

CORPORATE SOCIAL RESPONSIBILITY IN ISRAELI INDUSTRY: UNCOVERING THE DETERMINANTS

Final Research Report

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Executive Summary

1. In recent years, self-regulation of industry has become commonplace in many regions and policy fields. Corporate Social Responsibility (CSR) initiatives in general and reporting schemes in particular are increasingly accepted as means of corporate governance. In the broad and varied research on CSR several leading streams can be identified: (a) CSR theory building defining CSR and explaining its emergence of CSR. (b) a related strand of normative research dedicated to the benefits and drawbacks of CSR activities; (c) reporting, performance, and advancing of tools for measurement and assessment of CSR; and (d) empirical investigation of factors and mechanisms that bring about CSR performance at firms. Our study belongs to the latter stream.
2. We construct a multilevel explanatory model, combining interdisciplinary strands of CSR research aimed at assessing the causes and mechanisms effecting CSR performance at firms. Our model includes four levels of analysis.
 - (a) The institutional level examines the effects of institutional pressures from regulators and external stakeholders.
 - (b) The organizational layer examines corporate culture, various characteristics of industrial profile, and role of management.
 - (c) The individual level looks at the positions and attitudes of employees toward their respective companies and managers. We address job satisfaction, organizational commitment, and organizational citizenship behavior.
 - (d) The performance level deals with CSR practices, behaviors, and outcomes. CSR performance is assessed through the construction of a set of scales incorporating six thematic areas of CSR: economic, environmental, social, labor relations, product responsibility, and corporate governance.
3. We test the model in the rather CSR-arid setting of the Israeli industrial sector. To the best of our knowledge, this is a first attempt to empirically study CSR in Israel. Israeli industries are generally perceived as lagging behind global CSR

reporting trends,¹ and as such may provide a unique view of both the possibilities of CSR and the barriers to its adoption. Moreover, the regulatory environment in Israel does not place overt pressure on the industrial community to adopt beyond-compliance measures, and demands from various stakeholders, such as the banking and insurance industries, are not sufficiently evolved.

4. The model, tested in the unique setting of the Israeli industrial sector, highlights the importance of both outer and inner environments of firms (through the different levels of the model) in advancing CSR performance. It allows us to discern the influencing factors from the weaker links that do not contribute significantly to the advancement of CSR at industrial firms in Israel.
5. The institutional level has been found to be weak in relation to both stakeholders and dominant Israeli regulators. Although some stakeholder groups are more influential than others (e.g., customers and employees relative to financial institutions), the effect of the stakeholders as a whole on performance is low to null. This is partially explained by the fact that stakeholders' demands for CSR are not clearly articulated or sufficiently encompassing to be understood widely as indeed referring to CSR. Regulators assessed at the institutional level (the Ministry of Environmental Protection and The Ministry of Economics) both contribute only minimally to CSR performance. Although regulators do pressure firms in various ways, their actions (such as licensing, inspecting, monitoring, and enforcing) are focused on achieving compliance. Therefore, both their potential and actual effect on beyond-compliance CSR performance is low.
6. The organizational level, which includes a variety of elements, provides mixed results with respect to mechanisms affecting CSR performance. Organizational culture is a dominant explanatory factor, but the industrial profile, which includes numerous characteristics, is not a significant one. Organizational culture, specifically goal-driven, competitive, innovative, and communitarian cultural modes are found to be highly correlated with performance. At the same time, managerial attitudes and behaviors show mixed results and moderate correlation with performance. Significant are managerial reports concerning

¹ Regardless of whether reporting reflects actual performance.

actions taken rather than statements or perceived importance of CSR by managers. Finally, leadership styles are not differentiated in our study. Consequently, leadership is found to have only minimal explanatory power of CSR performance in the current research setting.

7. Finally, the individual level is found to have the strongest explanatory value for CSR performance. Both job satisfaction and organizational commitment exhibit strong correlations with performance, whereas organizational citizenship behavior is found, contrary to expectations, to be insignificant in predicting performance.
8. Research findings demonstrate the potential usefulness of a multilevel analysis of CSR, not only within the specific context of the study but on broader scale. A particularly dominant attribute of multilevel analysis is its ability to identify weak links in the mechanisms and processes that inform and promote CSR. Multilevel analysis facilitates a holistic view of both the firm's internal and external environments, making possible a solid comparative analysis that takes into account the variations in contextual settings. As such, the model can prove useful in identifying and comparing the mechanisms that are deficient or not fully developed in different contexts, taking into account variations in the identity and profile of businesses and sectors, as well as the national or local context.

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PART I: INTRODUCING THE RESEARCH

A. What is CSR and Why is it Important?

For over two decades, self-regulation initiatives have been heralded as necessary supplements and potential replacements for government regulation of firms (Fiorino, 1999, Gouldson and Murphy, 1998; Tietenberg, 1998). One increasingly popular form of self-regulation is Corporate Social Responsibility (CSR). CSR has developed as a means of addressing the demands on industry from a range of actors, including governments, consumers, pressure groups, and investors (Pearce and Barbier, 2000). It involves a “triple bottom line,” whereby financial, environmental, and social factors considered integral to corporate strategy (Elkington, 2001). Broadly, CSR refers to action taken by business and corporations to

[P]romote social and environmental goals and to minimize any potential social and environmental costs associated with their business activities. The rationale behind CSR is that firms themselves are best placed to ensure compliance and implementation and to monitor progress toward their own environmental and social performance targets and will do so because it makes good business sense (Clapp and Rowlands, 2014, 42).

CSR initiatives include voluntary reporting, labeling and certification schemes and have become commonplace among multinational corporations. CSR reports are perhaps the most widespread CSR practice to date.

Despite its increasing popularity, there is no consensus in the research community about what constitutes CSR. We adopt the definition by Aguinis (2011, 855), also used by Rupp (2011) and Rupp et al. (2010), describing CSR as “context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance”. We expand this definition to business action beyond regulatory compliance, by including within the CSR domain “economic, legal and ethical discretionary expectations that society has of organizations at a given point in time” (Carroll, 1979, 500).

CSR has been regarded as an important strategy for improving the social and environmental performance of corporations, while decreasing the inefficient outcomes of regulatory interventions (Pinske and Kolk, 2009, 43-45; Smith et al., 2010). Proponents have claimed that CSR initiatives can better respond to multiple stakeholder priorities and balance these against the firm's economic and reputational interests, while decreasing social costs (Blowfield and Murray, 2011; Gössling, 2011). CSR has been viewed by some as a means of improving corporate normative commitment to society and of decreasing risk-taking behavior that may be detrimental to both shareholders and stakeholders (Utting and Marques, 2010).

CSR has also attracted criticism. Some have suggested that various forms of voluntary regulation included under the broad category of CSR can be effective only in the presence of a firm regulatory backdrop and a credible threat of enforcement (Lenox and Nash, 2003). In other words, self-regulation can serve only as a supplement to mandatory regulation, not as a substitute for it. More resolute critics of CSR have suggested that it is used strategically by firms to enhance their reputation, without measurable or tangible net gain for society (Utting and Marques, 2010). Finally, even more critical opponents have claimed that CSR is employed as empty rhetoric by firms in the "circle of fire", attempting to counteract public or regulatory attack (Hoedman, 2007). Similarly to these mixed opinions on CSR, research has provided mixed accounts of its potential benefits and drawbacks of CSR (Vogel, 2005).

International standards, such as the Global Reporting Initiative (GRI) and OECD Guidelines on Multinational Enterprises, have been developed to guide the reporting and measurement of CSR. These guidelines aim to improve transparency by developing a common baseline for reporting. They have been instrumental in defining the perimeters of CSR, providing multinational firms with a clearer understanding of what is meant by responsible corporate behavior. Although these initiatives have been successful to a degree with multinational firms, it is doubtful whether they have been meaningful for small and medium-sized firms that lack a global reach. In many industrial firms and

business circles, both the meaning and aims of CSR remain unclear, and no concrete or designated CSR activities are conducted.

B. The Research Initiative

An enduring question, which has engaged generations of CSR scholars from diverse disciplinary backgrounds, is what brings about economically, socially, and environmentally responsible (or irresponsible) behavior in firms (Vogel 2005; Crilly et al. 2008; Matten and Moon 2008; Aguinis and Glavas 2012). A derivative and practical question is how to promote responsible behavior and strengthen internal and external mechanisms supporting CSR. Answering both questions poses conceptual and analytical challenges of defining what constitutes corporate social performance (CSP) and establishing the numerous internal and external factors affecting firm behavior.

The objective of our research is to present and test a research model that provides a relatively comprehensive analytical portrayal of the internal and external environments and mechanisms that potentially affect CSP in firms. The effort to integrate and advance multilevel research has been judged to form the "first knowledge gap" in CSR research (Aguinis and Glavas, 2012, 953). In an extensive literature review, covering over 588 peer-reviewed articles and 102 books and book chapters Aguinis and Glavas found that, to date, no research has fully integrated all four levels of analysis.² Thus, at the heart of our research and our primary aim is the construction and assessment of a multilevel model that integrates the four levels of CSR analysis. Multilevel integration in CSR research is of critical importance, since only such integration can portray the "real world" of the corporation. Multilevel analysis can address the relative importance of various levels and factors affecting CSR performance, and can provide greater clarity about the inner relations between these levels as they affect the development of responsible firm behavior.

² We did find research integrating two levels of analysis. See Section 1.2 on Liu et al. (2010), Lindgreen et al. (2009), and Borck and Coglianese (2011).

The model presented and discussed in detail in the following section is informed by diverse research fields: regulatory and social license studies inform the upper institutional level, which addresses regulator and stakeholder pressures; organizational behavior and organizational studies inform the next (organizational) level dealing with organizational culture, industrial profile and organizational characteristics, and leadership and managerial attitudes; yet another stream of organizational behavior studies informs the subsequent (individual) level, addressing organizational commitment, job satisfaction, and organizational citizenship behavior; finally the CSP level relies heavily on sustainability and CSP indicator studies.

Our research is a first attempt to empirically study CSR in the context of the Israeli industrial sector. This sector was chosen as the setting for our study, since it is traditionally of high economic, environmental, and social impact. It is also diversified in nature and inextricably linked to global markets. At present, our empirical study in this setting is unique, and therefore can be regarded as exploratory. Although normative studies and assessments of CSR have previously been conducted in Israel (e.g., Abraham-Weiss and Weiner, 2010; Harari, 2011), no known empirical research on CSR has been carried out to date. If CSR reporting is an indicator of the degree of engagement with CSR in the Israeli industrial sector, it can be assumed that the basic level of interest, not to speak of formal engagement with CSR initiatives and strategies, is still very low. For example, according to a recent survey, less than 20% of the 100 largest Israeli companies reported on their corporate responsibility performance in 2013. The survey included information provided in annual financial reports and on the company websites, as well as CSR reports. This was the lowest rate of all 41 countries reviewed (KPMG, 2013).

C. Israeli Industry: An Overview

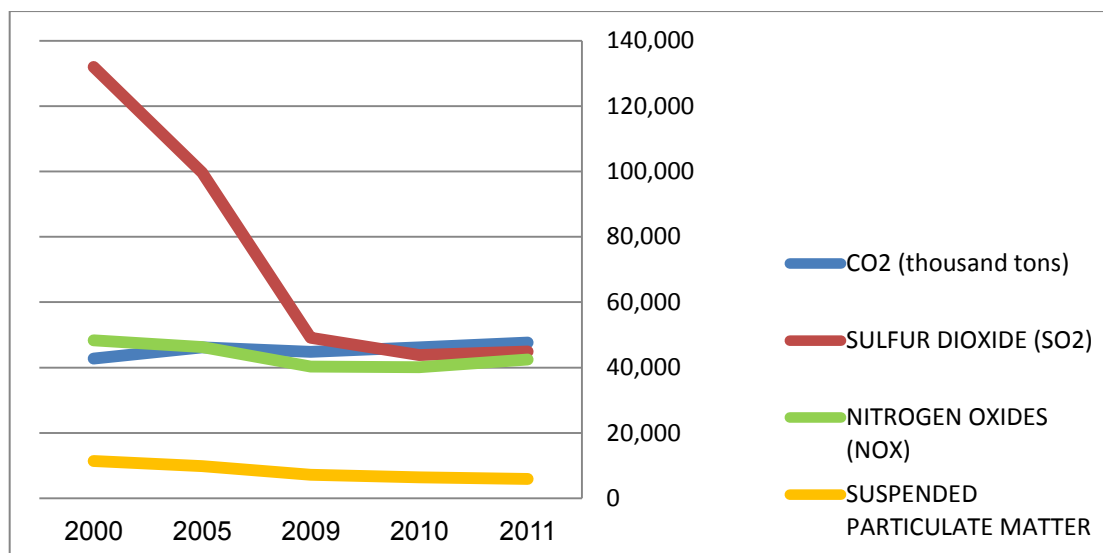
The industrial and manufacturing sector is an important branch of the Israeli economy. In 2013, the manufacturing sector accounted for 12.5% of net domestic product, surpassed only by the financial, scientific and technical

support service sector. 15% of the entire workforce is employed by industry, which constitutes the largest sectorial employer in the Israeli economy. Over 21,000 industrial facilities exist in Israel. Approximately 1% of which are large facilities, employing over 300 workers, 5% are medium-sized facilities, employing between 50 and 300 workers. Overall, there are about 1,300 large and medium-sized facilities, with the remainder comprising small facilities, employing fewer than 50 workers.

