviation and variance were calculated in details see table 7. The construct had 5 point Likert scale where points 1 means to strongly disagree and 5 to strongly agree. The descriptive statistics shows that most of the responses of participants in the study were found to be lying between strongly agree and agree because the statistics shows value greater than 4 and close to 5.

Table 7 shows the descriptive statistics of the criterion and dependent variables. The mean, median, standard deviation and variance for motivation (dependent variable) are 4.33, 4.33, .466 and .22 respectively.

External CSR (business partner related) produced the lowest mean value of 3.9 while motivation had the highest mean of 4.33.

Additionally, the descriptive statistics table shows the median value for each respective variable. The median value for motivation and external CSR (customer related) was calculated 4.33. Furthermore, internal CSR (employees related) and external CSR (community related and business partners related) had a median value of 4.0.

It is clear that all the constructs produced a similar standard deviation.
Table 7. Descriptive statistics of mean, median, standard deviation and variance

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
<th>Standard deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>4.32</td>
<td>4.33</td>
<td>0.46</td>
<td>0.21</td>
</tr>
<tr>
<td>Internal CSR (Employees related)</td>
<td>4.00</td>
<td>4.00</td>
<td>0.53</td>
<td>0.28</td>
</tr>
<tr>
<td>External CSR (Customer related)</td>
<td>4.19</td>
<td>4.33</td>
<td>0.55</td>
<td>0.30</td>
</tr>
<tr>
<td>External CSR (Local community related)</td>
<td>4.07</td>
<td>4.00</td>
<td>0.57</td>
<td>0.33</td>
</tr>
<tr>
<td>External CSR (Business partners related)</td>
<td>3.92</td>
<td>4.00</td>
<td>0.56</td>
<td>0.32</td>
</tr>
</tbody>
</table>

5.4 Correlations

Table 8 shows the relationships of all the independent variables with each other and dependent variable. The table shows a positive and significant correlation between variables.

All the dimensions of CSR were found to be significantly correlated with dependent variable (motivation). A Pearson r test revealed a positive correlation r = .222 between internal CSR and motivation. Motivation had a positive correlation of 0.183 with external CSR customer related, 0.243 with local community related, and 0.197 with business partners related. Base on the significant correlation between variables all the hypothesis are accepted. The correlation figures are given in the table 8 below.
### Table 8. Pearson correlations

<table>
<thead>
<tr>
<th></th>
<th>Motivation</th>
<th>Internal CSR employees related</th>
<th>External CSR customer related</th>
<th>External CSR local community related</th>
<th>External CSR business partner related</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>1</td>
<td>.222*</td>
<td>.183*</td>
<td>.243**</td>
<td>.197*</td>
</tr>
<tr>
<td>Internal CSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees related</td>
<td>.222*</td>
<td>1</td>
<td>.500**</td>
<td>.535**</td>
<td>.416**</td>
</tr>
<tr>
<td>External CSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>customer related</td>
<td>.183*</td>
<td>.500**</td>
<td>1</td>
<td>.578**</td>
<td>.590**</td>
</tr>
<tr>
<td>External CSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>local community</td>
<td>.243**</td>
<td>.535**</td>
<td>.578**</td>
<td>1</td>
<td>.700**</td>
</tr>
<tr>
<td>related</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External CSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>business partner</td>
<td>.197*</td>
<td>.416**</td>
<td>.590**</td>
<td>.700**</td>
<td>1</td>
</tr>
<tr>
<td>related</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Correlation is significant at .05* and .01** level
5.5 Regression analysis

Table 9 shows the hypothesis testing using simple regression analysis. Separate simple regression model were used due to the high multi collinearity between variables shown in the correlation table. Internal CSR (employee related) with the beta value of .222 and p value .014 was statistically significant with motivation. External CSR (customer related) and motivation had a beta value .183 and p value .044 which is less than .05 is significant. External CSR (local community related) and motivation had a beta value .243 and p .007. Furthermore, external CSR (business partners related) had a beta value .197 and p value .031. Based on the significant correlation between variables and significant p values for all models, all the four hypothesis are accepted.

Table 9. Anova and coefficients

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>t</th>
<th>Sig</th>
<th>Adjusted R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal CSR (employee related)</td>
<td>.222</td>
<td>2.484</td>
<td>.014</td>
<td>.041</td>
</tr>
<tr>
<td>External CSR (customer related)</td>
<td>.183</td>
<td>2.035</td>
<td>.044</td>
<td>.025</td>
</tr>
<tr>
<td>External CSR (local community related)</td>
<td>.243</td>
<td>2.728</td>
<td>.007</td>
<td>.051</td>
</tr>
<tr>
<td>External CSR (business partners related)</td>
<td>.197</td>
<td>2.178</td>
<td>.031</td>
<td>.031</td>
</tr>
</tbody>
</table>

Dependent variable: Motivation; Independent variable: Internal CSR (employee related)  
External CSR (customer related); Independent variable: External CSR (local community related); Independent variable: External CSR (business partners related)
5.6 Hypothesis results

Table 10 shows the study hypothesis results derived from survey. All the hypothesis assumed for the study are accepted. The regression analysis were performed to measure CSR practices towards employees, customer, business partners and local community experienced a significant impact on employees’ motivation. With the 95% confidence interval, significant outcomes for all the hypothesis were experienced.

