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EMPIRICAL RESEARCH REGARDING THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES ON COMPANIES' EMPLOYEES AND FINANCIAL PERFORMANCE

Abstract. *The relation between corporate social responsibility (CSR) activities and their influence on stakeholders increased the attention of both academics and practitioners in recent years. In this regard, CSR embraces the companies' social responsibilities towards its shareholders, customers, environment, employees, and community. Notwithstanding several efforts tried to determine different type of measurements for CSR activities, still remains unclear how companies' stakeholders are influenced by these activities. Within this broad domain of CSR, relatively little is known in the literature how companies' employees perceive CSR activities and how these activities influence them. This paper aim is to develop a measurement scale for CSR activities as regard the influence on employees in relation with company performance based on stakeholder framework. Our research is based on data collected for listed companies in Romania between 2009-2013 years. We covered our designed scale measurement into OLS regression models along with financial measures that we used, respectively ROE and ROA, and we found a positive relation between CSR activities and companies' employees in relation with firm performance. The purpose of this study is to cast light in the current literature by filling some research gaps on this issue. Our findings suggest practical and useful implications for listed enterprises.*

Keywords: *Corporate social responsibility, companies' employees, company performance, Romania, scale development*

JEL Classification: M14, Q52, L25

1. Introduction

The corporate Social Responsibility (CSR) concept is not new but has been debated constantly since 1970s between corporations, society, and the government.

Many academicians' and business leaders regarded the rapid movement of CSR with preoccupation.

Milton Friedman is the most famous critic of CSR concept in his famous article *Capitalism and Freedom*. The Friedman's article on CSR published in *New York Times Magazine* on September 13, 1970, is by far the most controversial and extensively cited reference related to the matter in the last 30 years. Friedman and his followers believe that the only socially responsibility a company has is to increase its profits, to maximize shareholders wealth. Moreover, the author underlines that companies are basically groups of people and that the responsibilities have only people. The money spent on philanthropic causes or other CSR activities should be the shareholder decision and not the companies' stakeholders or managers. As argued by Friedman, CSR activities decrease company wealth leading ultimately at disadvantage.

According to Friedman, corporations purpose are clear, namely: "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud". As a result, Friedman's statement is frequently associated with shareholder theory (Friedman, 1970).

As opposing to Friedman view is Edward Freeman (1984). In Freeman's book *Strategic Management: A Stakeholder Approach* was popularized the stakeholder idea from where the stakeholder theory was born. Based on stakeholder theory, managers need to provide welfare to all those that have a "stake" in (are affect or affected by) with the company. According to Freeman, stakeholders are the shareholders, employees, customers, suppliers, and the communities in which the companies operate —a collection of "big five" in Freeman terms (Barry, 2000). Therefore, the company purpose, according to this view, regards the interests of its different stakeholders, to meet their requirements and to serve them. Moreover, Barry (2000) refers to companies' mangers as morally obliged to find an appropriate balance between the interests of the big five and those of directing the company's activities.

Companies interrelate with the environmental where they operate having mutual benefits. The interactions between companies and societies involve a certain degree of complexity. Companies create jobs, wealth, and innovation in the economy where they operate. Thus, enable the prosperity in a society. Corporations pay taxes based on their profits, make donations, and support from their resources other nonprofit activities reflected in the wealth and well-being of the society as a whole. Businesses are the society engines powering prosperity for the future (McWilliams and Siegel, 2001) but in order to exist they need profits and this is achieved by the companies' stakeholders.

CSR heredity lies in stakeholder theory (Carroll, 1991; Freeman, 1984). The stakeholder theory central proposition refers to the companies long term value as resting in their knowledge, abilities, and commitment as regard their relationships with employees, customers, investors and other stakeholders (Carroll, 1991; Freeman, 1984). Because companies serve the needs of multiple stakeholders, it is important to understand how CSR activities influence companies' employees. Employees are the companies' important stakeholders. Firstly, they determine the quality of product and /or service customers receive and secondly, employees' well-being is directly associated with their job performance (Greenwood, 2007). However, most of the studies investigate the impact of CSR activities on consumers' perception (Lee and Jackson, 2010), while the research carried on the impact of CSR activities on companies employees are scarce. This paper attempts to fill this gap found in the literature, by focusing how CSR activities influence companies' employees. Thus, this paper empirically examines the implementation of CSR activities in companies listed in Romania using an own measurement. We believe this is the first effort that empirically examines the impact of different reported CSR activities on companies' employees in Romania.