The environmental impacts of industry are significant. Of particular concern for regulators are the release of pollutants into the environment, the production of waste, and the use of resources, materials, and energy. Over 22% of electricity produced is consumed by industrial facilities, which are also responsible for over 26% of CO₂ emissions, 40% of SO₂ emissions, 23% of NO_x emissions, and 54% of particulate matter.

Despite the enactment of the Clean Air Act, in 2008, which set stringent emission limits on industrial facilities, there has been no significant reduction in these emissions since 2000, as illustrated in Figure 1. Industry investment in reducing air pollution also remained constant between 2008 and 2010, at NIS 1B, less than 1% of total revenues.

Industry representatives claim that the regulatory burden has grown significantly over the years. Indeed, Israel has moved from the 23rd place in the 2006/07 regulatory burden index of the World Economic Forum (Schwab and Porter, 2006), to the 109th place (out of 148), in 2013/14 (Schwab and Sala-i-Martin, 2014). However, it is doubtful whether increased regulation has brought about substantial improvement in environmental performance. This trend deepens concerns over widespread non-compliance with environmental legislation (Karassin, 2009).



Source: Adaptation of Central Bureau of Statistics data

Figure 1: Air pollutant emissions from industry

As mentioned in Section B, Israel lags behind global CSR trends (KPMG, 2013). Corporate culture and governance that promote transparency and environmental responsibility have developed only slightly in the last decade. In 2008, Israeli corporations began producing GRI-oriented CSR reports. Although industry ranks high among the reporting sectors, the absolute numbers of CSR reports is still low, as illustrated in Figure 2.

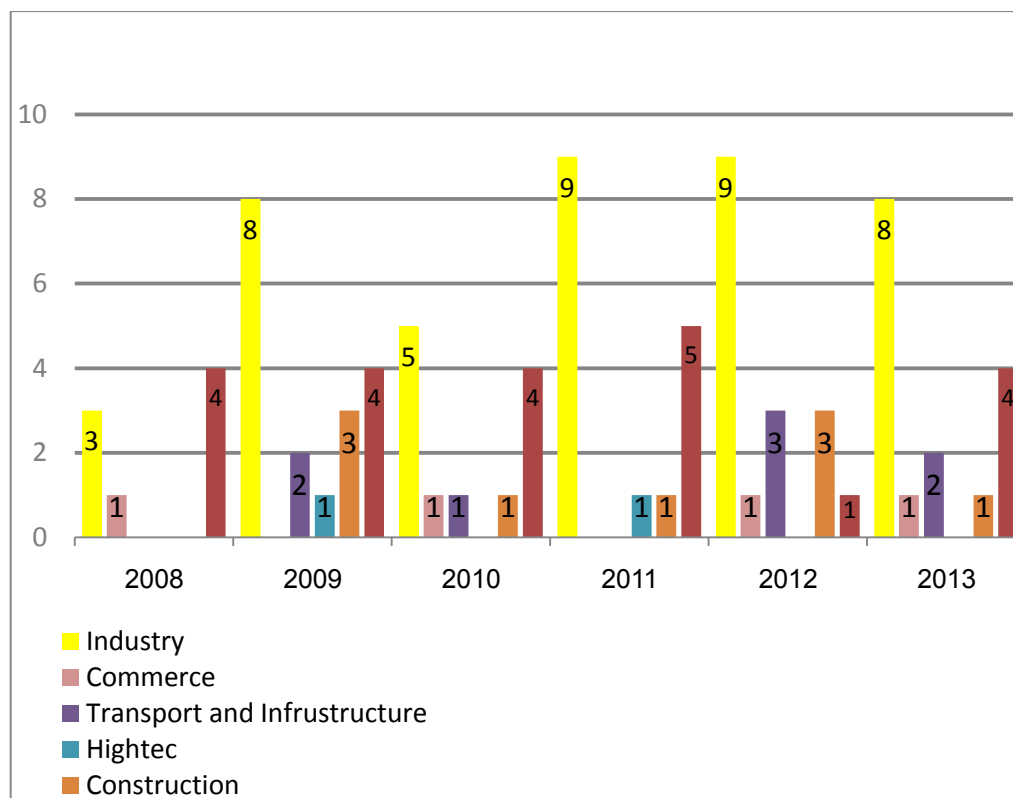


Figure 2: CSR reports by economic sector

D. Legislation and CSR

There are no explicit laws requiring CSR reporting in Israel. However, the New Companies Law (1999), Article 11, states that the purpose of a company is to act to maximize its profits. In so doing, it can take into account the interests of its investors, employees, and the general public. Thus, companies may consider non-financial matters in the operations of their business, but are not obliged to do so (Verbin, 2012, 32). There is some evidence of the uptake of both corporate governance measures, in the form of dedicated CSR committees within company management, and through the adoption of corporate ethical codes of conduct (Bukspan, 2012).

Both companies and workers are subject to taxation legislation set by the Israeli Tax Authority. Company taxes are set at 26.5%, while workers are subject to progressive taxation. Moreover, any financial deal or provision of services is subject to Value Added Tax at a rate of 18%. Custom duties apply to imported

goods. Purchase taxes apply to some imported and locally-produced goods, such as electronic goods, cars and fuel (Israeli Tax Authority, 2014). There are several legislative acts that provide fiscal incentives for the promotion of economic growth and innovation in industry, such as the Law for the Encouragement of Industry (Taxes) (1969) and the Law for the Encouragement of Capital Investment (1959), these provide tax reductions (through company tax and other taxes) to productive industries in general, as well as specific industries that locate their major production site in peripheral areas. Benefit-receiving companies will pay lower taxes due to these reductions.

The Israel Securities Authority regulates capital markets under the Securities Papers Law (1968). The authority regulates the activities of most stakeholders involved in the capital markets, including the stock exchange, public companies and the managers of investment funds. One of the roles of the Securities Authority is to ensure that publically-traded companies transparently expose to investors information on their operations, which may affect investment (Israel Securities Authority, 2014). Under the Securities Regulations (Details of the Prospectus and Draft of Prospectus – Structure and Form, 1969, Addition 1, Chapter 4(28)), public companies are required to report in their annual financial reports on significant environmental impacts that may affect investments and their competitiveness, as well as the costs of significant environmental investments that will be required in the current and following years.

The Standards Institution of Israel is another source of industry compliance. The standards supplied by the Institution detail the technical requirements of different product aspects to verify product quality. Standards are agreed upon in consultation with public committees, comprising stakeholders from government, industry, and the research community. These standards are voluntary, however meeting the standards will often be a prerequisite and hence compulsory for market entrance both in Israel and abroad. The Minister of Economy can decide to make standards mandatory, if they protect public health and safety, the environment, consumer rights, product compatibility and replacement, or against significant financial losses resulting from product use (The Standards

Institution of Israel, 2014). Standards are often requested by industries, in order to provide a means for validating and distinguishing product quality, thus gaining advantage over competitors.

In addition, Israeli industry is required to comply with environmental and labor-relations legislation, as discussed in detail below

1. CSR and Israeli Environmental Law

Until relatively recently, Israel's environmental policy was not well developed. However, a more proactive approach to environmental policy has gradually been adopted. This approach aims to integrate environmental policy with economic growth (OECD, 2011). In this section, we introduce some of the environmental legislation in Israel, with relevance to industry.

Legislation on Industrial Emissions

One of the key factors affecting competitiveness in Israel, as perceived by business, is inefficient government bureaucracy (Schwab and Sala-i-Martin, 2014, 220), with environmental policy demands being an important culprit. Industry is required to obtain different permits and licenses, some of which are outlined below:

- The Business Licensing Law (1968) requires eligible businesses to obtain a license from the local authorities. Environmental licenses are given by the head of business licensing at the regional Ministry of Environmental Protection (MoEP) office, which can require "special" environmental conditions from the licensed business.
- The Clean Air Act (2008) requires industries with a significant effect on air quality to obtain pollution permits, which are granted for seven years.
- The Hazardous Substances legislation (1993) requires industries to obtain a license for handling specified toxic substances (over a given threshold), which is granted for a period of 1-3 years.
- The Business Licensing Regulations for the Disposal of Hazardous Waste (1990) require obtaining a permit from the MoEP for the disposal of hazardous waste to any site, other than the site authorized by the

Ministry. A special permit is also required for the disposal of contaminated soil to any site other than the authorized site. It is important to note here that responsibilities on the keeping, disposal and movement of hazardous substance are shared between MoEP and a range of other government agencies, including the Ministry of Economy, Transport and Health. Under the Law of Civil Protection (1951), Chapter 6), The Minister of Security is responsible for monitoring of hazardous substances in case these may have homeland security implications. Holders of hazardous substances are required to report to the Hazardous Substances Center of the Israeli Defense Forces Home Front Command (Home Front Command, 2014).

- The Legislation on the Prevention of Pollution of the Sea from Terrestrial Sources (1988) requires businesses to obtain a license for discharge of effluents into the sea. Licenses are granted by a committee of representatives from relevant government ministries, headed by the MoEP.

In view of harmonizing and simplifying environmental policy demands placed on industry, the MoEP is currently drafting Integrated Pollution Prevention and Control legislation. The decision to adopt the legislation was confirmed by the cabinet in April 2014, but at the writing of this report the legislation has not yet been adopted by the Israeli Parliament, the Knesset.

Waste, Water and Energy Use

The Environmental Protection Law – Polluter Pays (2008) established the “polluter pays” principle by fining environmentally-harmful behavior according to the environmental costs of the activity. Building on this principle, The Waste Packaging Law (2011) requires 60% of all metal, glass, paper, cardboard, plastic and wood packaging to be recycled by 2015, reaching 100% by 2020. The direct cost of recycling is paid by the producers or importers of the packaging, with local authorities collecting the packaging waste.

The Water Law (1959) remains the framework legislation for the protection of all water sources. The legislation prohibits any activity that might pollute water,

and the discharge or dumping of any substance into a water source. There is also a requirement to use water sparingly and to prevent the blockage or depletion of water resources.

A Government Decision (4095) from 2010 calls on the Israeli government to reduce Israel's electricity consumption by 20% from 2006 levels by 2020, as part of the National Plan to Reduce Greenhouse Gas Emissions. A variety of measures have been introduced to meet this target, including supporting new low-carbon technologies, green building initiatives, educational activities, energy efficiency surveys, and the promotion of standards for energy efficiency. To date, only voluntary schemes are in place to support improved energy efficiency, with budgets for the National Plan to Reduce Greenhouse Gas Emissions frozen until 2016. Thus, most energy-efficiency initiatives taken by industry are voluntary.

Despite the growing body of environmental legislation, its enforcement remains problematic. Broadly, the enforcement of environmental legislation is of two types: administrative and criminal. Administrative enforcement is carried out by the MoEP head office and by its regional offices. Legislation is usually enacted at the national level, in cooperation with relevant government bodies. The regional offices are responsible for monitoring compliance with these requirements, thereby enforcing the legislation. To this end, they carry out both routine and surprise inspections at regulated facilities under their jurisdictions. Their work is supported by Environmental Units at the municipal level. There are over 50 units, which are funded by municipalities and receive professional guidance, as well as additional training and funding from the MoEP.

Criminal enforcement is carried out by the Green Police, which conducts inspections and investigations at the local, regional and national levels. Its powers include fining environmental criminals, conducting investigations and confiscating items that were used to commit environmental crimes. The MoEP often conducts hearings and issues warnings to violators of environmental legislation (Karassin, 2009). Environmental offences that are not remedied can reach hearings in court. However, Karassin (2007) argues that rulings in

environmental cases are often lenient and do not constitute a substantive deterrent to environmental offenders. The range of enforcement tools available to the MoEP is not sufficient to ensure compliance. In recent years, a series of complementary initiatives promoting environmental compliance have been introduced, as discussed below.