The theoretical model depicted for this study was generated in order to see the assumed effects of predictor’s variable on criterion variable. The results of hypothesis show significant relationship between internal CSR (employee related) and external CSR (customer related, business partner related, and community related) and employees’ motivation.

Table 10. Hypothesis results

<table>
<thead>
<tr>
<th>No</th>
<th>Hypothesis</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Internal CSR activities (employees’ related) positively affect employees’ motivation</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2a</td>
<td>External CSR activities (customer related) positively affect employees’ motivation</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2b</td>
<td>External CSR activities (local community related) positively affect employees’ motivation</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2c</td>
<td>External CSR activities (business partner related) positively affect employees’ motivation</td>
<td>Accepted</td>
</tr>
</tbody>
</table>
6 Findings from the qualitative study

From the qualitative part of the study the key themes (1) internal CSR (employees related) external CSR (2) (customer related), external CSR (3) (local community related) and external CSR (4) (business partners related) are used to analyze the findings in each separate section.

Figures 15, 16, 17 and 18 show the descriptions derived from overall interviews. The results answer the questions about how the managers perceive corporate social responsibility effects on employee’s motivation.

In some of the general questions manager were asked to give a brief introduction to CSR activities. In that case some of the interviewer mentioned the environment and sustainability. One manager mentioned socially responsible behavior towards the environment, customers and community and also added about the economic dimension, given the importance of being a publicly owned company which needs to handle the finance carefully.

*It means a lot because we are owned by the public. We should behave socially responsible [with regards to the] environment, society and public. We have to handle the money carefully and we should also [be] careful in releasing the gases.*

Another one mentioned the three dimensions of CSR social, environmental and economic that CSR covers, he stated that company management needs to think about CSR practices in decision making:

*It means in very general terms if the organization is likely to pass the test of time and it has to do with sustainability, we have these three traditional dimensions social, economic and environmental but we also have in our CSR work here at workplace itself.*

Our next interviewer stated that the company needs to be a good neighbor which is good for the image. He stated that:
The company is a good neighbor. Thinking about society, environmental issues thinking about financial issues and also it’s actually the sustainable development.

The managers were asked about how they practice CSR activities in their day to day activities. One mentioned that the company works with accordance to the ISO and standard operating procedure. The company publish their environmental and financial report annually. He further discussed that:

We have a very elaborative management system here. We work in accordance with various international standards. Regarding the social issues that has not been structured well as the environmental and financial aspects of the operation but the governance of the company is such that the we have an owner’s policy where CSR is particulate in the guiding light of the owners policy and then elaborated in the policy and we have had a special external review on how these principles in the owner’s policy are elaborated.

The topic was also discussed in the context of employees, customers and the society which is essential for the company to survive in global market. One interviewer stated that:

In our company we have a lot of cars that we are using. We are for instance monitoring them so that we can minimize the usage and trying to control the usage of cars. We are also trying to influence in safety issues so we are not only think about ourselves and our workers because we are going into the areas where people live and digging some hole and something like that trying to think about the safety of everybody [within the] municipalities.

The following question was about was about who are the company's most important stakeholders. One of the manager mentioned the company stakeholders in very detail. He stated that:
We have of course our customers. Then we have our owners which are three municipalities of which the city of Reykjavik by far the largest 95- % of the company and above the politicians that hold the shares in the company is the electorare shareholders or indirect shareholders in the company. Another group of stakeholders is the government and various regulatory bodies in terms of energy matters and in term of environmental matters, the municipalities. For example environmental group hiking and tracking groups with a societies and various such societies. Another category is suppliers, 20 unions and of course the general staff.

Managers were also asked about important CSR activities that are directed towards their key stakeholders. They expressed that would be handling of gases, electrical cars for the employees, treat the natural resources in better ways for customers and community. An interviewer said that:

*I would say the electrical cars we have started building a fast charging station in Reykjavik areas nobody told us [to do it] but we had to do it we did it anyway so that was a great move.*

Furthermore, an interviewer added that the company is trying to provide better quality services to the customers but supporting topics such as flexible working hours and also we are very active in gender equality. She stated that:

*The first and foremost thing we do is our operations like to provide cheap drinkable water but that’s why we exist: it’s a life quality and also having disable employee we have. I think it’s a one thing. Generally what we are doing with the employees [is to] short the workdays and to have a little bit [of] flexible at work. We are doing very much with [regards to] gender issues.*