The rest of the paper is organized as follow: Section 2 reviews the literature on CSR as regards the employees' perception on CSR activities. Section 3, presents the study methodology along with the suggested conceptual framework. Section 4 discusses the empirical results where we investigated the effects of employees' perception as regards the CSR activities in relation with company performance, and in the last section we present the study conclusions as well as further research.

2. Literature review

According to Murray and Vogel (1997), companies with socially responsible behaviors are considered those companies that make direct or indirect contributions to the society and/or engaging in philanthropic actions that improve community social welfare where the company operates. Based on this view companies' and their surrounding community are interrelated and their success dependent on the society health (Galbreath, 2010). Bowen (1953) in his book "Social Responsibilities of the Businessman" proposed the following definition for CSR as being "the obligations of business to pursue policies, to make the decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953). Whereas many scholars regard CSR activities as companies' social effort to promote social good that is actually beyond their own economic interest (McWilliams and Siegel, 2001), Carroll (1991) proposed in his work a wider view of CSR.

In Carroll's (1991) perspective there are four CSR dimensions that companies have, respectively economic, legal, ethical, and philanthropic responsibilities. Continuing his argument, the author underline that a socially responsible company' endeavors to make profit, obey the law, have ethical practice, and behave in generous manner so that society benefits (Carroll, 1991, p. 229). CSR concept is regarded from a wide perspective as a range of varieties of "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2001, p. 118) to a narrow one aiming at shareholder maximizing wealth. As underlined by Peterson, (2004), these two concepts reveal a range of different degrees of responsibility attributed to a company further than its role as an economic institution.

In 2007 International Finance Corporation (IFC), a member of World Bank Group defined CSR as: "Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development." Clearly, this definition emphasizes the concept of CSR parameters by highlighting that the company basis are employees through which CSR acts defining a company socially responsible behavior in its true sense.

The implementation of CSR policies and/or activities is made by the companies on voluntary basis. CSR involves heavy costs supported by the companies, yet is generally believed to be profitable for the corporation's (McGuire et al., 1998). Recent studies have showed that companies engaging in CSR activities benefit from enhanced consumers loyalty, that may affect brand awareness, brand loyalty, and brand preference, improve current and potential attitude of companies employees' in a positive way (e.g., employees perception as regards their workplace and the company reputation considered desirable by the potential employees, increase employee morale), as well as employee behaviors, adding productivity in the workplace, thus improve companies' profitability. Therefore, CSR offers corporations competitive advantages (Porter and Kramer, 2006). *Considering these arguments we developed our own conceptual framework, the item labeled with 9.*

The literature on CSR contains a large amount of empirical studies showing positive relations between CSR and different companies measures such as reputation, competitiveness, customer loyalty, financial performance, and sustainability (Porter and Kramer, 2006), all these factors promoting business environment. Though, most of the studied examined how CSR affect external stakeholders. We found the study of internal stakeholders, namely employee, somehow limited, the findings are so far open up and an interesting window of potential research. Related research showed that a company good reputation developed through CSR activities increases its attractiveness as employer for prospective job applicants (Aguilera et al., 2007) and as well as for the current workers that consequently show high levels of employee satisfaction (Galbreath, 2010). The explanation of these findings can be found in social identity theory which states that employees are proud to identify themselves with a company whose reputations is most favorable (Peterson, 2004).

Companies' commitment to its employees has been found to be also positive in relation with CSR activities (Turker, 2009b), that lead to a rise in employee performance but a drop in personnel turnover and employee stress, both costly phenomena for companies (Aguilera et al., 2007). Another indications regarding the impact of CSR activities on companies employee have also been found, but the result need to be validated through empirical investigation, especially in contexts outside the USA and other developed countries (Turker, 2009b). Therefore, based on reviewed literature we formulate the following proposition:

P1. ***There is a lack of empirical research as regard the impact of CSR activities on companies' employee in developing countries.***

Studies made by Cohen and Spector (2001) found that employees prefer companies that promote business ethics. The author findings showed a positive relationship between job satisfaction and (1) companies principals of ethics and (2) high-level employees' supposed justice (Cohen and Spector, 2001). *The items we developed for the conceptual framework are those labeled with 1and 2.*