Information-Disclosure Initiatives

Several industry reporting initiatives operate in Israel. The first, mandatory, measure is the Pollutant Release and Transfer Register (PRTR), which became operational in 2013. The Environment Protection Law – Pollutant Release and Transfer – Duty to Report and Register (2012) requires specified industries to report on the release and transfer of pollutants to environmental media, beyond a specified threshold, as well as on effluent discharges and on the use of energy and water. The data are published on the MoEP website, in order to provide an incentive for industry to reduce its environmental impacts, ensure transparency and improve the availability and accessibility of information to policymakers, the general public, academics and NGOs. Approximately a third of the industrial enterprises sampled in this study reported to the PRTR in 2012.

Two voluntary information-disclosure schemes were initiated by the MoEP. The voluntary Climate Registry started operating in 2010. By 2013, more than 50 companies and organizations, accounting for approximately 65% of Israel's Greenhouse Gas (GHG) emissions, voluntarily reported on their emissions and reductions. The Industry Legislative Compliance Index was introduced in 2012, reporting on the environmental compliance of publically-traded companies. In 2014, the index was re-developed in accordance with data available through the PRTR. In November 2014, the MoEP published a "red list" of environmentally harmful companies, based on their environmental impacts and both mandatory and voluntary compliance with environmental legislation (MoEP, 2014). Another non-governmental initiative is the Maala index for responsible corporate behavior. The index is published annually for the 110 biggest companies in Israel, and helps corporations, investors and the public evaluate CSR efforts.

Thus, some governmental and non-governmental schemes to encourage beyond-compliance corporate behavior can be discerned in Israel.

2. CSR and Israeli Labor Laws

Israeli labor relations have changed over time from a corporatist towards a more pluralist model (Lurie, 2013). The workers' federation (Histadrut) played an important role in organizing Israeli labor relations even prior to the establishment of the State of Israel, but its influence and coverage have declined since the 1980s. In the 1950s and 1960s, through the efforts of the Histadrut, collective employment agreements prevailed as the best means of ensuring workers' rights. By the 1980s, collective contracts became less popular, and increasingly necessitated regulatory intervention (Ben Israel, 1990). Many long-established industries still operate under collective employment contracts, while newer industries tend to rely less on these. In 2006, 56% of employees were covered by collective agreements (Lurie, 2013: 30-31). The number of employees belonging to worker unions decreased from 80% in 1980, to 45% in 2000 and 34% in 2006 (Lurie, 2013: 28).

Israeli labor laws specify the rights of salaried employees and grant these more rights than they do contract workers or self-employed individuals. For example, only salaried employees are paid compensation in case of redundancy and only they are guaranteed increased pay for overtime (Ben Israel, 2002). As a result, employers often choose to employ contractors or independent workers, in order to cut down on labor costs, terminate employment relations more readily and avoid having to deal with cumbersome labor laws (Lurie, 2013).

Israeli industry is subject to comprehensive legislation concerning non-discrimination and health and safety. The Law of Equal Opportunities at Work (1988, 2a) specifies rules of non-discrimination against employees or those seeking employment on the basis of gender, sexual orientation, personal status, dependents, age, race, religion, nationality, country of origin, world view or political affiliation.

Many health and safety standards have been introduced through secondary legislation under the Law of Safety in the Workplace (1970). The regulation is promulgated by the Ministry of Economy under the Directorate for Safety and Workplace Health. It tends to be technical and detailed, with different specifications for various industrial sectors and activities (Mundlek, 2001: 378).

The Law on the Organization of Inspection of Work (1954) requires employers to prepare plans for safety in the workplace and provide adequate training and information to prevent injury during work. The law requires many workplaces to appoint staff and committees dedicated to health and safety, in a bid to promote an organizational culture around surrounding health and safety (Mundlek, 2001: 387-388).

The Regulation on Accidents and Occupational Diseases (1945) requires employers to report to the relevant authorities every occupational accident, illness or dangerous event that an employee underwent (Almog et al., 1994, 107). Despite this legal requirement, not all health and safety events are reported to the authorities. This is evident from the discrepancy between the number of claims made to the National Insurance Institute by employees and the number of accidents reported by employers to the Ministry of Labor (Mundlek, 2001, 391-2).

Enforcement of labor rights and of health and safety regulations is undertaken by the Directorate of Regulation and Enforcement at the Ministry of Economy. The Legislation for Strengthening the Enforcement of Labor Laws (2013) outlined new categories of sanctions and enforcement methods that can be employed, in addition to traditional criminal and civil proceedings. The law authorizes Directorate inspectors to impose administrative monetary sanctions and to issue administrative notices to employers that are suspected of not complying with the law. Despite recent efforts, health and safety legislation in Israel is considered to be outdated, requiring substantial overhaul. However, the process of agreeing on

new, comprehensive legislation is cumbersome and lengthy (Ministry of Economy, 2014).

In addition to promoting regulatory compliance, in recent years the Ministry of Economy has taken on several initiatives to promote beyond-compliance efforts and self-regulation initiatives by employers. One such initiative was the outcome of the so called "Adam Report on Advancing Safety and Workplace Health" (Ministry of Economy, 2014). The initiative offered government monetary grants on a competitive basis to public organizations that adopted voluntary worker-rights codes. Considering that this project was not aimed at the industrial sector, it is reasonable to assume that it did not substantially affect self-regulation practices in this sector. Another initiative aimed specifically at the private sector allocated monetary grants to employers who practice integrative employment. The initiative was aimed at employers who enlisted employees from diversified cultural backgrounds, of both genders, in various mental and physical conditions (Ministry of Economy, 2009).

E. The Research Model

As illustrated in Figure 3, our research model includes four levels of analysis: the institutional, organizational, individual, and performance levels.

The upper, institutional, layer addresses the direct local and global institutional environment, in which corporations operate and are required to employ different CSR practices, pursuant to regulatory or social enforcement. The institutional level depicts the external pressures that are placed on the firm to comply and achieve beyond-compliance practice in various CSR matters. These pressures derive from two main sources: regulators holding formal authority over the firm; and various stakeholders that obtain power over the firm. Both stakeholder and regulators are diverse groups in nature, and may include in reality a multitude of actors and groups. Stakeholders are likely to include the

firm's customers, employees, suppliers, financial institutions such as bank and insurance, the surrounding and general community, including NGOs and media.

The model commences by relating to the power of both groups of actors. Power is assessed subjectively, by the firms' perception of the degree of influence or ability of the actor to impact the ongoing activities or future of the firm. It is the actor's perceived influence and authority that is assessed, as this determines the response of firms to the actor's demands. Demands made by actors, may be compliance or beyond-compliance in nature. For example, regulators may pose demands for licenses, monitoring, inspections, fines levied and more. Potential demands by stakeholders may include reference to the six areas of CSR: economy, labor and work conditions, environmental protection, social and community involvement, product responsibility and corporate governance. Examples of such demands would be improvements in product quality, widened guaranties, CSR or human rights policy, supporting community events or conducting environmental rehabilitation projects. Although stakeholder demands are important for understanding the CSR behavior of firms, they are not covered by the scope of this study.

The derivative pressures placed by both stakeholders and regulators in the model are a function of power weighted by demands. An actor may be considered powerful by the firm (e.g. the labor regulator) but may pose very little, if any, concrete demands on it. The result would be low pressures derived from this actor. The opposite may also be true. An actor may be considered as low in power, but hold high demands on the firm. In this case too, the pressure derived from this actor would not be high, as demands would be adulterated by low power. Actors placing most pressures on firms would be those with high degree of power and numerous substantial demands. "Social enforcement", "regulatory enforcement" and "cumulative enforcement" are latent variables, which are derived from this analysis. The model follows on to assess both the cumulative and individual pressures of these combined forces on organizational, individual and performance levels.

The organizational level includes four groups of variables: company profile, organizational culture, the role of management in CSR and corporate leadership, as perceived by firm employees. It is hypothesized that this level is both affected by regulatory compliance and beyond-compliance efforts at the institutional level, and affects characteristics and behavior at the institutional level.

The individual level depicts the organizational attitudes of employees and managers in the plant. This level is explored through three parameters: Job Satisfaction (JS); Organizational Commitment (OC) and Organizational Civic Behavior (OCB).

At the "ground" level of the model are the performance and practice variables of CSR. Included in the performance layer are input, output and outcome variables of environmental and social performance. At this level, we find economic, environmental, social, labor-relations, product responsibility and corporate governance CSR indicators, discussed in detail in Section F2 below. To add to this, we examine beyond-compliance programs executed by the firms. We hypothesize that the parameters included at this level are directly influenced by the individual and organizational levels.

These hypothesized relationships create a complex non-recursive path model that aims not only to highlight the performance and results of CSR, but also the mechanisms and reciprocal relations that bring about those results. We could not find such extensive modeling in the CSR literature, although less encompassing path models have been developed (e.g., Chih and Wongsurawat, 2011).

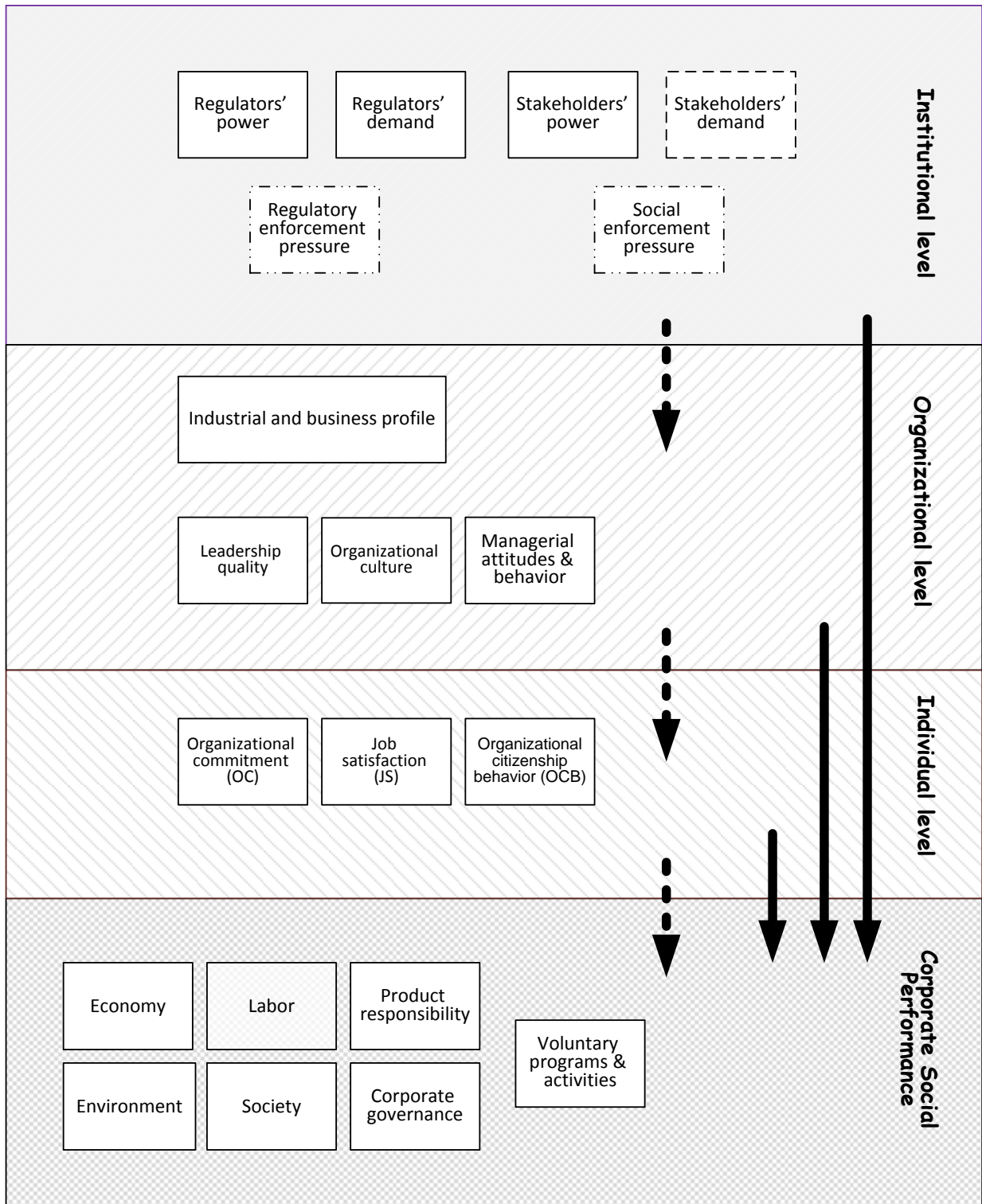


Figure 3: The Research Model

Legend:

1. Directly measured variable ———
2. Latent variable (not directly measured) - - - - -
3. Not measured in this study

1. The Institutional Level

Theoretical and empirical research conducted in the tradition of regulatory studies has shown that at the institutional level, regulatory compliance (or non-compliance) and beyond-compliance efforts affect corporate social and environmental performance. Nevertheless, the extent to which each of these corporate behaviors explains actual policy programs and outcomes remains unascertained (Gunnigham et al., 2004; Koehler, 2007). Corporate regulatory compliance is known to be influenced, to varying degrees, by both regulatory enforcement efforts and social enforcement, depending on the organizational and industrial characteristics of the firm (Thornton et al., 2009). Beyond-compliance efforts by corporations are usually assessed by adoption of voluntary programs and/or compliance monitoring (Delmas, 2002; Parkash and Potoski, 2012).