Furthermore managers were asked about what kind of CSR practices can effect employees’ motivation. One of the interviewer mentioned some environmentally friendly activities such as producing green energy, heating houses in sustainable way that can increase the motivation level of employees. He further stated that open communication with all employees also increase employees’ motivation. He stated that:
I think that there are activities that can have impact that is the environmental aspect; that is doing thing should we say right environmentally. I think that is the motivation factors also the basic activities of the company making green energy, heating houses in a sustainable way and having an open communication system with employees

One of the interviewer mentioned that CEO’s communication with employees can influence employees’ motivation and providing better services to the customer which can enhance the motivation level of employees. The interviewer mentioned that:

These day our CEO is having conversation with all our employees, 20 people each time. It will be around 30 meetings and we are discussing how we are as a company importance for the society and CSR issue are taken into this conversations. To be acknowledged that you are doing quality work and that managers are aware of it. So providing better services and products to the customer motivate the employees.

Another interviewer discussed that the CSR factors which can increase employees’ motivation are employees related and also outside of the company with customers, societies and community. By summarizing it:

Both related to employees and also related to external forces such as for community and society and trying to reduce the CO2 emissions and we give money to employees if they come [by] using cycle [or] walk to work.

Managers were asked about how they motivate their employees. In this case responses from the interviews were very diverse. They mentioned some internal and external CSR activities that can help to increase the motivation level of employees’ towards their work such as giving direction, be transparent, goal setting and reducing the waste. Furthermore, he mentioned that the company CEO meets with every employee after some time. One of the interviewer stated that:
Giving direction, giving information can be transparent both within the company and outside so that they get a better picture. How their contribution matters to the end customers. In motivation we go in various ways for example by goal setting, setting financial targets environmental targets to decrease emission and waste. Social aspect of our target setting is for example is minimizing our outages and such. We communicate these goals to our employees and for example we have general staff meeting here at lunch time and we have a very elaborative kind of education program for employees.

One of the interviewer stated that employees’ can be motivated if they are complimented for their work. The management needs to communicate with the workers and bring their ideas into attention. She mentioned in the following quotation that:

Providing [good] working conditions. Good food. Flexible working hours. Providing a fair pay. We want to be competitive we cannot lead but we need to be competitive. But also good conditions.

Managers were asked about what type of internal and external CSR activities would motivate employees. Different answere were given but in a nutshell almost all of the interviewers were emphasing both kinds of activities which can lead to motivation in working environment. One of the interviewer stated that:

We care about the organizational environment such as [providing to employees] good security good working conditions. The customer’s wants us to be socially responsible and our employees get motivated while knowing working in place which are very environmentally friendly and also providing electrical cars.

The second interviewer mentioned the internal CSR activities which are related to employees and customers related CSR such as good quality services and also communities such as environmentally friendly practices. He stated in the following quotation that:
I think both kind [of internal and external activities] motivate the employees, related to communities public services, and also the core activities within the company related to employees and also providing better product and services to the customers motivate employees and environmentally friendly services.

Next, an interviewer stated that an organization which practices more internal CSR activities while show lack of care for external CSR activities cannot achieve its goals and objectives. Organization needs to be concerned with internal and external CSR activities. She stated that:

*Customer related activities motivate the employees but also internal activities Motivate employees. It doesn’t go without the other. It’s a combining activity if we are doing well related to employees but we don’t do good related to external activities then it doesn’t.*

Internal and external CSR both itself ties together. The company which involves in either one of the CSR activities but ignore the other can cause dissatisfaction for employees in working environment.

Table 11 shows the overall outcomes of qualitative data and explain the internal CSR (employees related) and external CSR (customers and community related) activities that can help in increasing the motivation level of employees in work environment.

**Table 11. Summary of qualitative results**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Communication</th>
<th>Working conditions</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase motivation</strong></td>
<td>Meeting with employees, open door policy, giving directions, education, training and development, workshops</td>
<td>Safety helmets, providing manuals during work, work life balance, job security, flexible working hours</td>
<td>Internal and external CSR practices related to (employees, customers and community)</td>
</tr>
</tbody>
</table>
6.1 Internal CSR activities

Manager responses suggest that internal CSR activities affect employees’ motivation. Managers perceive that internal CSR activities such as gender equality, work life balance, flexible working hours, open door policy, safety, working conditions, job security, and promotional opportunities motivate employees.

CSR activities related to employees were considered as the most important CSR activities that can be used to enhance employee’s motivation at work. The manager mentioned that they have an equal employment opportunities for both gender. The following quotation are taken from the managers interviews describing what CSR activities enhance motivation level of employees during work.

The management believes in gender equality. Providing equal employment opportunities bring commitments and trust among employees in working environment.

