

## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES AND EMPLOYEE PERSPECTIVES IN UAE

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**Abstract:** This research paper aims to study employees' perceptions of Corporate Social Responsibility (CSR) initiatives adopted by two oil and gas companies in the UAE. Its purpose is to compare the perception about CSR dimensions between employees of these two organizations and to identify the differences in perception about CSR based on the demographic profile and the influence of CSR dimensions on CSR satisfaction of employees. Purposive sampling and questionnaire were applied to collect information from 450 employees in management and supervisory cadre in two oil companies in the UAE. The results showed that the dimensions of environmental initiatives does have a strong impact on satisfaction of employees though demographic variables failed to show a significant difference in perception levels. It also showed that CSR is interpreted differently by employees of both the companies depending on what their companies focus areas are. Responses were analyzed using statistical tools such as Pearson's correlation, regression, Kruskal-Wallis and chi-square test with the aid of SPSS software.

**Key words:** employees, perspectives, corporate social responsibility, CSR dimensions, oil and gas companies

DOI: 10.17512/pjms.2016.14.2.16

*Article's history:*

*Received* September 4, 2016; *Revised* November 19, 2016; *Accepted* November 30, 2016

### Introduction

The World Business Council for Sustainable Development (1999) defines CSR as follows: "*Corporate Social Responsibility is the business' commitment to contribute to economic development, working with employees, their families, the local community and society at large to improve their quality of life*". Employees are at the center of a company's CSR. First, corporate reputation frequently appears to rest on the treatment of employees. Major brands such as McDonalds, Wal-Mart and Nike have been threatened by accusations of poor labor relations at home. There has been a media report accusing these companies of child labor, forced overtime and abuse of human rights. Second, a reputation for social responsibility can in some circumstances, help to attract skilled knowledge workers to firms and thereby boost their performance (Greening and Turban, 2000). Third, companies seeking to engage with CSR need their employees to endorse the concept, in order to implement them the way it is required. If employees feel they are not treated well themselves, transferring a culture of socially responsible behavior towards other stakeholders will be problematic. Fourth, providing

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employment and generating income in society is often seen as the most fundamental social and economic role of a business.

Today HR departments develop and implement a range of strategies related to the attraction and retention of employees. This is needed to meet changing business needs. Not just current employees but prospective employees too, on their part, scrutinize a firm's portfolio of CSR commitments and initiatives (Turban and Greening, 1996; Bhattacharya et al., 2008). Job applicants are attracted to organizations with solid want to take up employments only with such firms. This is because employees today tend to believe that these organizations have values and norms of importance to the individual and this will positively influence one's concept of self (Greening and Turban, 2000). Consequently, CSR has become an important instrument in competing for the best human capital and ultimately retaining and managing the human resource of an organization which is going to give it a competitive edge.

The current trend is for human resource wanting to be associated with a virtuous firm (Aguilera et al., 2007; Bhattacharya et al., 2008; Coldwell et al., 2008). An individual yearns for not just any job or career but want to identify with and align themselves to the firm's social values and commitments (Bhattacharya et al., 2008). Hence it is in the best interest of management to assess and 'tap into' these yearnings. This will build company competitiveness and sustainability in future. Any step that creates a positive impact on employee's organizational commitment, motivation, job satisfaction, citizenship behaviors, and productivity is not going to harm an organization in any way (Bhattacharya et al., 2008; Chong, 2009).

### **Research Objectives**

Based on literature review, a research gap has been identified. While research exists in the realm of CSR in UAE, little data is available on the employees' perception and expectation in the energy sector in UAE. The following objectives have been framed after a background study had been conducted about the region's industrial development:

- 1) To study and compare perception about CSR dimensions between two oil companies' employees
- 2) To identify differences in perception about CSR based on demographic profile
- 3) To measure the influence of CSR dimensions on CSR satisfaction of employees
- 4) To compare the perception of employees about CSR dimensions of the two companies

### **Research Propositions**

Following hypotheses are framed and tested in this study:

*H<sub>01</sub>: There is no significant variation in employees' perception of CSR dimensions between the two companies.*

*H0<sub>2</sub>: There is no significant level of correlation between employees' perception of CSR dimensions and CSR satisfaction level.*

*H0<sub>3</sub>: Perception about CSR dimensions is the same among employees of all educational qualification*