Business responses to regulation and propensity to go beyond regulatory compliance have been explained, based on theoretical accounts of the firm and its motivation for compliance. Some accounts perceive the firm as an amoral profit calculator that complies with regulatory requirements only if it is driven to do so by sufficiently costly and deterring enforcement (Kagan and Scholz, 1984; Faure et al., 2009). Diverse explanations of non-compliance have been identified in the literature. These include the high cost of compliance and the ensuing perception that compliance results in losing ground to competitors (Simpson and Piquero, 2002).

Nevertheless, it has not been documented that elevated sanctions bring about an equivalent improvement in environmental performance (Stafford 2002). In some cases softer forms of regulation, such as regulation by permits and negotiated agreements, have been found to be no less effective than coercive enforcement (Reijnders 2003). Moreover, societal sanctions employed as part of the "social license," involving public pressure, negative media attention, and expected damage to reputation (May 2005; van Erp 2011) have also been found to be significant explanatory variables of compliance and beyond-compliance

(Maxwell et al. 2000; Kagan et al. 2003; Gunningham et al. 2004; Thornton et al. 2009).

Other accounts perceive the firm as capable of complying with regulatory requirements based not solely on rational choice, but on duty, normative considerations and intrinsic ethical motivation (Gunningham et al., 2003; Vandenberg, 2003). According to this perception, companies are conceptualized not as purely economic actors, but also as political ones, with a moral duty to play an active role in the democratic regulation and control of business behavior (Scherer and Palazzo, 2011; Pies et al., 2009). Thus, compliance may be better served by building a corporate culture of conforming to regulations (Tyler et al., 2008; Tyler, 2012).

The mixed accounts of compliance motivation by corporations, a "constellation of plural motives" (economic, social, and normative), has recently become salient (Lehman-Nielsen and Parker, 2012). According to this view, legal and social enforcement are important determinants of compliance, as are normative motivations. These are usually constrained by economic motivations, experienced by firms as costs or benefits of compliance. Organizational perspectives and determinants of CSR behavior have scarcely been integrated into these analyses (e.g., Borck and Coglianese, 2011).

In most CSR research, the adoption of beyond-compliance voluntary policies and programs has been expected to improve the compliance of firms with existing legal requirements (Potoski and Parkash, 2011). Yet, this assumption lacks empirical validation. Based on empirical findings accumulated in the past decade, Rivera and deLeon (2010, 294) concluded that the adoption of voluntary environmental programs is no indication of beyond-compliance efforts, or even of compliant environmental behavior. Rather, voluntary programs are often adopted by management, especially in "dirty" businesses, trying to eschew tighter regulatory control. The failure to address the compliance/beyond-compliance link may originate in the design and integration of the performance level into CSR research. Studies have tended to conflate the adoption of

environmental management processes and of beyond-compliance regulatory programs with outcomes (such as pollution reduction), or with broader societal results, such as decreased environmental and health risks (e.g., Clark, 2005; Darnall et al., 2009, Liu et al., 2010), making it difficult, if not impossible to untangle the two.

With a few exceptions (e.g., Nielsen and Parker, 2008; Parkash and Potoski, 2006), research has tended to investigate environmental performance within single industries or by looking deeply into decision-making by a small number of facilities (e.g., Parkash, 2000; Gunningham et al., 2003; Howard and Grenville, 2007; Howard et al., 2008; Vogel, 2005). Although case study research has been important and insightful, it does not enable us to uncover broader patterns of the types of facilities that participate in CSR and otherwise go beyond compliance, nor to discern the factors that affect the decisions reached at individual facilities across different types of business (Borck and Coglianese, 2011).

2. The Organizational Level

Most regulatory studies focused on institutional level factors and addressed exclusively regulatory or stakeholder pressures. A few studies, however, have integrated these with organizational level effects (examples of studies that have integrated two to three levels are Henriques and Sadorsky, 1996; Liu et al. 2010; Borck and Coglianese; 2011).

The organizational focus in CSR research has developed three main prisms for addressing CSR. The first relates to the organizational profile, the second is a cultural view of the organization and the third focuses on the role of management. Industrial, economic and organizational managerial profiles have been included as independent variables in CSR studies in environmentally-sensitive industries (Liu et al., 2010; Borck and Coglianese, 2011). The choice of industrial profile characteristics has, however, been random, and at best eclectic. Other research has tended to focus on one or more traits, also as independent variables. Such is the study by Nuttaneeya et al. (2012), which investigates the correlation between CSR, stock yield and net profit in 171 Australian small and

medium industrial enterprises. The large sample of 523 American companies in the study by Lindgreen et al. (2009) is exceptional, as it relates to multiple organizational traits such as main markets, types of products, year of establishment, organizational and workforce structure.

Our model integrates sectorial, economic, financial, managerial and human resource traits in a broad and inclusive manner. In this way, we can investigate their roles as mediating variables, with intermediary effects between the institutional level, the subsequent individual level and between these and the performance level. This allows us to address one of our theoretical hypotheses, namely, that the institutional level influences the structure and mechanisms of the organization, and that these are not self-contained. For example, under certain regulatory or beyond-regulation conditions, the corporation is required to adopt different structural and managerial profiles. Investigating the role of law in CSR, Buhmann (2006) contended that important principles of law function as part of a general set of values that guide actions and structures relevant to CSR.

In addressing organizational culture, we follow Schein's (2006) widely-accepted cultural theory of the organization. Organizational culture is seen as comprising three layers. The latent unconscious cultural codes of conduct ("organizational DNA") are found in the deep layer. The moral values and norms of the organization are found in the intermediary layer. Within this layer, norms and values are transmitted as the beliefs and views of corporate leaders to middle management, employees, and other stakeholders. Overt products of culture, such as modes of organizational language, written and oral practices of behavior, cast as "cultural artifacts" are found in the surface layer. These are the visible signs of corporate culture. Behaviors and structures affect daily practices, but are driven by what Schein referred to as "basic assumptions".

CSR literature has focused mainly on the moral and normative cultural aspects that can be associated with the intermediary layer, whereas the unconscious basic assumptions latent in the deep cultural codes are often overlooked. For example, Ketola (2008) distinguished between three forms of norms and morals:

personal-utilitarian, normative (having to do with duties, rights, and perceptions of justice), and moral (regarding virtues). These forms are thought to affect the CSR discourse within the organization and appear as an additional cultural aspect. CSR discourse may take on different forms, such as reluctant, apologetic, or responsive, and consequently may affect CSR actions negatively or positively (Banerjee, 2001).

Over two decades ago, Wood (1991) noted that CSR research was lacking in its treatment of managerial variables. Agle et al. (1999) suggested that rather than addressing the societal effects of CSR, it would be more productive to assess the normative tendency of managers to adopt CSR practices. Although we disagree with this assertion, it is conceptually accepted that managerial values, attitudes and strategies towards CSR in a given organization are likely to strongly influence firm-level CSR outcomes (e.g., Hemingway and Maclagan, 2004; Hemingway, 2005; Aguilera et al., 2007). Yet, empirical validation is still partial, especially with regards to the effect on actual performance rather than norms, views, or even practices.

Waldman and his collaborators (2006) are among the few who tried to decode the “cultural DNA” in relation to CSR. They conducted a monumental study³ spanning 15 countries, five continents and 561 firms, as part of the GLOBE research program on leadership and organizational behavior (House and Javidan, 2004). The study addressed cultural and normative dimensions of CSR among senior management. It adopted the distinction between collectivism and individualism, as well as the notion of power distance, as basic organizational cultural codes. These were adopted from the typology first suggested by Hofstede (2001) in his classic study from the 1980s of 100 IBM enterprises globally. The research also addressed three contrasting views of CSR: responsibility towards shareholders and the bottom line; responsibility towards non-financial stakeholders, such as workers and consumers; and responsibility

³ Note that such large scale empirical research investigating the relations between organizational culture and CSR are rare. Our research hopes to add to this effort.

towards the wider community. Additionally, integrity and long-term vision were integrated into the research, as two leading universal aspects of leadership.

Waldman et al. (2006) produced a variety of significant empirical findings. First, they concluded that in developed countries there was a tendency to support a narrow understanding of CSR as responsibility towards stakeholders, whereas in developing countries corporations tended to adopt a broader understanding of CSR, as responsibility to non-financial stakeholders and even to the community. Second, collectivism, as a cultural trait, was found to predict a managerial tendency toward broader understanding of CSR as responsibility to non-financial stakeholders and the community. Lastly, they found that power distance between managers and workers predicted lower levels of responsibility towards both stakeholders and the community.

Leadership is considered a significant mediator in predicting CSR performance, although this link has not been subject to comprehensive empirical research, as evident from a recent literature review on the subject by Strand (2011). The review notes the difference between "North American" perceptions of leadership, centered on financial performance and charisma that stand contrary to CSR, and the opposing tradition of managerial integrity – for example, in Scandinavian countries – which is more conducive to CSR. The absence of sufficient knowledge on the effect of leadership on CSR is mentioned in additional works by Angus-Leppan et al. (2010) and by Waldman and Siegel (2008). It is also evident in the special issue dedicated to the subject by the journal 'Corporate Governance' (vol. 9, 2009), in which all works are exploratory or advisory in nature. The work by Angus-Leppan et al. (2009) is of particular importance in our case, since it both attempts to close this gap, and because it perceives leadership contextually, not only as pertaining to the inter-organization and individual levels, but also as relating to the institutional or outer-organizational domain.

The findings of Angus-Leppan et al. (2009) suggest that there is a contrast between authentic and autocratic leadership within corporations. These

patterns, however, are not sufficient to explain differences in leadership styles. The research returns to validated categorizations, such as transformative and rewarding leadership, in order to explain differences in leadership styles relating to CSR. Empirical support for this categorization is present in the work of Groves and LaRocca (2011), who found the distinction between transformative and rewarding leadership to be more useful than other categorizations in predicting normative perspectives of CSR.

3. The Individual Level

Whereas organizational attitude research is a growing theme, research on the “micro-foundations” of CSR is still in its infancy (Morgeson et al., 2013; Lee, 2008). A central theme in addressing the individual level of CSR has been the investigation of the relationship between organizational attitudes and CSR (Aguinis and Glavas, 2012). Much of this work has been dedicated to addressing the causal relationship between CSR and three well-established individual attitudes towards the organization and workplace: **job satisfaction (JS)**, **organizational commitment (OC)** and **organizational citizenship behavior (OCB)**. The central hypothesis advanced by much of this research strand has been that CSR (and commonly perceived CSR) may be an antecedent to JS, OC or OCB (Chun et al., 2013; Ellemers et al., 2011; Ali et al. 2010; Turker, 2009; Valentine and Fleischman, 2008). Organizational behavior studies have almost entirely neglected the reversed causal relationship, namely that JS, OC, and OCB may contribute to achieving CSP. Examples include the work of Abdullah and Rashid (2012), who address CSR programs as predictors of OCB. In a similar vein, Vlachos, et al. (2013) judge the effect of CSR efforts on JS and charismatic leadership. Yet again, in Tziner (2013), CSR is the independent variable and work attitudes are the dependent variables.

JS is, in all likelihood, the most widely investigated theme in organizational behavior. It is also the most enigmatic (e.g., Judge et al. 2001, who identify at least seven different models used to explain the relationship between JS and job performance). There is considerable agreement that JS is important to corporations, whether as a contributor to performance, or self-standing. CSR

literature describes in detail the inclusion of workers and their unions as part of the stakeholders (McWilliams et al., 2006). Similarly to leadership, JS has undergone only sporadic empirical testing in this context. Most importantly, the contribution of workers as stakeholders to CSP has not been acknowledged.