Gender equality: Internal CSR activities which employees mostly consider to be very important described in the following quotation by an interviewer:

*We are also active in gender equality that affect the current job of employees so we monitor well about that and employees are well aware of that which affect them and make pride being part of the company.*

Work life balance: The interviewer added that we have shorten 1 hour work on daily basis to give a little flexibility to the workers. These type of activities motivate employees a lot.

*Creating a family friendly work place having work life balance.*

Flexible working hours: In the context of internal CSR activities one of the interviewer mentioned that the company management system believes in providing better working condition to their employees in order to ease their tasks in work environment. He further stated that:
Providing better working conditions. Good food. Flexible working hours.
Providing a fair pay. We want to be competitive we cannot lead but we need to be competitive.

Training & development and promotional opportunities: It is proved from the literature that training and development can be used for increasing employee’s motivation in work station. The following quotation support the argument from the literature:

I think we are doing great in that and we are trying to give opportunities to promote to other jobs and we also provide training and development within the company.

Job security: Another interviewer mentioned that the company provides full job security to their employees. The interviewer further added that job security among employees can lead to build trust within the organization. The employees feel secure in being part of the company and that is why workers tend to join such companies that provide job security.

Both externally also and internally also as we were talking about the organizational environment such as good job security good working conditions.

Figure 15 shows the internal CSR activities that can help in increasing the level of motivation at workplace.

Figure 15. Linking internal CSR activities with Motivation
6.2 External CSR activities (Customer related)

Figure 16 shows the customer related activities that increase the level of employee’s motivation. Good quality services, green energy, complaint services, heating houses in sustainable way, stations for charging electric cars, fair prices, socially responsible behavior motivate employees in the work environment.

The interviewer mentioned the following activities that have positive effects on employee’s motivation. It is very important for the employees that being a part of such company which do care a lot of their customers.

Good quality service: The company can enhance their revenue by providing good quality services to the customers which employees feel pride of being part of such a company. A manager added in the following quotation that:

*Providing good quality services and products to the customers motivate the employees most.*

Green energy: Producing green energy has become very important for current climate change status. The demand of energy has become very high and the corporations produces energy without caring for environment and societies which is detrimental. as the manager stated in quotation that:

*It is by providing green energy clean water, renewable energy and also good working conditions to the employees.*

Complaint Cell: The company has developed such a system which customers can easily communicate with the employees and customers can lodge their complaints such as quoted by a manager.

*we have a complaint cell for customers where we hear from them and it motivates our employees.*

Heating houses: The manager perceives that providing goods and services in a sustainable way not only increase customer satisfaction but also lead to enhance employees motivation in work environment. The interviewer stated that,
I think that is the motivation factors because that also rhymes with the kind of basic activities of the company making green energy, heating houses in a sustainable way and such.

Station for charging electric cars: Another good initiative the company provides to customers, which managers think that became an activity which caused to increase motivation level of employees. Many managers mentioned the stations for charging electric cars in their interviews such as one of interviewer stated that:

we have started building a fast charging station in Reykjavik areas nobody told us but we had to do it we did it anyway so that was a great move and that makes our employees proud of being part of this company.

Fair prices: The company believes that providing fair prices to the customers can enhance the sale revenue which in results employees get benefits out of that like getting good salaries and benefits. He stated that:

The first and foremost thing we do is our operations like to provide cheap drinkable water.

Socially responsible behavior: What is important to the employees is that they want a socially responsible behavior with themselves and as well as towards the customers. The manager stated that:

The customers wants us to be socially responsible and our employees get motivated while knowing working in place which are very environmentally friendly.

Figure 16 shows the customer related activities that can assist in enhancing employees’ motivation towards their work.
6.3 External CSR activities (local community related)

Managers perceive that external CSR activities i.e. local community related such as grants to local clubs, reducing CO2 emissions, culture events, less pollution and green energy enhance the motivation of employees.

The employees feel pride working in such a company which are involved in CSR activities related to community.

The following quotation explore the manager’s perception regarding CSR activities that motivate employees.

Grants to local sports club: The managers think that involving with community leads to high motivation in employees’ behavior for work. Employees want to join such companies that are positively involved with societies. The manager stated that giving grants to communities builds motivation of our employees in work environment.

Giving grants to local sports club, supporting culture events and so on. These activities are conducted by our owners also by the city of Reykjavik that gives grants and contractual relation with sports club and such and we believe that this kind of activities increase motivation of our employees.

Reducing CO2 emissions: It is widely discussed in the literature that companies that practice ethical behavior either with customers or employees they perform better in the competitive global market.