*H0<sub>4</sub>: Perception about CSR dimensions is the same across all age groups of employees*

*H0<sub>5</sub>: Perception about CSR dimensions is the same between male and female employees*

*H0<sub>6</sub>: Perception about CSR dimensions is the same at all levels of experience*

*H0<sub>7</sub>: Perception about CSR dimensions is the same among all hierarchical levels of management personnel*

### **Research Methodology**

This research is based on descriptive study and data required for the study was collected by using structured questionnaire, which was primary in nature. These variables were selected in consultation with professors in academia with expertise either in global CSR standards or in UAE business. The scales were taken where possible from available sources and adjusted where necessary according to views of managers spoken to in pilot interviews. These CSR aspects were included in a questionnaire developed for a broader study on the two companies in the oil and gas industry in UAE, ADNOC and ENOC to understand emerging markets. The questions were posed in English mostly using 5-point Likert scales, multiple choices or ranking.

Questionnaires were followed by interviews to get elaborate views and explanation regarding the current policies of the company and that which are likely to be adopted in future. Apart from primary data, secondary data regarding CSR initiatives adopted by oil companies around the world have also been included. The various reports published by the ADNOC and ENOC, Centre for Responsible Business, Dubai Chamber of Commerce and Government agencies were also used to collect secondary data. The employee pilot survey revealed that CSR as a concept was not comprehended at the lower hierarchical levels. Hence it was decided that the survey would be restricted to senior, middle level and first line managers who appreciated CSR and had the required knowledge to give their opinion.

Based on the judgment of the experts the validity of the tools was ensured and Content Validity Ration (CVR) was applied for each statement. The statements with CVR value of less than 0.60 were deleted. The validity value ranges from 0.70 to 1.00. Cronbach Alpha test is used to test its reliability using the pilot study data collected from 50 employees. The  $\alpha$ -values were in the range of 0.74 to 0.91. To determine the sample size, sampling proportion method was used and a justified sample size was 403. The analysis has been done by using statistical tools such as

Descriptive Analysis, Chi-square test, Kruskal-Wallis test, Multiple Regression and Pearson's Correlation.

### Results and Discussion

Research analysis shows significant difference in interpretation of concept of CSR, importance given to the focus areas, motivational factors in pursuing CSR. There is no significant difference in challenges faced in implementation of CSR and CSR issues that are of importance in future.

**Table 1. Comparison of CSR Dimensions**

CSR Dimensions	t-test for Equality of Means		
	t	d.f.	Sig. (2-tailed)
Interpretation of CSR concept	3.010	422	0.003
Importance of CSR focus areas	2.042	422	0.042
Challenges in implementing CSR	0.892	422	0.373
Motivation for pursuing CSR	3.066	422	0.002
Future issues of importance	0.519	422	0.604

Interpretation of CSR concept is the way that employees view the activities which primarily represents CSR. While some view CSR to be just economic and legal responsibility most of them view it as discretionary responsibilities. Employees of ADNOC view CSR as minimizing negative impact and maximising positive impact on environment of sustainable development, while ENOC employees interpret CSR as contribution to a better society through community investment and philanthropy. For both companies, corporate governance comes a close third while pursuit of economic objectives for wealth maximisation figures last.

There are four main focus areas of CSR – workplace, marketplace, ecological environment and community and society. It is inferred that there is significant difference at five per cent level. While ADNOC employees consider ecological environment to be the most important area towards which CSR activities are being focused on, Enoc employees are split in their opinion between environment and community initiatives. Marketplace is a poor fourth for both companies probably due to the nature of the industry that they are in and also due to the fact that they are both government companies and hence customer automatically falls under focus areas and not necessarily through CSR.

Every company faces barriers in implementing CSR. There is no significant difference between the two companies, both being in the same industry. Presence of other business priorities takes away financial and human resources from being allocated to CSR, coupled with the difficulty of calculating the direct impact that CSR has on financial success becomes common hurdles for both companies. Lack of strong CSR related expectation from stakeholders is also treated as a challenge albeit minor in nature.