Both OC and OCB seem to be relevant organizational behaviors, but they have been studied empirically only sparingly in the context of CSR. Using a limited sample, Turker (2009) examined empirically various forms of CSR and their effect on OC. Our intention is to primarily address not this functional link, but the opposing effect. That is, whether OC influences CSR practices through normative and utilitarian commitment (Meyer and Becker, 2004). OCB has enjoyed broader theoretical and speculative attention than OC, but also suffers from scant empirical coverage. Recently, Rego et al. (2011) linked OCB to cultural aspects (especially those identified by Hofstede, 2001, mentioned earlier), but with the same empirical limitations as Turker (2009).

In order to advance knowledge on the causal relationship between organizational attitudes and effective delivery of CSP, we follow the conceptual article of Collier and Estaban (2007). This work suggests that only if employees' values and visions are highly aligned with those of the organization, do CSR goals translate into CSR performance. We suggest that JS, OC, and OCB as motivating elements correlate to enhance CSR performance, both singularly and in a cumulative, reinforcing manner. Thus, we advance the theoretical relationship between goals theory (Locke, 1997, 2004) and CSR to suggest that work behavior, deriving from a set of specific CSR goals, enhances CSP.

4. The Performance Level

At the "ground" level of the model is the performance or dependent variables. We chose corporate social performance (CSP), rather than perceived CSR. Performance includes the adoption of CSR policies, programs, or standards, as well as behaviors with measurable performance benefits to society and the environment. At the same time, CSR is deeply controversial concept with many

definitions that suggest different theoretical understandings (Daglsrud 2008). To compound the difficulty, there is still no generally established method or rigorous metric for measuring CSR at the organizational level (Wolfe and Aupperle 1991; Carroll 1999; Gjørlberg 2009), although some progress has been made (Clarkson 1995; Székely and Knirsch 2005). By contrast, CSP is a way of making CSR applicable and putting it into practice (Maron 2006). Unlike CSR, CSP, although difficult to measure, can be transformed into measurable variables. Different approaches to such operationalization exist, but what they have in common is that CSP is constructed as a multidimensional scale covering a wide range of dimensions (van Beurden and Gösslin 2008).

The model incorporates uniquely formed indices measuring CSP on six dimensions: economic, environmental, labor, social, product, and corporate governance. The indices are based on a selection of indicators generated by a panel study of 60 Israeli CSR experts representing various stakeholder groups.

The panel process produced a set of indicators (see Appendix 1) that incorporate the main dimensions of corporate sustainability. These indicators are similar to those included in the Global Reporting Initiative, probably the most widely used standard for voluntary sustainability reporting worldwide (Brown et al. 2009; Marimon et al. 2012). In addition, we also examined voluntary programs and activities carried out by the firms. These noncompulsory, voluntary activities were not mandated by the regulator and were generally philanthropic in nature.

Data for the performance level do not rely exclusively on reported practices of firms, but integrate environmental and labor performance data from the regulator, where available. A broader description of the indicators included in the performance level is given in the following sections.

F. Research Methodology

1. Methods

The multilevel nature of our research model required the inclusion of several research methods, as discussed below.

Our research sample covered 11 medium and large Israeli industrial plant facilities (the "facility sample") belonging to diverse industrial sectors, but not including the chemical, pharmaceutical or food production sectors. All industrial plants included in the facility sample are regulated by the Ministry of Environmental Protection and the Ministry of Economy. At each site we conducted face-to-face interviews with 4-5 managers and disseminated questionnaires among an average of 40 workers. In this way, we reached a total of 54 managers and 441 workers.

The researchers encountered extreme difficulties in receiving the agreement of the firms to participate in the study. Out of over 200 firms directly approached, only 11 agreed to participate in the study. These entrance difficulties dictated a smaller sample than initially envisioned, and could have resulted in a self-selection bias, so that firms that are more compliant with regulation or proactive in the CSR field were more likely to agree to participate in the study.

The institutional level was addressed in two ways: (a) data on facility sample regulatory enforcement variables (i.e., regulatory and permit conditions, monitoring and enforcement actions) were gathered from the MoEP and from the MoE; (b) data on facility sample beyond-compliance variables (i.e., stakeholder pressures and demands, self-monitoring, voluntary programs) were derived from semi-structured in-depth interviews with senior management, as discussed in more detail in Part II.

Variables relating to the organizational profiles and leadership included in the organizational level were addressed by combining data derived from in-depth structured interviews and plant records.

Further variables were included at the organizational and individual levels. Organizational culture, leadership OC, OCB, and JS were assessed using a Likert-type (closed) questionnaire that incorporated items from widely-used questionnaires, covering the following areas: (a) Multifactor Leadership Questionnaire (MLQ) developed by Avolio and Bass (1999) or as amended by Ling et al. (2008);⁴ (b) JS questionnaire (JDI—Job description Index, JIG), as recently updated by Bowling Green State University, Ohio, USA (BGSU, 2009); (c) OC questionnaire developed by Allen and Meyer (1990), in its Hebrew version by Bar-Haim (2007); (d) OCB questionnaire developed by Podsakoff et al. (1990), considered to have been validated after measurement issues were identified in the original questionnaire by Organ (1988; 1997); and (e) Organizational Culture Assessment Instrument (OCAI) questionnaire, developed by Cameron and Quinn (1999), and Organizational Cultural Inventory (OCI) questionnaire, developed by Cooke and Lafferty (1989).

The design and choice of performance level variables was determined through a multi-criteria ranking process involving CSR stakeholders. A questionnaire was developed based on this process, which allowed for data collection at the plant level, as described in detail below.

Data for performance variables were collected in the following ways: (a) data were collected at plant level through the performance level questionnaire; and (b) data were corroborated, where possible, by external information obtained from regulators.

2. How Do We Measure CSP?

Although CSR initiatives proliferated in the last two decades, corporate sustainability reporting is far from being standardized (Fiorino, 2006). The accountability of corporate reporting is also of concern. Information asymmetries exist, whereby companies reveal only the information they wish, without mandatory information disclosure or auditing of the disclosed

⁴ This version is protected by copyright.

information (Eisner, 2007). In response to these challenges, several initiatives arose to harmonize CSR reporting (Willis, 2003). The Global Reporting Initiative (GRI), the UN Global Compact, the UNCTD Corporate Responsibility 2008 indicators and the OECD 2011 guidelines are prominent examples of these initiatives. We reviewed these guidelines to elucidate both CSR themes and specific indicators for the purpose of this study.

Based on the review of these guidelines, we established a set of 48 indicators in six categories. We examined the perceived importance of these indicators to a range of CSR stakeholders, in order to produce a set of CSR measurement indicators that would represent stakeholders' understanding of CSR performance in industry.

We asked 60 respondents, belonging to various stakeholder groups and individuals among the core of Israeli experts in the thematic fields of CSR, to rank the indicators. The group comprised 8 employee representatives, 7 consumer representatives, 14 industry/business representatives, 6 government officials, 11 CSR experts, 8 NGO representatives, and 6 representatives from banking and insurance companies. The panel ranked both the importance of the various CSR categories, as well as the indicators to produce a set of 24 indicators that would allow measurement of CSR performance as part of the research model.

Relative Importance of CSP Fields

The panel was presented with 6 potential fields: contribution to the economy (EC), environmental protection (EN), labor relations (LA), social involvement (SO), product responsibility (PR), and corporate governance (CG). Members of the panel were also asked to weigh the importance (as a percentage) of each field to the constitution of CSR practices in industry.

The average importance allocated by the panel (N=60) ascribed similar importance to EC, EN, and LA, at a little over 19% each. SO, PR, and CG were all ascribed less than 15%, with PR being lowest in importance, at 13%.

Some discernible differences among stakeholder groups can be noted, as illustrated in Figure 4. Respondents from the banking and insurance sectors viewed both EC and CG as significantly more important, and EN and LA as significantly less important than average. Respondents representing employees viewed, as expected, LA to be significantly more important than average (by some 12%). Respondents from environmental NGOs viewed EN as slightly more important than average (by about 5%). Contrary to expectations, respondents belonging to consumer organizations did not view PR as significantly more important than average (only by 3%). The views held by industry and government representatives about the relative importance of CSR fields were close to the average.

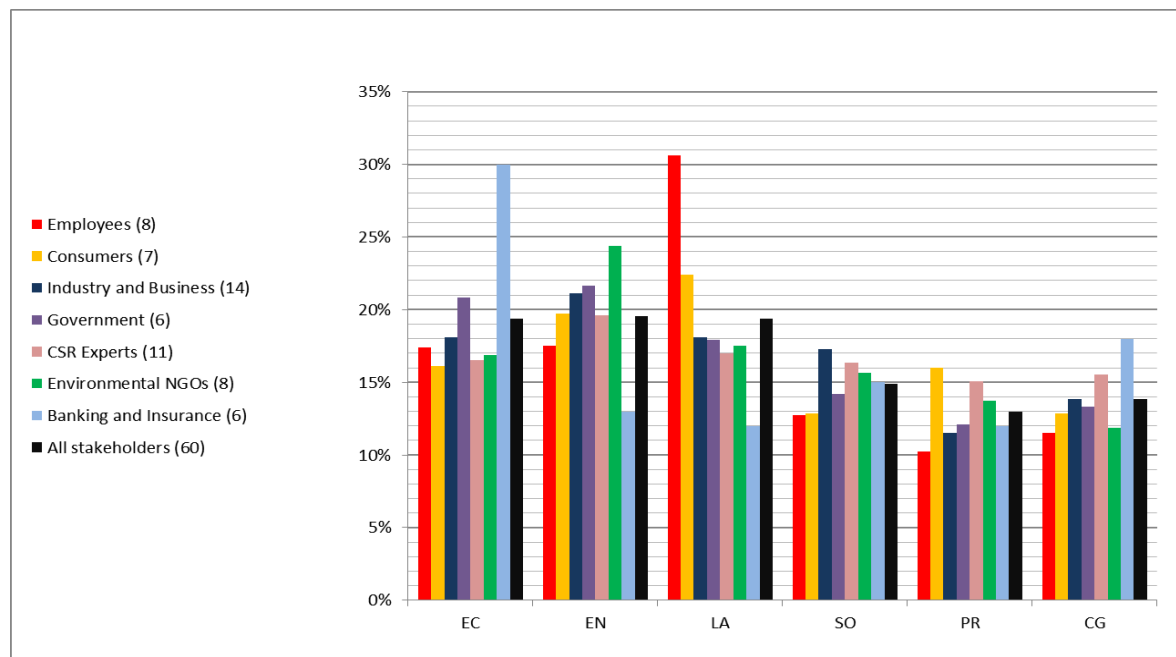


Figure 4: Average Importance of CSP Indicator Categories by Stakeholder Group

Respondents from the banking and insurance sectors seemed to hold a unique view of CSR as relating primarily to EC, CG and SO (63%), with environment rated as significantly less important (7%) than average. This position seems to reflect the direct interests and involvement of the banking and insurance sectors in EC and CG. It also reflects the institutionalized practice of this sector in Israel

not to demand or request recipients of credit to incorporate environmental protection guidelines into projects, or to request environmental due diligence.

The importance placed by employee representatives on LA closely matched the importance this group attached to advancing workers' rights and employment conditions. Government, industry, and CSR experts all shared similar and more balanced views of the "composition" of CSR, which may indicate that these stakeholders are driving forces in the constitution of CSR as a multifaceted concept.

Choosing the CSP Indicators

The panel was asked to rank indicators in each CSP category. The least important indicator in each category received the lowest score (=1). The most important indicator received the highest score, depending on the number of indicators in each category. Descriptive statistics of the 24 indicators that were shown to be of most importance are summarized in Table 1.

Table 1: Description and mean score of CSP indicators

Indicator Description	Code	N	Min	Max	Mean	SD
Economy						
Contribution to economy	EC1	60	1	4	2.92	1.139
Local purchasing	EC2	60	1	4	2.93	.880
Local investment in infrastructure	EC3	60	1	4	2.05	1.016
Investment in technology and research	EC4	60	1	4	2.08	1.094
Environment						
Environmental expenditure	EN1	60	1	7	3.88	2.498
Environmental management system	EN2	60	2	7	5.85	1.560
Environmental monitoring and disclosure	EN3	59	1	7	4.97	1.742
Water	EN4	60	1	7	3.40	1.575
Air pollution and CO ₂ emissions	EN5	60	1	7	4.02	1.408
Energy saving	EN6	60	1	7	3.27	1.765
Hazardous waste	EN7	60	1	7	3.07	1.706
Labor relations						
Employment and job security	LA1	60	1	5	3.48	1.432
Labor-management relations	LA2	60	1	5	3.05	1.371
Occupational health and safety	LA3	60	1	5	3.37	1.449
Training and education	LA4	60	1	5	2.15	1.205
Non-discrimination (gender)	LA5	60	1	5	3.00	1.235
Society						
Local communities	SO1	60	1	3	1.82	.833
Public policy	SO2	60	1	3	1.67	.729
Involvement in public policy	SO3	60	1	3	2.52	.624
Product responsibility						
Product safety	PR1	60	1	2	1.68	.469
Product safety compliance	PR2	60	1	2	1.32	.469
Corporate governance						

Corruption	CG1	60	1	3	2.17	.717
Compliance	CG2	60	1	3	1.50	.725
Transparency	CG3	60	1	3	2.33	.774

As illustrated in Figure 5, in the general sample contribution to the economy (EC1) was perceived as significantly less important than investment in research and development (EC4). Environmental expenditures (EN1) were viewed as significantly less important than responsible treatment of water (EN4) and hazardous waste (EN7). This result may be demonstrative of a view expressed by one stakeholder that "environmental expenditure is not a solid quantification of performance or even of relative commitment to environmental protection. Some industries need to invest much more than others even in order to achieve compliance with environmental regulations, let alone going beyond-compliance."