The managers perceive that socially responsible behavior with the customers and community boost the employees’ performance and their motivation level. Reducing CO2
emissions has become a trend in new business operations. Management convinces their workers to reduce the car usage that can lead to less CO2 emissions. The manager quoted that:

\[\text{Reducing the car usage and reducing CO2 emission providing green energy these motivate employees.}\]

Culture events: The companies that support culture events obviously gain the attention of societies and as well as the employees. Customers also tend towards such companies that are involved in community welfare events. The interviewer stated that:

\[\text{Giving grants to local sports club, supporting culture events and so on make our employees proud of being part of our company and motivate them towards their work.}\]

Less pollution: Another very important factor mentioned in below quotation for today business is less pollution. Community appreciate the practices of the companies which is not harmful for the environment. The interviewer stated about the less pollution that:

\[\text{Producing less pollution and reducing CO2 emissions and I think that this can improve our employee’s work and their trust with the company.}\]

Green energy: The interviewer think that producing green energy in today business era has become very rare as mentioned in the below quotation. Different managers mentioned that producing green energy is our main cause of making our employees and as well as customer pride and trust:

\[\text{We are making green energy for the community which do not pollute the environment which are globally unusual and that make our employees proud.}\]

Figure 17 represents the community related activities that enhance the employees’ motivation in working environment.
6.4 External CSR activities (business partners related)
After carefully reading and analyzing all the interviews the findings suggest that the company managers showed less or no interest in external CSR activities (business partners related).

6.5 Corporate Social Responsibility activities
The results presented in figure 14 shows that manager’s belief that internal CSR activities (employees related) and external CSR activities (customer related and community related) have greater effects on employee’s motivation. The findings from interviews show that internal CSR activities like fair wages, training and development, promotional opportunities, better working condition effects employee’s motivation.

Furthermore, external CSR activities related to customers such as good quality services, complaint cell, socially responsible behavior, clean drinking water also affect employees’ motivation.

In addition, external CSR activities community related such as grants to local club, culture events, reducing CO2 emissions affect the motivation level of employees, and it is important that internal and external CSR needs to be practiced parallel. Otherwise the company cannot achieve its goals and objective until they practice CSR for employees, customers and local community.

Both externally also and internally also as we were talking about the organizational environment such as good security good working conditions. The
customer’s wants us to be socially responsible and our employees get motivated while knowing working in place which are very environmentally friendly and also providing electrical cars.

The above quotation describes that motivation can be increased by internal and external CSR combined. Manager perceives that it does not go without the other. Figure 18 shows the overall CSR activities that the companies managers think can enhance employees’ motivation at work. They think internal CSR activities such as gender equality, work life balance, communication, job security, working conditions can lead to increase the level of motivation in the working environment. Furthermore, the external CSR activities related to customers such as clean drinking water, green energy, stations for charging electrical cars enhance employees’ motivation. Moreover, the company managers believe that activities related to community such as giving grants to local clubs, sport clubs, less pollution, reducing CO2 emissions increase the employees motivation in our company.

Figure 18. CSR activities influencing motivation
6.6 Mixed Method Results

The data was collected through mixed research methods. A questionnaire was filled out by 122 employees and data was used for analyzing hypothesis that were assumed for the study. For qualitative data collection, 6 managers of different department from OR, ON and Veitur were interviewed about CSR and employees’ motivation.

Table 12 shows the results from both studies collected through interviews and survey. The findings show the managers and employees’ perceptions about corporate social responsibility and employees’ motivation.

It is clear from the results that internal CSR activities and external CSR activities do affect employees’ motivation. Employees’ responses show that external CSR activities related to suppliers affects employees motivation while managers do not perceive any affects from suppliers related activities.

Table 12. Mixed method results

<table>
<thead>
<tr>
<th>CSR activities</th>
<th>Managers’ Responses</th>
<th>Employees’ responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal CSR activities (employees related)</td>
<td>Perceives’ that safety, job security, better working environment, work life balance, gender equality, fair wages positively affect employees motivation</td>
<td>Positively affects employees’ motivation</td>
</tr>
<tr>
<td>External CSR (Customer related)</td>
<td>Good quality services, complaint cell, green energy, clean drinking water, heating houses in sustainable ways motivates employees</td>
<td>Increase the level of employees’ motivation</td>
</tr>
<tr>
<td>External CSR (community related)</td>
<td>Grants to local sports clubs, culture event, reducing CO2 emissions, less pollution have effect on motivation of employees</td>
<td>Positive relation with employees’ motivation</td>
</tr>
<tr>
<td>External CSR (Business partners related)</td>
<td>Have no relation with employees’ motivation</td>
<td>Positively affects employees motivation</td>
</tr>
</tbody>
</table>
6.7 CSR and motivation model

The model suggests that corporate social responsibility has a positive relationship on employee’s motivation in the working environment. Internal CSR (1) (employees related) and external CSR (2) (customer related) (3) (business partner related) and (4) effects and increase the level of motivation. The model depicts that when a company increases or involves in CSR activities, it leads to increase the employees motivation which leads to improve the company overall performance while lack of CSR activities can cause demotivation at work which drives poor performance.