There is significant difference regarding motivational factors for CSR programs. ADNOC employees have strongly voted for compliance towards Islamic values as being the main motivational reason to engage in CSR while Enoc employees feel that competitive advantage and scope of building corporate image through participation in a social initiative are the primary factors. Both the employee groups vote for government support for CSR initiatives as a crucial driving force. Both the groups perceive similar factors to assume importance in future. Emiratisation, greening of supply chain, investment in green buildings and employee involvement in CSR have been highly ranked as factors that will be taken up in the next five to ten years.

**Table 2. Correlation between employees' perception of CSR Variables and CSR Satisfaction**

CSR Dimensions	Correlation = r	P - value
Interpretation of CSR concept	0.362	0.033
Importance of CSR focus areas	0.850	0.001
Challenges in implementing CSR	0.323	0.028
Motivation for pursuing CSR	0.275	0.050
Future issues of importance	0.477	0.001

All the variables are significantly correlated with CSR satisfaction at one percent significance level for importance of CSR focus areas and future issues of importance and five percent level of significance for interpretation of CSR, challenges and motivation in pursuing CSR. The table shows stepwise multiple regression analysis to study the influence of these components on employee satisfaction.

Most of the variables are significantly correlated with CSR satisfaction and hence stepwise multiple regression analysis is performed to study the influence of these components on their satisfaction. The model also shows a good fit because the F-values are significantly different. The adjusted R-square value is 0.452. This implies that these factors determine CSR satisfaction level to the tune of 45.2%. The independent variables chosen for the study predicted the dependent variable to the tune of 45.2 percent.  $Y$  (CSR satisfaction) = 5.642 + 0.094 (CSR interpretation) + 0.133 (CSR focus areas) + 0.383 (challenges in CSR) + 0.095 (motivation for CSR) + 0.107 (future issues of importance)

**Demographic variables and CSR Dimensions:** The opinion of respondents relating to CSR dimensions may differ on the basis of education, age, gender, experience and hierarchical level. To test the presence of significant differences, Kruskal-Wallis test is used and the results are shown in the following table. Mann-Whitney U test was used to identify perception differences between males and females.

**Interpretation of CSR:** There is significant difference among the three educational levels regarding interpretation of CSR as a concept (Table 3). Diploma holders

interpret CSR as community service, bachelor degree holders consider positive environmental impact as CSR while Master's Degree holders consider corporate governance equivalent to CSR. Age is not an effective factor that leads to significant differences in perception of this dimension of CSR.

**Table 3. Employees' education and CSR dimensions**

CSR Dimensions	Chi-square	df	P	Comparison
Interpretation of CSR concept	42.161	3	0.001	3vs2vs1
Challenges in implementing CSR	71.57	3	0.001	3vs2vs1
Motivation for pursuing CSR	12.43	3	0.006	1vs2,3

Peterson (2004) and many others, age is not an effective factor on the evaluation of the companies' voluntary responsibilities by employees. Our findings are also in line with these studies. Those who have <3 years, 3-6 and 6-9 years of experience (Table 6) perceive CSR as reducing negative impact on environment while the group with longest experience of  $\geq 9$  perceive CSR as corporate governance. No significant difference noticed in perception of employees spread across hierarchical positions.

**CSR focus areas:** There is no significant difference regarding CSR focus areas ( $P=0.422$ ) on the basis of education. Though environmental activities are higher than community activities amidst focus areas there is no significant statistical difference.

On the basis of age (Table 4), groups aged <34 and 35-44 consider environment and to some extent even market place and workplace as focus areas for CSR, but the groups aged 45-54 and  $\geq 55$  consider community initiatives way above others. No significant difference is found relating to this dimension across gender or hierarchical levels. Consistent with our findings, Izareli indicates no managerial ethical perception differences among diverse company positions (Marz, 1999).

**Table 4. Employees' age and CSR dimensions**

CSR Dimensions	Chi-square	df	P	Comparison
CSR focus areas	11.523	3	0.009	1,2 vs 3,4
CSR Challenges	103.795	3	0.001	1,2 vs 3,4
				3 vs 4
Motivation for CSR	17.366	3	0.002	1 vs 2,3,4
				1, 2, 3 vs 4
Commitment to Future CSR Activities	35.154	3	0.001	1 vs 2,3,4
				3 vs 4

**CSR challenges:** Among challenges, low levels of CSR awareness is considered to be a challenge among non-degree holders, while presence of other business priorities is considered most important by degree holders. Difficulty in calculating cost-benefit analysis is considered primary challenge by employees who had completed higher education.