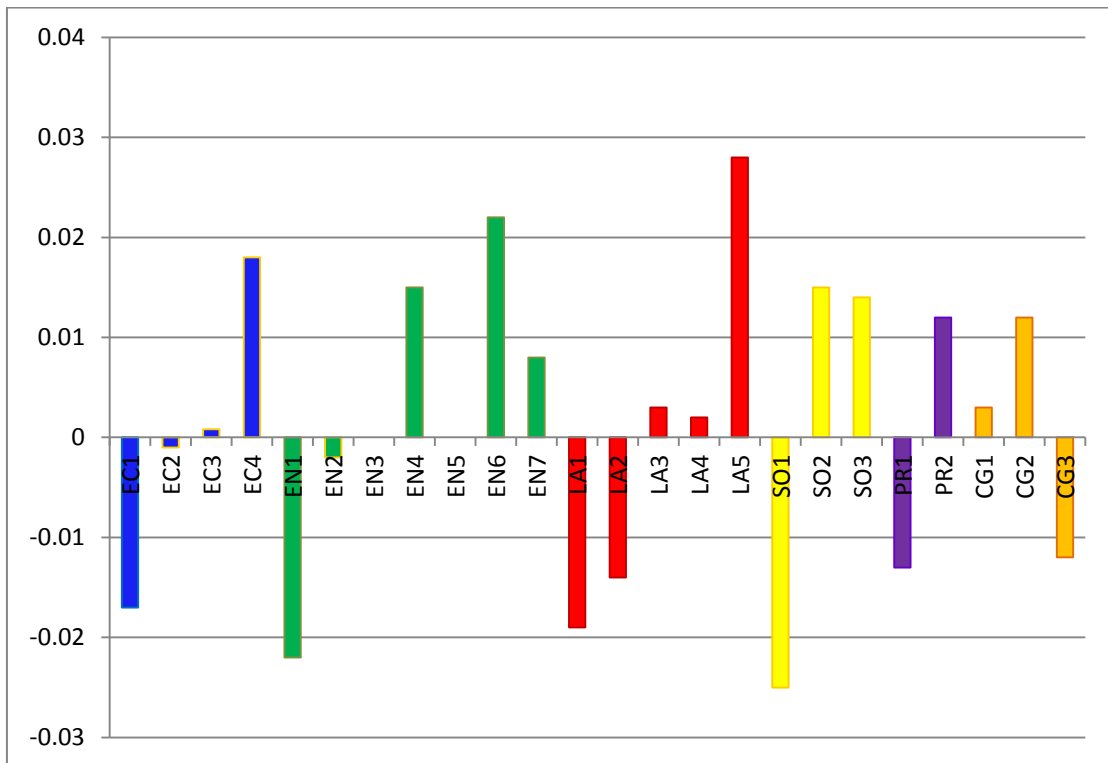


Figure 5: Standardized average importance of CSP indicators

Legend: EC= Economic indicators; EN= Environmental indicators; LA= Labor relations indicators; SO=Social indicators; PR=Product responsibility indicators; CG=Corporate governance indicators. For full description of indicator numbers see Table 1.1

In the LA field, non-discriminatory gender policies were perceived as the most important among potential LA indicators. With regards to SO, contrary to common perception, contributions made to the local community (SO1) were considered less important than other social indicators. This may be attributed to a rising understanding among CSR experts and stakeholders that financial or other assistance provided to communities does not represent a significant attribute of responsible behavior. As expressed by one respondent: "Giving charity to the community is not CSR, although some would like it to be. Indeed giving charity or conducting social projects in nearby communities may be a way to appease communities or even obscure irresponsible behavior by firms".

In CG, transparency (CG3) was regarded as less important than the lack of documented non-compliant behavior (CG1) or non-corruption policy (CG2). This finding may be contrary to the importance attributed both in literature and in practice to transparency practices such as CSR reports made available to stakeholders or the public. Indeed, several respondents made comments such as: "producing CSR reports is not a good indicator of CSR performance or behavior;" "in some companies it seems to be no more than a bureaucratic ceremony or a justification of the role of CSR officers;" "in most companies you will not be able to see a real learning process that is the outcome of CSR reports;" and "these initiatives are usually headed by external CSR consultants and commonly involve only a small minority in the corporations' senior management."

The set of indicators, outlined in Appendix I, were used to assess the CSP of our study sample. Part II goes on to examine the research findings of this level of analysis, alongside the individual, organizational and institutional levels of the research model (as describes in Section E above).

PART II: THE RESEARCH FINDINGS

A. The Individual Level

3. Data Collection

Data for the individual level of the model were derived from a sample of employees (N=441) of the industrial facilities participating in the study. The sample comprised 64% males and 36% females. Some 41% of the sample were production and assembly line workers, the remaining 59% were engineers, technicians, logistic workers and administrators. 36% of the sample were new employees (less than 4 years of seniority), 26% were employed at the firm between 5-10 years, and 38% were long-term employees, working at the firm for over 10 years.

Respondents were asked to answer a questionnaire that addressed their attitudes toward their work and workplace, organized into the following behavioral and attitudinal categories.

Organizational commitment (OC)

OC refers to employees' psychological attachment to the organization. OC was measured using three well-researched and widely-accepted dimensions: affective OC, normative OC, and continuance (utilitarian) OC. The continuance dimension was designed to assess the extent to which employees feel committed to their organization by virtue of the costs that might be associated with leaving. Affective commitment, also known as emotional commitment, is characterized by positive feelings of identification and involvement with and attachment to the workplace. Finally, normative commitment is defined as a feeling of obligation to continue working for the organization. These feelings may stem from an obligation internalized by an individual before or after joining an organization, or reflect an internalized social norm that one should be loyal to one's organization.

Job satisfaction (JS)

JS is the extent to which employees like their job and colleagues at their workplace. JS was measured based on five dimensions of satisfaction with the

following: peers and colleagues, workplace ambience, the job itself, salary and general satisfaction with the workplace and work.

Organizational Citizenship Behavior (OCB)

OCB refers to discretionary individual behavior that is not directly or explicitly recognized by the formal reward system. Overall, OCB promotes the effective functioning of the organization. It includes three critical aspects. First, OCB is conceived as discretionary behavior that is not part of the formal job description, but is performed by employees as a result of personal choice. Second, OCB reaches above and beyond enforceable requirements of the job description. Finally, OCB contributes positively to overall organizational effectiveness.

Initially, OCB was measured on four dimensions: civic virtue, sportsmanship, altruism, and conscientiousness. However, as these could not be discriminated in the present study, a one-dimensional scale of OCB was retained. The three fields of work attitudes were mapped into 8 scales, as outlined in Table 2.

Table 2: Scales of Individual Work Attitudes

Area	Variables or scales	Reliability*
Organizational commitment (OC)	1. Affective OC 2. Normative OC 3. Continuance (utilitarian) OC	1. Cronbach α = 0.71 2. Cronbach α = 0.64 3. Cronbach α = 0.57
Job satisfaction (JS)	1. People in your present job 2. Workplace ambience 3. Work itself 4. Pay 5. General job satisfaction	1 and 2 were unreliable in the Spearman-Brown test and were retained as standalone items. 3. Cronbach α = 0.83 4. Spearman-Brown= 0.69 5. Spearman-Brown= 0.55
Organizational citizenship behavior (OCB)	1. One-dimensional scale	1. Cronbach α = 0.75

Legend: Most of the multi-item scales were reliable based on the norms of the Cronbach α test for more than two items in a scale, and based on the Spearman-Brown test for 2-item scales. Items that failed the Spearman-Brown test were retained as standalone items. Items with a Cronbach α score greater than 0.50 were left in the dataset.

2. Results

As illustrated in Figure 6, the data demonstrated low levels of affective and normative OC among industrial workers. At the same time, these workers displayed a high level of continuance (or utilitarian) OC. In other words, employees did not feel committed to the organization per se, but were bound by their reliance on received wages. JS levels were moderate on all dimensions, apart from JS in general which was moderate-to-high. JS with pay was relatively low. Thus, although employees were committed to their jobs through a utilitarian value, they were not highly satisfied with their salaries. This suggests that if they received a better job offer they would not hesitate to leave the workplace. In contrast, OCB was assessed as moderate-to-high, reflecting a willingness to help co-workers and to become involved in civic activities in the organization.

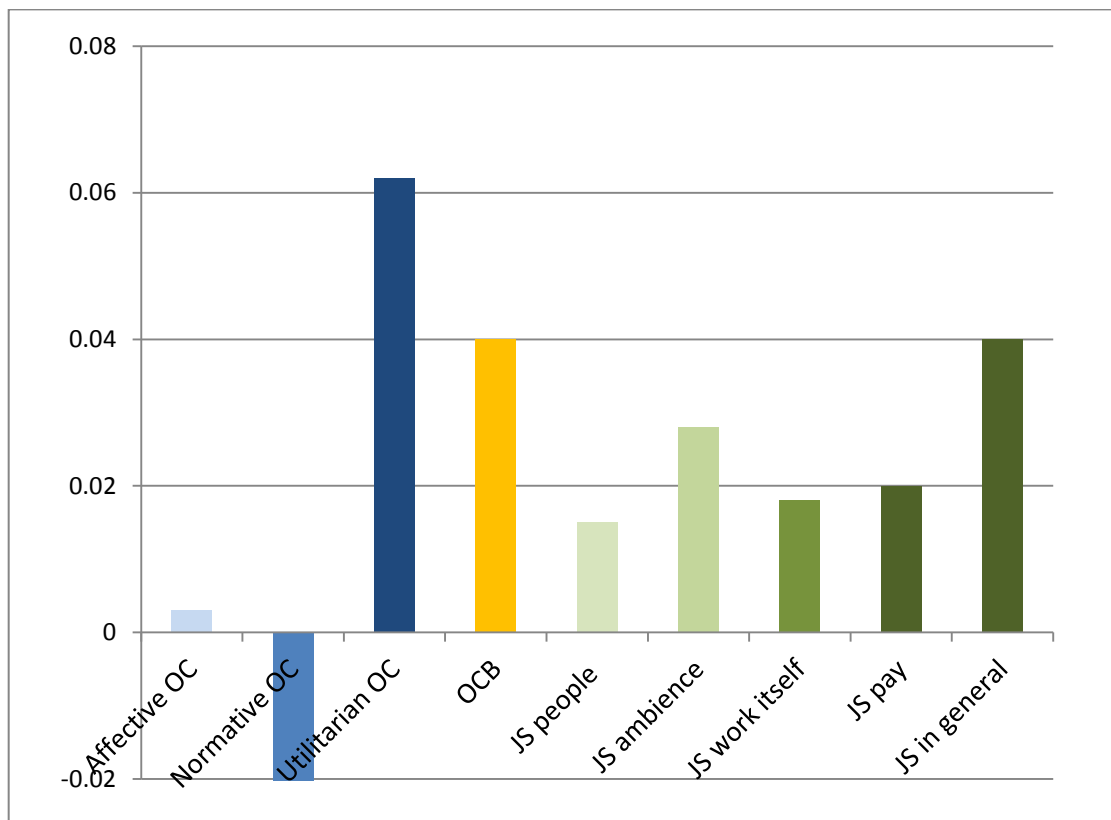


Figure 6: Standardized Average Scores of Work Attitudes among Employees

We used these findings to judge the importance of the individual-level effects on CSR. We can note at this point that findings were mixed with regard to possible enhancement of CSR. Workers were reasonably satisfied but not committed to

their workplace. At the same time, a high level of OCB seemed promising in predicting CSR, because in our assessment of the three attitudinal dimensions included in the study OCB was closest in orientation to CSR.