In this paper we underline that both the value and the extent of the relationship between a company and its employees can be considered as a precondition for CSR. Johnston (2001), argued that companies assuming not a high level of responsibility to its own employees, it is probably to do the same toward its customers or within the society and natural environment where operates. According to Aguinis and Glavas (2013), "working for an organization that cares (i.e., is socially responsible) fosters a greater experience of fit between employees' individual values and the organizations' values (organizational culture), which may lead to positive work attitudes such as organizational citizenship behavior (OCB) and job satisfaction". Although, the researchers theoretical assumptions have yet to be reviewed by empirical evidence in order to validate this supposition, we may take into consideration the qualitative study of Chong (2009) conducted among nine DHL employees that found a positive correlations between direct involvement of companies employees in CSR activities and (1) identification with the companies values and (2) contentment with the workplace.

Thus we formulate the following propositions:

P2.1 There is an interrelation between CSR activities and companies employees attitude;

P2.2 There is a positive relation between direct involvements of companies' employees on CSR activities and companies' value.

In this respect, we recall Peterson (2004) argument upon which a company moral value represents one of the most influential parameters when determining employee satisfaction (*labeled item considered 11*). In addition to social responsiveness a more recent argument is given by Aguilera et al. (2007), according to which perceptions of companies ethics and values play an important role in attracting potential employees (*items labeled 3 and 4*). In fact, CSR can be regarded as the natural extension of company ethics (Valentine and Fleischman, 2008). CSR activities and/or policies are perceived as meeting the employees' need for fairness (*labeled items considered 5 and 6*) and companies justice (*labeled items considered 7 and 8*) (Aguilera et al., 2007), while employees response to CSR activities has been found to affect directly their perception of companies justice and fairness (Galbreath, 2010).

The literature reviewed above imposes the discussion of several theories. From the perspective of equity theory (Aguinis and Glavas, 2013), employees rate the companies rightness upon the degree of justice manifested by the company. Individuals need to perceive a company as just; as it is a state of mind which is rooted in a psychological need for control. Thus, CSR activities are actually a proof to validate the companies' principle of fairness, and thus employees' perception as regard the company justice is enhanced.

Social identity theory, explains that perception of a company as a social responsible member of society where it operates is likely to determine its employees to enhance their self-image, and pride in the company, leading thus to a positive impact on work attitudes such as job satisfaction and inevitable improved company performance (Peterson, 2004). Moreover, people identifying themselves as members of particular groups (e.g., being employed at one of the big 4 or a leading bank, being an employee of Google or Microsoft), enriches one's self-esteem. Identification with a group involves positive emotions which is directly associated with the personified values of the group. *C*ompanies have often been considered by the employees an important membership group (Aguilera et al., 2007). For these reasons, has been considered social identity theory in order to explain the variety of employee behaviors (Aguilera et al., 2007). More precisely, employee–employer relationship was found to be positively related with the company citizenship behavior (Aguilera et al., 2007), the employee turnover, company-based self-esteem, and work motivation and performance (Aguinis and Glavas, 2013). Therefore, we believe that CSR makes the employee–employer relationship to have an added value through these CSR activities and that these activities are an effective tool in respect to this relation reflected on the company performance.

3. Methodology

3.1 Sample and measurement

The aim of this study is to empirically investigate how CSR activities influence companies' employees' attitude and subsequently the firm performance. In this sense we have considered for our dataset all companies listed on the BSE over the period of 2009-2013 years. Thus, our sample comprises 69 companies for 2009 year, 74 companies for 2010, 79 companies in 2011 as well as in 2012, and 83 companies listed on BSE. We did not remove from our sample companies in the financial sector.

As underlined by Andrikopoulos et al. (2014), companies from financial sector reveal broader information in their sustainability reports regarding their CSR practice. Our goal in this paper was to compile the theoretical arguments identified in the literature upon which we constructed several items and then we computed into OLS regression. Thus, from a total of 69 companies listed on BSE only 18 companies practice CSR activities in 2009, 20 out of 74 companies practice CSR activities in 2010, 24 out of 79 companies practices CSR activities in 2011 and 2012, and 28 out of 83 companies practice CSR activities in 2013 year. The variables we employed in the current empirical investigation are detailed in

Var	**Definition and computation formula**
Accounting-based performance measures	
ROA	The return on assets equals the ratio between net income over total assets.
ROE	The return on equity equals the ratio between net income over shareholder's equity.
CSR activities measurements	
CSRRAfE	**Corporate Social Responsibility Reported Activities for Employees-Dichotomous** variable
Control variables	
Emp	The total number of companies' employees.
Lev	The leverage ratio was calculated by dividing the companies' total debt to its total assets.
Years	The total number of years of listing at BSE.

along with their definition and computation formula.