![Figure 19. Model. Source: own illustration](image)
7 Discussion

The study was based on three questions. 1) How does CSR affect employees’ motivation? 2) What type of CSR activities affect employees’ motivation? 3) What are the managers perception regarding CSR and employees’ motivation? The results of the quantitative part of the study shows that internal CSR practices (employees related) and external CSR (customer, business partners and local community related) have positive relationship with employees’ motivation. The qualitative part of the study findings revealed that managers think that internal CSR activities (employees related) have great influence on employees’ motivation compare to external CSR activities. External CSR activities (customer related and local community) affect the level of motivation at workplace while manager perceive that business partners related has no effects on employees’ motivation.

The aim of this study was to investigate the relationship between corporate social responsibility and employees’ motivation. The findings provide answers to all the research questions developed for the study. The results show that CSR has positive impact on employees’ motivation within the work environment. The study method was mixed and data was collected through surveys and interviews. The results from descriptive statistics show that the mean for all variables are about 4 or above which depicts that all the respondents were tend to agree about the positive relationship between CSR and employees motivation.

The first research question was to find the relation between CSR and employees’ motivation. The mean value with 4.00 and above shows the respondents rate which was agree and strongly agree which finds that internal and external CSR have effect on employees’ motivation. These results support the argument of (Brammer et al. 2007; Skudiene and Auruskeviciene. 2012; Chaudhry et al. 2015; Latif et al. 2014) which shows that CSR has strong relation with employees’ motivation and commitment.

The second and third research questions about what type of CSR activities and how manager perceive these CSR activities that motivate employees. Findings suggest that, internal CSR activities such as work life balance, working conditions, fair wages, and open door policy enhance employees’ motivation. Additionally, it is also found that external CSR activities related to customers such as green energy, fair prices, socially responsible behavior and complaint cell increase the level of motivation in work environment. Similarly, activities related to communities such as giving grants to local
club, sport clubs, less pollution and reducing CO2 emissions can lead to employees’ motivation at workplace.

The study revealed that all the independent variables (internal CSR, employees related) and (external CSR, customer related, local community related and business partners related had a positive relationship with the dependent variable (motivation).

Regression analysis suggests that internal CSR with employees motivation and the results show that the beta value (B=.222) and (P=.014) show significant relationship between internal CSR (employees related) and employees motivation. External CSR (customer related with the (B=.183) and (P=.044) show also significant relationship between customer related CSR and employees’ motivation. Local community related with the (B=.243) and (P=.007) and business partners related with (B=.197) and (P=.031) have significant relationship with employees’ motivation.

The findings based on the quantitative study contradict the results from (Latif et al., 2014). The hypothesis about internal CSR (employees related) and external CSR (Customer related) were rejected by (Latif et al., 2014). Furthermore, the study results support the finding of Skudiene and Auraskeviciene. 2010 and Chaudhry et al. (2015).The study findings support the results of Forsgren and Haskell. (2015).The findings contradict with Latif et al. (2014) in some hypothesis. All four hypothesis derived from Latif et al. (2014) were accepted in this particular study.

Managers were interviewed about CSR effects on employees’ motivation. After carefully reading all the interviews the contents were analyzed and different maps were developed in order to find out the managers ideas regarding CSR and employees motivation. The outcome shows that CSR activities influence on employees’ motivation in work environment. Managers stressed the importance of internal CSR activities such as fair pay, safety, work life balance, working conditions, socially responsible behavior.

The managers perceive external CSR activities related to customers influence employees motivation in work environment. The company provide good quality services, complaint cell, fair prices and socially responsible behavior to the customers that make the employees proud of being part of the company. The findings support the arguments of Sims and Keon (1997) that ethical behavior leads to high trust in the organization and more committed employees.

Additionally, external CSR activities (customer related) such as green energy, complaint cell, heating houses in sustainable way, quality services and socially
responsible behavior do increase the level of motivation. Furthermore, external CSR activities (local community) related such as grant to local clubs, culture events, less pollution, reducing CO2 emissions and green energy affect employees’ motivation. Managers showed less or no interest in CSR activities related to business partners that can be used to enhance employees’ motivation in work environment that contradict with the study of Forsgren and Haskell. (2015).

The quantitative study results contradict the arguments of Latif et al. (2014) in some hypothesis while supporting the findings of Skudiene and Auraskeviciene (2012) and Chaudhary et al (2015) studies. Additionally, the qualitative study findings support the argument of Brammer et al. (2007) that CSR positively affect the job satisfaction and employees’ motivation in work environment.
8 Conclusion

The study was conducted to investigate the effects of corporate social responsibility practices on employees’ motivation of Orkuveita Reykjavíkur, Orka Náttúrunnar and Veitur in energy sector in Reykjavik, Iceland. Internal CSR (employee related) and external CSR (customer related, local community related and business partners related) were selected as independent variables and motivation as dependent variable. The study revealed that the companies need to invest in CSR for attracting and sustaining committed employees.

CSR is no longer an option for companies. Companies must make such decisions that are acceptable to society and employees. Socially responsible behavior not only affects society but also companies own workers.