3. Predicting Organizational Citizenship Behavior Based on Other Work Attitudes

At the individual level, OCB was found to be the only indicator of corporate responsibility. In Table 3, the relationships between OCB and other worker attitudes and assessments were addressed by categorical regression analysis. The predictive power of the model is quite impressive ($R=.67$; $R^2=.42$). Namely, we were able to predict 45% of OCB variance by other work attitudes.

However, out of 8 indicators, only 4 were found to be significant predictors of OCB with net effects (regression standardized coefficients beta) and statistical importance: affective OC (positive effect), normative OC (positive effect), JS with work itself (positive effect), and JS with pay (negative effect) (as highlighted in Table 2.2).

Table 3: Categorical Regression of Organizational Citizenship Behavior and Individual Work Attitudes

Model Summary						
Multiple R	R Square	Adjusted R Square	Apparent Prediction Error	Cases Used in Analysis		
.667	.445	.419	.555	353		
ANOVA						
	Sum of Squares	DF	Mean Square	F	Sig.	
Regression	169.415	17	9.966	5.419	.000	
Residual	211.585	363	.583			
Total	381.000	380				
Prediction Effects						
Independent predictors	Standardized Coefficients Beta	DF	F	Sig.	Importance	Zero-Order Correlations
Affective OC	.360	3	7.115	.000	.436	.539
Normative OC	.171	3	2.876	.036	.176	.458
Continuance OC	.109	1	2.086	.150	.015	.061
JS - People in Your Present Job	.082	2	2.036	.132	.044	.237
JS - Workplace ambience, atmosphere	-.094	1	1.534	.216	.008	-.037
JS - Work itself	.280	3	3.283	.021	.308	.489
JS - Pay	-.175	2	8.922	.000	-.017	.043
JS - Job in General	.033	2	.045	.956	.031	.418

The results indicate that there is a moderate-to-high positive effect of affective OC on OCB. Strengthening affective OC, also characterized as emotional commitment, has a positive effect on OCB. There is a small but significant positive effect of normative OC on OCB. We also find a low-to-moderate but significant positive effect for JS with the work itself. Finally, there is a minor negative effect of pay dissatisfaction on OCB. Affective OC is of the greatest importance in the development of OCB. Therefore, strengthening affective OC should increase OCB in the studied firms.

4. Discussion

Our findings provide several contributions to existing CSR organizational attitude research. We established that OCB is positively affected by affective and normative OC, and by job satisfaction with work and pay. Therefore, increasing normative commitment may prove to be conducive to CSP directly, as argued by Meyer and Becker (2004), but also indirectly, by strengthening OCB, which may further reinforce CSP. To this end, increasing both JS in general and JS with pay in particular, may contribute not only to overall JS, but also to OC and hence to OCB.

These findings may not be encouraging for those wishing to promote OCB and potentially CSR in industry. Improving affective OC may prove to be a difficult task. Inducing positive feelings of identification, attachment and involvement by employees may not be achievable by singular actions, such as pay raises. Improvements in this field will require substantial managerial inputs, and may include efforts that incorporate far-reaching changes in employee work conditions, and practices of consultation and involvement, together with changes in managerial culture. Implementing such changes may prove difficult, but beneficial for companies wishing to improve workforce retention. Conversely, as found in previous research, involvement in CSR activities may increase affective OC and OCB among employees, and thus enhance their overall performance (Aguinis and Glavas, 2012, 948; Chun et al., 2013; Ellemers et al., 2011; Ali et al., 2010; Turker, 2009; Valentine and Fleischman, 2008).

B. The Organizational Level

At the organizational level, we explored four groups of factors that may influence CSR behaviors: organizational culture, leadership quality, managers' role in CSR, and the industrial-organizational profiles of the investigated facilities. Each of these groups is multifactor in nature. We aimed to assess the relationships among these factors and with other levels of the model, particularly the performance level.

1. Data Collection

Data for the organizational level were derived primarily from semi-structured interviews with managers, including CEOs, of the participating industrial facilities (N=54) ("the managerial sample"). The manager sample consisted of 72% males and 28% females. Average seniority was 15 years in the workplace and 8 years in the current managerial position. Some 30% of the sample were top managers (CEO, plant managers, or deputy director-general). The rest were department, procurement, and logistics managers, directors of development and quality, CSR officers and directors of community relations. Data for the leadership component were derived from the employee questionnaire (N=441). Data for the industrial profile component were supplemented by published data on the participating firms.

Managers in our study provided (a) tangible information about the industrial-organizational profile of their facility; (b) opinions about various issues related to CSR, including attitudes and values; (c) assessments of various conditions that indicate commitment to CSR; (d) assessments of CSR programs and activities that they administer in their capacity as initiators, executors and managers of these programs. We discuss these findings in the remainder of the section, continuing with block (a) - the industrial-organizational profile of their facilities in the sample.

2. Industrial-Organizational Profile

The facility sample covered 11 industrial facilities that consented to participate in the study. Although the sample size is small, it is quite diverse in most aspects

of industrial profile covered. The following sectors are represented in the sample: chemical (n=1), metallurgy (n=2), computer components, electronic and optical equipment (n=3), rubber and plastic (n=2), metal products (n=2), machinery and equipment (n=1). The geographical dispersion of the plants is diverse. Three are located in the north of Israel, 3 in the center, and 5 in the south. Six of the 11 firms have additional production locations. All facilities are close (less than 1 km) to residential areas, although 5 are located in designated industrial zones or science parks.

The ownership structure of the firms is also relatively diverse. Eight firms are privately held, whereas 3 are publicly traded, one of which is traded on the Israeli stock exchange, and the others are traded in the U.S stock exchange. Unfortunately, no companies in the study were government held companies. Out of the 11 companies, 7 were export-oriented, exporting over 40% of their produce. 4 of these companies exported predominantly to the European, U.S. and Australian markets, with one more company exporting only to markets in emerging economies. The remaining 2 companies exported to markets in both developed and emerging economies. The remaining four companies produce predominantly for the Israeli market. Seven of the 11 firms operate in saturated markets with national and international competitors, and in smaller markets with fewer competitors.

The median number of employees in the studied firms was 244, 70 of which are outsourced positions. This makes the median firm in the study of medium size, nearing large. In 3 of the 11 firms, employees are members of a labor union, and several firms were covered by extension orders of collective agreements covering the industry. The human resource characteristics of the studied firms are typical of the Israeli industrial sector as a whole. The participation of men in the sample is 78%, much higher than their 52% participation in the general workforce. This figure is only slightly higher than the gender division in the national industrial workforce, which was 72% male and 28% female in 2011 (CBS, 2011). 64% of the sample were production workers, 15% engineers or technicians and the remaining 21% were in sales, marketing and administration.

The age composition in the facilities was quite evenly stratified, with 5% aged up to 24, 24% aged 25-35, 31% aged 36-45, 20% aged 46-55, and 20% aged 56 and over. Over 50% of the workforce had been employed in the company for 6 years or longer.

3.

In all participating plants important changes occurred in the five years preceding the study (2009-2013). In one firm, there was a change of ownership. In 5 of the 11 plants new facilities or equipment were introduced. In two plants, major facilities were closed. Five firms experienced substantial growth, and the rest experience minor growth or minor decline.

4. 3. Managerial Attitudes and Behavior

Motivations for Adopting CSR Policies and Practices

The managerial sample was presented with ten motivations for adopting CSR policies and practices. Respondents were asked to score their opinion on a four-point Likert-type scale, from 1- Not important, to 4 - Very important, as summarized in Table 4.

The data illustrate that managers view the adoption of CSR policies and practices as important or very important to their organization, for utilitarian, ethical and normative reasons. The utilitarian consideration of improving the attractiveness of the firm to potential employees is established as the most important one, having received the highest mean score. At the same time, CSR was assessed as somewhat less important for retaining and motivating existing employees. Ethical and civic considerations ("strengthening the citizenship of the firm" and "ethical commitment to the community") were also deemed as important. Adopting CSR practices is considered less important and effective for reducing inspection pressures by regulators. Managers did not perceive adopting CSR policies as important for increasing sales.

Table 4: Managerial Motivations for Adopting CSR Policies and Practices

Motivation	N	Min	Max	Mean	SD
		1-not important, 2-slightly important, 3-important, 4-very important			
Reducing inspection pressures by regulator	54	1	4	2.33	1.046
Improving financial efficiency	54	1	4	3.13	.912
Improving managerial effectiveness	54	2	4	3.19	.702
Improving image of the firm toward its customers	54	2	4	3.33	.752
Improving attractiveness of the firm to potential employees	54	2	4	3.41	.687
Improving public image	54	1	4	3.17	.771
Increasing sales	54	1	4	2.78	.861
Increasing employee motivation and retention	54	1	4	3.09	.853
Improving ethical commitment to the community	54	2	4	3.24	.725
Strengthening citizenship	54	2	4	3.37	.760

Strong operational utilitarian considerations (increased sales, reduced inspections) did not serve as substantial motivations for CSR; softer operational and utilitarian motivations, such as firm attractiveness, image, and managerial and financial effectiveness, served as stronger motivators, alongside normative and ethical considerations.

Motivations for Rejecting CSR Policies and Practices

We also investigated the motivations for rejecting CSR policies and practices. Overall, managers rejected possible negative aspects of CSR. They did not consider possible disadvantages of CSR to be a problem or to represent a threat to their organization, as summarized in Table 5. Managers' attitude may be interpreted as an expression of strong support for the adoption of CSR policies and practices.

Table 5: Motivations for Rejecting CSR Policies and Practices

Motivation	Min	Max	Mean	SD
	1-strongly agree, 2-agree, 3-disagree, 4-strongly disagree			
Exposing too much information to stakeholders	1	4	3.28	.712
No use for image improvement	2	4	3.48	.693
No economic benefit and too costly	2	4	3.36	.682
No management benefit	2	4	3.35	.705
Raising regulator's expectations	2	4	3.37	.760

*Note that on this scale, because of the negative content, the range is from strongly agree (low) to strongly disagree (high).

Perceived Roles of Actors and Actions in CSR Performance

A third aspect investigated in our interviews with management was the perceived role of management and other employees of the firm in achieving CSR performance. Respondents were asked which actors and what actions in the firm have an important effect on CSR performance. Table 6 describes the importance attributed by managers to various actors and actions in the advancement of CSR.

The sample assigned very high importance to the commitment and involvement of senior and middle management, but lower importance was attributed to the involvement of administrative workers. The perceived importance of production workers was the lowest on this scale, although they were still deemed to be important for implementing CSR measures. This finding may indicate that management is not likely to take significant measures to involve production workers in CSR initiatives. At most, production workers may be expected to act as passive recipients rather than initiators of CSR initiatives. At the same time, managers made it clear that production workers are usually expected to take part in community involvement initiated by management.

Table 6: Perceived Roles of Actors and Actions in CSR Performance

Actions and actors that affect CSR performance	N	Min	Max	Mean	SD
		1-strongly agree, 2-agree, 3-disagree, 4-strongly disagree			
Commitment of senior management	53	3	4	3.96	.192
Commitment of middle management	53	2	4	3.57	.605
Commitment of production workers	52	1	4	2.90	.846
Commitment of administrative workers	52	1	4	3.12	.878
Availability of appropriate budget	53	1	4	3.47	.668
Required infrastructure	53	2	4	3.40	.716
Setting guidelines	53	1	4	3.57	.665
Appropriate communication and public relations	53	1	4	3.19	.833
Strategic plan and long-term planning	53	1	4	3.45	.798
Ongoing monitoring	53	2	4	3.57	.605

At some of the facilities, we were told that production workers' response rate to CSR community initiatives was relatively low, which is not surprising given that they are generally regarded as inconsequential by management. Thus, management may find it difficult to enlist production workers' support for CSR activities that do not benefit them directly. This relative non-involvement may jeopardize efforts to widen CSR activities.

Ongoing monitoring was deemed to be most important among the actions, alongside setting appropriate guidelines. These were followed by availability of appropriate budgets, planning, and infrastructure. Finally, public relations were considered to be least important for the success of CSR performance.

The prominence attached to monitoring and guidelines may be indicative of a goal-oriented attitude toward CSR, reflecting the understanding that CSR, like other firm activities, ultimately requires measurement and systemic application. At the same time, the tendency to ascribe less importance to communication and public relations, reflected the practical and goal-oriented attitude of several managers, who did not espouse a public relations orientation. Several managers did not consider the use of media communication tools as a means of improving transparency and stakeholder involvement. Rather, they showed concern that publicizing CSR activities may be seen as no more than a public relations stunt, leaving the impression that “more was being said than done.”