Table 1. Description of the variables

Var	**Definition and computation formula**
Accounting-based performance measures	
ROA	The return on assets equals the ratio between net income over total assets.
ROE	The return on equity equals the ratio between net income over shareholder's equity.
CSR activities measurements	
CSRRAfE	**C**orporate **S**ocial **R**esponsibility **R**eported **A**ctivities **f**or **E**mployees-Dichotomous variable
Control variables	
Emp	The total number of companies' employees.
Lev	The leverage ratio was calculated by dividing the companies' total debt to its total assets.
Years	The total number of years of listing at BSE.

Source: *Authors' processing*

In order to evaluate the influence of CSR activities on company performance we have considered accounting-based measures for company performance, respectively Return on Assets (ROA) and Return on Equity (ROE) due to their continuous debate within research. ROE reflects the profitability of the company by measuring the shareholders returns thus, is the most important indicator for shareholders. ROA reflects the assets utilization of the company measuring the resources efficiency allocated to the company. Thus, is a good indicator as regard how much profit a company can realize with the money given by the company shareholders as well as from creditors (loans made by the company from banks or other financial institutions).

Accounting based-measures are considered to capture company historical performance and be subject to bias from management manipulation and accounting procedures differences (Branch and Gale, 1983). In contrast, market-based measures capture the company future performance, and are forward looking (Hillman and Keim, 2001). According to Orlitzky et al. (2003), the relation between CSR and company financial performance (CFP) is more highly correlated with accounting-based measures than with market-based ratios. Thus, this paper used in the empirical analyzes market based-measure to determine CFP, respectively ROA and ROE.

The variable CSRRAfE is a dichotomous variable that captures companies' employees' perception as regard CSR activities and their nexus with the company. Through this variable, we make a step forward and we correlate in our regression model described in section 3.2 and discussed in section 4, the company commitment to its employees as being <u>rewarded by them in increased performance</u>. This variable was constructed based on each company website and annually published reports towards socially responsible activities for the selected companies. We define dichotomous variable items equal to one for each reported responsible activity by the company from the list below and zero otherwise. Based on literature review above we constructed the following items:

Items selected based on reviewed literature:

1 - Code of conduct, standards and manuals on ethics that prescribe specific conduct that employee must observe;
2 - Policies on respect for human rights and elimination of discrimination as regards the employment and occupation;
3 - New Graduate Recruits;
4 - Students internship;
5 - Encourage employees to advance their position inside the company trough CSR development activities;
6 - Encourage employees to human development through courses organized or paid by the company;

7 - Re-employment of employees who resigned due to pregnancy, childbirth, child care and recovery after illness;
8 - Contract with medical clinics for companies' employees' health and safety;
9 - Implication and participation at community and social programs organized by the company;
10 - Disclosure of standards for evaluation of employees' skills and performance;
11 - Integration into the company culture as members of companies groups**.**

When companies were identified, based on their CSR reports or other sustainability reports, as well as their website, reaching one of the items above was noted with 1 or 0 otherwise. The output was calculated by taking the average of all 11 items. Companies who did not adopt nor CSR activities neither ethical codes of conduct nor published any other sustainability reports we named them- non CSRRAfE.

In order to make sure that our results are not driven by the firm heterogeneity, we add control variables such as number of companies' employees, indebtedness, and company's tenure. Current study includes the total number of employees since we try to determine the impact of CSR activity on company employees in relation with CFP. We also considered the leverage ratio as measure for risk. Companies' employees feel safe when the firm has strong orientation toward its stakeholders and when the company debts are lower, thus their wellbeing is less risky (Roberts, 1992). The third controlled variable we employed is the number of years since company is listed on the BSE as a proxy for company's tenure (Balasubramanian et al., 2010). The data source for control variables was collected from the company's financial statements for the selected sample and publicly available on BSE.