The study suggests that CSR practices has become important factors for motivating employees, meaning that management should think about CSR while making decisions about business operations. CSR can be used as a multifaceted tool to affect employees, community, customers, suppliers and society and all these stakeholders have direct and indirect relation with companies that can have greater influence on businesses.

The study further suggests that involving in CSR practices can lead to low retention and absenteeism rate. The company needs to develop such organizational culture that focus on gender equality, better working conditions, safety and job security, less pollution and good quality services. These activities not only motivate employees but it can also enhance customer’s loyalty towards the companies.

CSR and employees’ motivation have been studied very rarely. Key contribution to the literature with regards to CSR and motivation are developed as the study contributes in understanding the managers’ perceptions about employees’ preference and motivation factors in working environment. The study can help the leadership and decision makers of the companies to develop work environment which are acceptable for employees and as well as for the customers and society. The company management should focus on corporate social responsibility in their decision making in order to enhance their survival in competitive global economy. HR management brings changes, innovations, productivity and better performance if they are motivated towards their work and it is the management responsibility to understand the motivation factors for their employees in order to enhance their performance during work.
8.1 Limitations
Some limitations of the study needs to be noted. First, the original research aim was to conduct a study including two different Icelandic renewable energy companies Landsvirkjun and Orkuveita Reykjavíkur and its subsidiaries. Unfortunately Landsvirkjun did not want to take part in the study. Orkuveita Reykjavíkur were asked to fill about 200 questionnaires but the response rate was low which only 122 employees responded. Additionally, the study was only conducted with energy companies this is why the conclusions cannot be generalized to other businesses. Furthermore, for the qualitative part of the study interviewed were conducted in English. This might have affected the responses of the interviewer.

8.2 Recommendations
This study is conducted in Iceland with the single company and its subsidiaries. It is suggested that similar study should be carried out with different companies in the same industry as well as in other industries and different countries. Furthermore, in this study company managers were only interviewed. It is therefore suggested that company employees’ needs to be interviewed as well in order to compare their perception regarding CSR and its effect on employees’ motivation with interview findings from interviews.
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Appendix A

Spurningalisti um samfélagslega ábyrgð og hvatningu starfsmanna

Ath: Þessi spurningalisti er eingöngu notuð fyrir gagnaöflun vegna meistararitgerðar sem unnin er við Háskóla Íslands. Farið er með allar gefnar upplýsingar sem trúnaðarmál. Ef vandamál koma upp við útfyllingu spurningarkönnunarinnar er ykkur velkomið að hafa samband við mig. Með fyrirfram þökk, Furqan Khan.

fuk1@hi.is

Aldur:

- □ Undir 20
- □ 31-40
- □ Yfir 50
- □ 20-30
- □ 41-50

Kyn:

- □ Karlkyn
- □ Kvenkyn

Starfsaldur:

- □ 0-5 ár
- □ 6-10
- □ Lengur

Tegund starfs:

- □ Yfirstjörnandi
- □ Millistjörnandi
- □ Stjórnandi

- □ Sérfræðingar
- □ Iðnaðarmaður

Annað: _____________
<table>
<thead>
<tr>
<th>Hvatning starfsmanna</th>
<th>Mjög</th>
<th>Sannmála</th>
<th>Sammála</th>
<th>Hlitlaus</th>
<th>Ósammála</th>
<th>Mjög</th>
<th>Ósammála</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ég upplifi persónulega ánægju þegar ég leysi starfið vel af hendi.</td>
<td>5 4 3 2 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Sjálfsálít mitt minnkar þegar ég leysi starfið illa af hendi.</td>
<td>5 4 3 2 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Ég legg metnað í að framkvæma störf mín eins vel og ég get.</td>
<td>5 4 3 2 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Ég finn fyrir óánægju þegar vinnan mín stenst ekki mínar hefðbundnu kröfur.</td>
<td>5 4 3 2 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Í dagslok vil ég geta litið til baka með tilfinningu um vel unnin störf.</td>
<td>5 4 3 2 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Ég reyni að hugsa um leiðir til að framkvæma starf mitt á áhrifaríkan hátt.</td>
<td>5 4 3 2 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Innri samfélagsleg ábyrgð (tengd starfsfólki)**

| 1 Innri stefnur fyrirtækisins koma í veg fyrir mismunun varðandi umbun og stöðuhækkkanir. | 5 4 3 2 1 | | | | | | |
| 2 Ef starfsfólk tilkynnir um misferli í starfi (t.d. þjófnað eða kynderöðlega áreitni) þá er farið með slík mál sem trúnaðarmál. | 5 4 3 2 1 | | | | | | |
| 3 Fyrirtækið er með virka áætlun til að stuðla að líkamlegri hæfni starfsfólks. | 5 4 3 2 1 | | | | | | |
| 4 Fyrirtækið leitast við að uppfylla öll lög varðandi ráðningu og starfskjör. | 5 4 3 2 1 | | | | | | |