Employees in the age groups <34 and 35-44 consider human and financial resource allocation for CSR as a challenge, employees in the two older age group gave thumbs up to inability to justify cost for benefits to be a major challenge for CSR. The men (Table 5) consider it to be not possible to do cost benefit analysis while women consider lack of awareness towards CSR as the major challenge.

**Table 5. Employees' gender and CSR dimensions**

CSR Dimensions	Gender	Mean	S.D.	N	Mean Rank	U-Value	P-value
CSR Challenges	Male	18.03	9.91	362	218.93	8896	0.009
	Female	14.27	8.98	62	174.98		
CSR Motivation	Male	31.48	4.04	362	217.69	9342	0.034
	Female	14.27	8.98	62	182.18		

**Table 6. Employees' experience and CSR dimensions**

CSR Dimensions	Chi-square	df	P	Comparison
CSR focus areas	12.893	3	0.005	1,2,3vs4
Challenges in implementing CSR	92.174	3	0.001	1,2 vs 3,4 3 vs 4
Future CSR initiatives	25.656	3	0.006	1,2 vs 3,4 3 vs 4

Employees with <3 years, 3-6 experience consider lack of awareness as a problem, while employees 6-9 years of experience consider resource allocation as an issue to be resolved. Those who have experience of ≥9 years perceive inability to justify costs for returns as the sole issue. Similarly those who are in senior and middle hierarchical levels (Table 7) consider cost justification for CSR as the issue while those in junior levels perceive unawareness of CSR as the primary challenge.

**Table 7. Employees' hierarchical position and CSR dimensions**

CSR Dimensions	Chi-square	df	P	Comparison
CSR Challenges	11.39	2	0.010	1,2vs3
Future CSR issues	8.099	2	0.044	1,2vs3

**CSR motivational factors:** Diploma holders consider adhering to Islamic values and government policy a primary motivational factor while the other two groups consider corporate image and competitive advantage as motivation for CSR. Employees aged ≥55 consider compliance to Islamic value as the primary factor while employees in the age group <34, 35-44 and 45-54 consider better corporate image and improved financial performance in the long run as serious motivational factors for CSR. Men consider preferential treatment by investors and better financial performance as motivational factors while women consider compliance to

Islamic values as the motive behind CSR. There is no significant difference relating to experience and hierarchical position for this dimension.

**CSR Future initiatives:** There is no significant difference regarding future CSR activities ( $P=0.722$ ) on the basis of education. Employee involvement in CSR in the future has received maximum votes but there has been strong support for greening of supply chain too, but no significant difference can be proved to exist. Employees below 35 years of age feel that stakeholder engagement is the way to take CSR activities into the future while the other three groups consider greening the supply would occupy prime position of importance. There is no significant difference between the two gender groups in some variables and this is in line with existing research. Barnett and Karson point out that women and men managers do not react differently against ethical dilemmas (Ekin and Tezölmez, 1999). Last to mention, Marz et al. (2003) indicate no significant difference among managers in different genders to perceive the ethics.

### **Limitations, Recommendations and Conclusion**

**Limitations:** Data collection has been restricted to two major government owned oil and gas companies in the United Arab Emirates. So results do not have universal acceptance. The survey has been restricted to first line, middle level and top level managers and not to employees in the non-managerial cadre due to the complexity of the topic. Among stakeholders, only employees have been considered for the survey due to time constraint. The research is not a standard for all time period because respondents' expectation and perception can change at any time. Only respondents familiar with English language could answer the questionnaire and all the information given by the respondents are presumed to be true.

**Recommendations:** Companies that choose to implement CSR approach are recommended to emphasize on the internal dimension first and the external dimension afterwards. CSR communication encourages and develops stakeholder participation. It leads to an intention to work for, to invest in the company, to consume its products and to build associations with the company. With steadily increasing global awareness of sustainability, companies in oil and gas industry should report their impact on the global economy, the environment, the society, and the organization itself through Sustainability Reports. Corporations and NGOs, can play an increasingly important role together in providing public goods – the former because they have resources, global reach, and levers of action and the latter because they have knowledge, expertise, and legitimacy. The organizations should adopt green building in its future construction projects. The key is holistic, integrated consideration of all the factors that influence building, including consideration of the decision of whether to build at all. Popularising eco-designing and eco-labelling along with encouraging suppliers to undertake bio-degradable packaging, sorting for non-toxic incineration and taking back packaging will go a long way in greening the supply chain.