In order to empirically investigate the companies' employees' perception as regard the CSR activities and how these activities influence their performance reflected on CFP, we formulate the following hypothesis:

H_0 There is a difference in CFP between CSRRAfE and non CSRRAfE
H_1 There is no difference in CFP between CSRRAfE and non CSRRAfE

3.2 Methodological approach

The relationship between CSRRAfE and CFP is empirically investigated using OLS regression model, considering the general specification from equation (1):

$$Y_i = \alpha + \beta_i X_i + u_i \qquad (1)$$

where:

- Y is the dependent variable. In our case ROA and ROE respectively;
- i represent the selected sample, respectively companies listed on the BSE;
- α is the intercept or constant;

- β is the slope coefficient and measures the rate of change of dependent variable;

- Xi are the independent variables. For all the models the independent variables will be the same, respectively CSRRAfE, Lev, Employee, Years The use of each independent variable is detailed beneath.

Thus, our dependent variables are ROE and ROA at a time and the explanatory variables are CSRRAfE, Empl, Lev, and Years. The last three variables are controlled variables.

As a rule of thumb, dichotomous variable are such as binary variables. Binary variables are used to avoid dummy variable trap. The particularity of these variables is that lays in the need to choose a base group or benchmark group, that is, the group against which comparisons is made. That is why α is the intercept (or constant term) for the base group, respectively nonCSRRAfE and β_1 CSRRAfE is the *difference in intercepts between nonCSRRAfE and CSRRAfE.*

4. Results discussion

The aim of this study is to empirically investigate the effects of CSR activities on companies' employees in relation with firm performance for listed companies in Romania at BSE over a period of five years, respectively, 2009-2013. Table 2 provides descriptive statistics for the data we used in the current empirical investigation.

Table 2. Descriptive statistics

Var	**N**	**Mean**	**Std. Dev.**
Accounting-based performance measures			
ROA	384	-0.016	0.132
ROE	374	-0.108	0.969
CSR measurements			
CSRRAfE	384	0.141	0.349
Control variables			
Empl	384	1,108	3,195
Lev	384	0.277	0.174
Years	384	10.679	3.611

Source: *Authors' computation.*

Table 2 describes the basic features of date implying univariate analysis for observation across cases of one variable at a time. We examined the mean and standard deviations to determine the central tendency and variability of used data. The standard deviation is a more precise and comprehensive estimate of dispersion since an outlier can strongly affect the series (after all, the standard deviation is based on the distance from the mean) (Mitrut et al., 2013).

Table 3 provides Pearson correlation matrix information's for sample data considered in this study. The correlations point out in the matrices the relation between the variables. More precisely, it shows whether and how strongly correlated are the pairs of variables between them. Thus, we notice a strong correlation between ROE and Lev, respectively .7014.

Table 3. The correlation matrix

Var	ROA	ROE	CSRRAfE	Empl	Lev	Years
ROA	1.000					
ROE	**.4112********	1.000				
CSRRAfE	**.5080*****	.1390	1.000			
Empl	**.1900*****	**.0176***	**.1412****	1.000		
Lev	-.1534	-.7014	-.0515	-.0150	1.000	
Years	**.1236****	.0756	**-.1274****	-.0156	**.1425***	1.000

Source: *Authors' computation.* ***Notes:*** *Marked correlations are significant at* *$^{*}p\leq0.1$; $^{**}p\leq0.05$; $^{***}p\leq0.001$*

In order to test our hypothesis if whether or not there is a difference in CFP between CSRRAfE and non CSRRAfE, this study employed OLS regression model. Table shows the regression results as regards the influence of CSRRAfE on both accounting-based measures considered in our regressions models dependent variable, namely ROA and ROE in order to measure CFP.

Table 4. Regression results

Dependent Var → **Independent Var ↓**	**ROA** **(Eq. 1)**	**ROE** **(Eq. 2)**
Const.	**0.065****	**0.316***
CSRRAfE	**0.130***	0.024
Empl	-6.85E-07	1.62E-06
Lev	**-0.265*****	**-1.423*****
Years	0.002	-0.002
F-stat.	**20.401*****	**7.212*****
Prob(F-stat.)	0.000	0.000
R-sq.	0.290	0.127
No of obs	384	374

Source: *Authors' computation.* ***Notes:*** *$^{\dagger}p < 0.10$. $^{*}p < 0.05$. $^{**}p < 0.01$. $^{***}p < 0.001$.*

Moreover, we controlled for debt level (total debt on total assets-LEV) and company employees (total number of employees-Empl), Years (years since company is listed on BSE). CSRRAfE is a dichotomous variable and thus, this paper study the difference in CFP against the base group which is nonCSRRAfE having all other variables constant, ceteris paribus.