**Ytri samfélagsleg ábyrgð (tengd viðskiptavinum)**

| 1 Fyrirtækið milt hefur til staðar verkerfið til að bregðast við sérhverjun kvörtunum frá viðskiptavinum. | 5 4 3 2 1 | | | | | | |
| 2 Allar vörur okkar uppfylla lagalegar kröfur. | 5 4 3 2 1 | | | | | | |
| 3 Sölufólki og starfsfólk er skylt að veita ýtarlegar og nákvæmar upplýsingar til allra viðskiptavina. | 5 4 3 2 1 | | | | | | |

**Ytri samfélagsleg ábyrgð (tengd nærsamfélagi)**

| 1 Yfirstjörnendur vaka möguleg neikvæð áhrif af starfssemi okkar á samfélagið. | 5 4 3 2 1 | | | | | | |
| 2 Stjörnendur fyrirtækisins reyna að fara að lögum. | 5 4 3 2 1 | | | | | | |
| 3 Starfsfólk finnst það njóta stuðnings frá stjörnendum ef það sékist eftir því að verja einhverjum tíma til að sinna göðgerðarstörfum. | 5 4 3 2 1 | | | | | | |
| 4 Fyrirtækið hefur mjög gott kerfi til að sinna umhverfisstjörnmun og umhverfisvernd. | 5 4 3 2 1 | | | | | | |

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<table>
<thead>
<tr>
<th>Ytri samfélagsleg ábyrgð (tengd samstarfsaðilum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Samningsbundnar skyldur fyrirtækisins eru ávalt virtar.</td>
</tr>
<tr>
<td>2. Sanngirni gagnvart samstarfsfólki og samstarfsaðilum er óaðskiljanlegur hluti af matsferli starfsmanna.</td>
</tr>
<tr>
<td>3. Samskipti við smáa birgja, stéttaðarfréð, umhverfisverndarsamtök og aðra þrýstihópa eru góð.</td>
</tr>
<tr>
<td>4. Fyrirtækið hefur til staðar kerfi sem hvetur samstarfsaðila til að samþætta viðmið um samfélagslega ábyrgð í ákvörðunum fyrirtækjanna.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ytri (eúeginleg) umbun</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fyrirtækið greiðir sanngjörn laun fyrir vinnuframlag mitt, støðu, fyrri starfsreynslu og menntun.</td>
</tr>
<tr>
<td>2. Fyrirtækið veitir starfsfólki tækifæri til þjálfunar.</td>
</tr>
<tr>
<td>3. Fyrirtækið býður upp á sveigjanlegan vinnutíma.</td>
</tr>
<tr>
<td>4. Vinnumat er byggt á skýrum viðmiðum um árangur.</td>
</tr>
<tr>
<td>5. Matið er sanngjarnt og uppbyggilegt.</td>
</tr>
<tr>
<td>6. Fyrirtækið hefur sett skýr viðmið valanda stóðhækkjanir, byggt á verðleikum og gagnsærri málsmeðferð.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Innri (eðlislæg) umbun</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fyrirtækið gefur mér færi á að vaxa sem einstaklingur, auka sjálfstraust mitt, sigra á veikleikum mínunum, þroskast og hlúa að eigin sjálfsáli.</td>
</tr>
<tr>
<td>2. Starf mitt er skapandi og leiðir til einhvers sem skiptir máli.</td>
</tr>
<tr>
<td>3. Stjórnendum er annt um heilsu og öryggi starfsfóls.</td>
</tr>
<tr>
<td>4. Stjórnendur veita aðgang að fullnægjandi og nútimaðlegri upplýsingatæknini og stuðning við hana.</td>
</tr>
<tr>
<td>5. Vinnuverðlið hlúir að samvinnu og gagnkvæmi virðingu.</td>
</tr>
<tr>
<td>6. Það ríkir vinálta og persónulegt traust meðal starfsfóls.</td>
</tr>
</tbody>
</table>

Þakka þér fyrir að samvinnu þína og þátttöku!
Appendix B

General Questions
1. How long have you been working at your company?
2. What department do you work?
3. What is your position?
   a. What kind of day-to-day activities do you do?

CSR
1. How do you define CSR?
2. What CSR activities do you do in your daily work?
3. How do relate CSR in company strategic decisions?

Stakeholder
1. Name out the stakeholders for your organization?
2. What do you think as the most significant CSR practices towards to your key stakeholders?
3. How does CSR activities affect employees?
4. What types of CSR practices do you perceive can affect motivation?
5. What CSR practices do you perceive as the most important that affect employees motivation?

Motivation
1. How does your company motivate your employees?
2. Do you think working conditions and working stations as the factors for motivation?
3. Does your company enhance employees’ opportunities to grow?
5. How do you think good services affect employees’ motivation?