**Directions for future research:** This work suggests several avenues for future research. UAE is one of the many emerging economies and this study could be extended to other emerging economies like Turkey, Mexico, Thailand, Pakistan, Bangladesh, and Indonesia. The study can be extended to other oil companies in the MENA region. Apart from oil and gas companies the study could be extended to other industries including banks, hospitality sector, aviation, agro-food, chemicals and plastics, construction, electronics and telecommunication. It is not just big corporates that have incorporated CSR in their corporate strategy; CSR is also implemented in SMEs today. Most importantly, the study needs to be conducted on other stakeholders for comparative analysis.

The UAE, being a developed economy, legislation largely takes care of most of the main problems of employee protection. Some of the most important guidelines used by corporations are OECD guidelines for multinationals, the ILO global labour standards and decent work agenda, SA8000 standard on decent workplaces, ISO26000 social responsibility standards and the UN Global Compact. The government also encourages the development and diffusion of environmentally friendly technologies. For the UAE, CSR is more about undertaking precautionary approach to environment challenges and promoting sustainability measures especially in the oil and gas sector. This can be a complete success only with stakeholder engagement especially employees.

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### INICJATYWY SPOŁECZNEJ ODPOWIEDZIALNOŚCI BIZNESU Z PERSPEKTYWY PRACOWNIKA W ZJEDNOCZONYCH EMIRATACH ARABSKICH

**Streszczenie:** Artykuł ma na celu zbadanie postrzegania przez pracowników inicjatyw Społecznej Odpowiedzialności Biznesu (ang. CSR) podjętych przez dwa przedsiębiorstwa naftowe i gazowe w ZEA. Jego celem jest porównanie postrzegania wymiarów CSR pomiędzy pracownikami obu tych organizacji oraz zidentyfikowanie różnic w postrzeganiu CSR na podstawie profilu demograficznego oraz wpływu poszczególnych elementów CSR na satysfakcję pracowników. Do zebrania informacji od 450 pracowników wśród kadry zarządzającej i kadry nadzorczej w dwóch przedsiębiorstwach naftowych w ZEA zastosowano celowe określenie próby badawczej oraz wykorzystano opracowany kwestionariusz. Wyniki wykazały, że wymiary inicjatyw środowiskowych CSR mają silny wpływ na zadowolenie pracowników, choć zmienne demograficzne nie wykazały istotnych różnic w poziomach percepcji. Okazało się również, że CSR jest różnie interpretowana przez pracowników obu firm, w zależności od tego, na jakich obszarach działania koncentrują się ich firmy. Odpowiedzi były analizowane za pomocą narzędzi statystycznych, takich jak: korelacja Pearsona, regresja, test Kruskala-Wallisa i chi-kwadrat przy zastosowaniu oprogramowania SPSS.

**Słowa kluczowe:** pracownicy, perspektywy, korporacyjna odpowiedzialność społeczna, wymiary CSR, przedsiębiorstwa naftowe i gazowe

#### 阿聯會的企業社會責任舉措和員工視角

**摘要:** 本研究報告旨在研究員工對阿聯會兩家石油和天然氣公司採納的企業社會責任 (CSR) 舉措的看法。其目的是比較這兩個組織的員工對企業社會責任方面的看法，並根據人口統計概況和企業社會責任的影響對員工的企業社會責任的影響，識別企業社會責任的差異。應用抽樣抽樣和問卷調查，從阿聯會兩家石油公司的管理和監督幹部的450名員工那裡收集信息。結果表明，環境倡議的維度確實對員工的滿意度有很大的影響，儘管人口統計變量未能在感知水平上顯示出顯著的差異。它還表明，企業社會責任的解釋不同，兩家公司的員工，取決於他們公司的重點領域。在SPSS軟件的幫助下，使用諸如Pearson相關性，回歸，Kruskal-Wallis和卡方檢驗的統計工具分析 反應。

**關鍵詞:** 員工，觀點，企業社會責任，企業社會責任，油氣公司