As we mentioned above, we collect the financial data from BSE and for the CSRRAfE dichotomous variable we used items based on reviewed literature in order to develop a scale measurement. Thus, Table 4 presents the regression results. For this study were considered two regression models having as dependent variable ROA and ROE with each regression having the same independent variables, respectively Empl, Lev, Years and CSR as dichotomous variable.

Equation 1 of the regression model from Table 4 shows a positive and significant relation between CFP and CSRRAfE. The intercept—the intercept for nonCSRRAfE, in our case—is positive and significant at 10% level of significance, 0.065 and represents the CFP average for nonCSRRAfE in the sample. The coefficient of CSRRAfE is interesting, because it measures the average difference in CFP between nonCSRRAfE and CSRRAfE, holding all other variables constant, *ceteris paribus*. CSRRAfE coefficient, 0.130, is also statistically significant at 5% level of significance and shows a better performance for the company. Thus, there is an average difference in ROA between nonCSRRAfE, 0.065, and CSRRAfE, 0.130 of 0.065. Therefore, companies with higher CSRRAfE may record higher firm performance. *We do not reject the hull hypothesis* according to which there is a difference in CFP between CSRRAfE and non CSRRAfE.

The R^2 value for ROA is 0.290. R-Squared is a measure of the goodness-of-fit of the model, known as the "coefficient of determination". R^2 shows the percentage variation in the dependent variable explained by the regression model. In our case, R–Squared is 0.290, meaning that approx. 29% of total variation in the dependent variable, respectively ROA can be explained by the model. In other words, the R^2 of 0.290 for ROA it means that approx. 29% of the variation in ROA is explained by the independent variables. The fact that explanatory variables included in the regression model explain only about 29% of the variation in ROA does not necessarily mean that there is a weak relation between explanatory variable and explained variables. Generally a low R^2 values indicates that is hard to predict individual outcomes on dependent variable with much accuracy but in our models is somehow better (Smeureanu and Ruxanda, 2013).

The F-test weighs the null hypothesis that all coefficients regression are equal to zero relative to the alternative that at least one does not. The F-stat. is the mean square model term divided by the mean square error term. Therefore, the estimated model, respectively equation 1 from the Table 4 is statistically strongly significant at a level of 0.1%.

Although equation 1 validates the null hypothesis of this study, the equation 2 does not give the possibility of comparison-of-means between the two groups, respectively nonCSRRAfE and CSRRAfE. The reason why comparison between groups is not possible is due to CSRRAfE coefficient which is not statistically significant whereas the intercept for nonCSRRAfE is positive and significant at 5% level. The R^2 value for ROE is 0.127, meaning that approx. 13% of total variation in the dependent variable, respectively ROE can be explained by the model. More specifically, approx. 13% of the variation in ROE is explained by the independent variables. Also the F-test shows that the β's coefficients are not zero. Thus, the estimated model of the equation 2 is strongly significant at 0.1% level.

5. Conclusion and further research

This paper empirically analyzes the relation between CSR activities and their influence on company employees in relation with CFP. We conducted a study for all listed companies in Romania between 2009-2013 years and we differentiated between CSR companies and companies which did not adopted CSR. We differentiated between CSRRAfE and nonCSRRAfE companies from their websites and published sustainability reports such as: CSR reports, codes of ethic and conduct, Corporate Governance Reports and other Sustainability Reports. Based on theoretical literature we developed a scale measurement considering several items. For items considered we used dichotomous variable. Items used for the scale measurement were generated from qualitative research and literature review. The findings of this study reinforce previous investigations (Turker, 2009; Aguilera et al., 2007), showing a positive and significant relationship between CSR activities and companies employees reflected in the company performance.

Our study not only provides empirical evidence using our own measurement regarding the influence of CSR activities on companies employees in relation with CFP but we also provide support for the theoretical conception of CSR activities as value-creating.

This study limitation consists in considering all companies listed on BSE regardless of their specific operations and not considering the market-based measures for company performance.

As further research, investigating if companies from a specific economic activity tend to influence their employees through CSR activities reflected in CFP. Another important research direction is given by the relation between CSR activities and CFP for specific economic sectors that are deeply influencing the social and natural environmental (i.e. manufacturing industry, oil industry, IT industry, etc).

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