Self-Reported CSR Behavior among Management

A fourth aspect of the role of management in CSR was addressed by questions regarding the respondents' behavior as members of the senior management team and the perceived importance of their CSR performance among their peers. As summarized in Table 7, managers reported placing emphasis on the collection of credible information with regards to social and environmental performance of the firm and on being expected to meet social and environmental performance, as well as economic performance goals. Yet, adopting specific strategies and setting goals to achieve these scored lower, indicating a certain gap between management's expectations and stated commitment to improving CSR performance on one hand, and the adoption of practical measures that advance CSR goals on the other. Indeed, higher rates of agreement with less obligating statements regarding CSR behavior may be indicative of social desirability. Actual inputs of CSR may be better represented by the statements regarding practical measures, which may be less affected by social desirability.

The presence of a social desirability effect in the "positive" statements appears to be somewhat diminished by respondents' strong resistance to statements that exclude CSR activities from their role as managers. This finding is consistent with previous findings about industrial managers in our sample, supporting the ideas of CSR and expressing positive views concerning the adoption of CSR practices.

Table 7: Managers' Self-Reported Behavior Regarding CSR Practices

Managers' CSR Behaviors	N	Min	Max	Mean	SD
		1-strongly agree, 2-agree, 3-disagree, 4-strongly disagree			
Management emphasizes receiving credible information on social and environmental performance	52	2	4	3.37	.687
Management uses various strategies to advance social and environmental goals	54	1	4	2.85	.979
Management cannot deal with CSR because it must focus on economic performance	54	1	4	1.39	.738
Dealing with CSR is not management's job but that of other employees	54	1	4	1.33	.583
Executives are expected to achieve social and environmental performance in addition to economic performance	54	1	4	3.17	.863

5. Organizational Culture

Background

A key hypothesis of our study is about organizational culture affecting various CSR behaviors and serving both as a constraint and an opportunity for CSR policies and programs. Organizational culture is therefore a central predicting variable in our study. Organizational culture is a complex phenomenon that has many definitions and measures. Common to most definitions are the behaviors of people within an organization and the meaning that people attach to those behaviors. Culture includes the vision, values, norms, symbols, language, assumptions, beliefs, practices and habits of the organization (see, e.g., Schein, 2006).

Measuring organizational culture is problematic. Some layers of culture, such as the cultural artifacts of language, dress code, documents, architectural and physical elements of the workplace environment are tangible and observable. However, deeper layers, such as norms, values and deep-structured cultural codes (Schein, 2006) are not equally manifest, known to members of the organization, or recognized by them. Therefore, it is common in quantitative studies of organizational culture, such as ours, to capture the culture of the workplace by examining the ways in which employees, rather than managers, sense and interpret the culture of their workplace. There are also methods of extracting these complex data from the managers and leaders of the organization. Often the heads of organizations believe that they know better than others what the culture of their organization is and how to change it for future advantage. Conversely, managers' awareness of the organizational culture of the firm is often limited and in most cases they cannot touch the deeper layers of culture.

Results and Discussion

Among the many instruments used to measure organizational culture, we selected two well-known items: the Organizational Culture Assessment Instrument (OCAI), (Cameron and Quinn, 1999), and the Organizational Culture Inventory (OCI), (Cooke and Lafferty, 1989). Given the focus of the study and the length of the research instruments, we were not able to administer the full questionnaires. Therefore, rather than relying directly on the scales found in previous studies, we built modified scales that were relevant to our research questions, the industrial setting in general, and the Israeli setting in particular. We independently checked the reliability of these scales. The types of organizational culture derived from these scales emphasize various values, norms, and practices that are specific to the workplace, according to the workers' assessments.

Table 8 summarizes the reliability of the organizational culture scales used in the study. The seven types of organizational culture, found at the individual level

(N=441), were aggregated around their mean and attributed to the managers' level (N=54). In other words, the average scores of organizational culture specified by workers in each of the eleven researched facilities were attributed to the managers of the same facility.

Table 8: Statistical Quality of Seven Organizational Culture Types

Cultural Type	Reliability
Familial – sample item: "Our plant is like a family."	Cronbach α = 0.78 (5 items)
Communitarian – sample item: "Our plant emphasizes responsibility to the community and the surrounding environment."	Cronbach α = 0.74 (5 items)
Innovative – sample item: "Our plant regularly experiences changes and innovations."	Cronbach α = 0.72 (4 items)
Learning – sample item: "Our plant encourages us to learn our lessons from environmental accidents and improve."	Spearman-Brown = 0.88 (2 items)
Competitive and goal-driven – sample items: "Workers in the plant are very competitive and goal-oriented;" "Our main concern at the plant is that tasks are carried out."	Cronbach α = 0.71 (8 items)
Authoritative – sample item: "Plant managers require us to obey and do as we are told."	Cronbach α = 0.61 (5 items)
Human resource development – sample item: "Our plant emphasizes employee development and professional advancement."	Cronbach α = 0.80 (3 items)
Overall organizational culture scale	Cronbach α = 0.92 (7 items)

Prevalent across the research sample are "innovative" and "learning" types of organizational culture, as illustrated in Table 9. "Familial," "communitarian," "competitive and goal-driven," as well as "authoritative" types of organizational culture lag only slightly behind. Note that the "human resource development" culture, which can be directly associated with CSR practices, was weakest in the sample. The relative closeness of the mean (average) scores demonstrated that these cultural types may not be mutually exclusive. Rather, they may coexist in the same cultural setting, to varying degrees, differentiated by the relative emphasis on any given cultural code in the various organizational settings.

The relative importance of "authoritative" culture is an unanticipated finding, given the common depiction of Israeli industry and business in general as not predominately authoritative or power-distance oriented (using the typology of Hofstede, 2014). In several research initiatives based on Hofstede's "power distance" dimension, the Israeli business sector scored extremely low.

Table 9: Descriptive Statistics of Organizational Culture Scales

Cultural Types	N	Min	Max	Mean	SD
Familial	423	1.00	4.00	2.9532	.59999
Communitarian	395	1.20	4.00	2.9119	.53234
Innovative	420	1.25	4.00	3.0077	.55843
Learning	424	1.00	4.00	3.1934	.61817
Competitive and goal-driven	404	1.75	4.00	2.9539	.42287
Authoritative	399	1.60	4.00	2.9729	.44707
Human resource development	425	1.00	4.00	2.7467	.70293
Overall organizational culture	54	2.69	3.26	2.9777	.17745

A recent survey by the Hofstede Centre summarized Israeli culture with reference to "power distance" as follows:

With an egalitarian mindset, the Israelis believe in independence, equal rights, *accessible superiors*, and that ***management facilitates and empowers***. Power is decentralized and ***managers count on the experience of their team members***. Respect among the Israelis is something which you earn by proving your hands-on expertise. Workplaces have an informal atmosphere with direct and involving communication and on a first name basis. Employees expect to be consulted (Hofstede, 2014, emphasis added).

This finding indicates that coercive culture is low, less referent power is being used, and more rewarding and legitimate leadership is prevalent. Our finding appears to contradict this and suggests that, as judged by the workforce, at least in the industrial sector this portrayal of Israeli business as non-authoritative is unjustified.

6. Leadership

The central role of management leadership in CSR has been explored in several studies (Hemingway and Maclagan, 2004; Hemingway, 2005; Aguilera et al., 2007; Waldman et al., 2006). Leadership is an important factor in any area of management, which must be addressed when searching for explanatory variables that affect CSR. As is the case with organizational culture, the state of the art in organizational leadership research is to assess leadership quality by the workers and employees who are affected by leadership behaviors, rather than by the managers themselves. To collect the data, we used parts of the well-known Multifactor Leadership Questionnaire (MLQ) (Bass and Avolio, 1999). From the MQL we selected the following components: (a) the dimensions of leadership that can explain entrepreneurship and initiative in the field of CSR (transformational leadership), (b) conventional and predictable management (rewarding leadership), and (c) avoiding and non-interfering style (laissez-faire leadership). The data in our study did not reconstruct the original dimensions of the MLQ. In particular, they did not reconstruct the most important types of transformational and rewarding leadership styles, which are not discriminated well in our study. Therefore, we constructed a new one-dimensional scale, with good reliability (Cronbach $\alpha = 0.80$), as illustrated in Table 10. This scale can be interpreted as a general measure of leadership quality. The scale expresses elements of leadership in the workplace, discernible by the working community. Leadership scale data at the individual level (N=441) were aggregated around the average and attributed to the managers' sample (N=54). The quality of leadership in the sample as found by this scale was medium on average (2.8 out of a maximum of 4 which is not reached). This finding reflects the fact that leadership is not assessed as strong, on average, by the worker sample.

Table 10: Leadership Quality: Descriptive Statistics

	N	Min	Max	Mean	SD
Leadership quality (9 items)	54	2.5	3.1	2.8	1.47

7. Correlations between Managerial Attitudes and Behaviors, Organizational Culture, and Leadership Quality Scales

To conclude the organizational-level analysis, we examined the relationships between CSR attitudes (positive or negative), self-reported CSR behavior, and two predicting variables: organizational culture scales and leadership quality.

Results

To examine the relationships between managerial CSR attitudes and behaviors on one hand, and organizational culture and leadership on the other, we created four combined scales of the role of management in CSR, with the following reliability, presented in Table 11.

Table 11: Reliability of Scales of CSR Managerial Attitudes and Behaviors

Scale	Variables or scales	Reliability
Positive attitudes toward adopting CSR	10 items	Cronbach α =0.74
Negative attitudes toward adopting CSR	5 items	Cronbach α =0.64
Perceived roles of actors and actions in CSR performance	10 items	Cronbach α =0.69
Self-reported CSR behavior among management	3 items	Cronbach α =0.69

As shown in Table 12, moderately significant correlations were found only between the self-reported CSR behavior among management scale and 3 out of 7 organizational culture types. As opposed to other predicted variables, self-reported behavior reflected not attitudes but actual involvement of management in advancing CSR behaviors. In other words, managers reported greater involvement in CSR activities in competitive and goal-driven, innovative, and communitarian organizational cultural types.

Moderate-to-low correlations were found between positive attitudes towards adopting CSR and the learning, innovative, and the competitive and goal-driven

cultural scales. No significant correlations with organizational cultural types were found for negative attitudes toward adopting CSR.

Table 12: Spearman Correlations between CSR Managerial Attitudes and Behaviors and Organizational Culture

Organizational Cultural Type	Positive attitudes towards adopting CSR	Negative attitudes towards adopting CSR	Perceived Roles of Actors and Actions in CSR Performance	Self-reported CSR behavior among management
Familial	0.092	0.155	-.149	0.214
Communitarian	0.213	0.027	-.073	0.408
Innovative	0.300	0.149	-.223	0.408
Learning	0.315	0.085	.124	0.376
Competitive and goal-driven	0.278	0.118	.106	0.497
Authoritative	0.120	-0.102	.239	0.253
Human resource development	0.197	0.142	.005	0.386

* Spearman Rank Order Correlations (marked correlations are significant at $p < .05$)

Contrary to research findings elsewhere, leadership quality as seen by the workforce is not a significant factor in relation to either managerial attitudes regarding the adoption of CSR or managerial behavior in this respect. In contrast, organizational culture shows a significant correlation with self-reported CSR behavior among management, and significant low-to-moderate correlation with positive managerial attitudes toward adopting CSR, as illustrated in Table 13. Therefore, in the search of increased commitment to CSR among firms, it is of greater importance for CSR studies and policies to take into account organizational culture than to stress leadership.

Table 13: Correlations between CSR Managerial Attitudes and Behaviors, Leadership Quality Scale, and Overall Organizational Culture Scale

	Positive attitudes toward adopting CSR	Negative attitudes toward adopting CSR	Perceived roles of actors and actions in CSR performance	Self-reported CSR behavior among management
Overall Org. culture	0.288	0.108	-0.09	0.434
Leadership quality	0.126	0.220	-0.150	0.153

Spearman Rank Order Correlations (marked correlations are significant at $p < .05$)

Discussion

We suggest several possible explanations for why competitive and goal-driven, innovative, and communitarian organizational culture types are more strongly associated than others with CSR behavior among managers. Competitive and goal-driven is a cultural mode in which workers are well aware of the criterion of success, which is competitiveness, and are expected to work efficiently toward achieving this goal. Firms that are goal-oriented and emphasize competitiveness are more likely to employ management that acts upon positive attitudes toward CSR, if such exist. This type of management is better equipped to close gaps between positive attitudes and the concrete actions and outcomes of adopting CSR strategies, than is management that is less goal-oriented. Likewise, the findings presented earlier in this part show that motivations having to do with competitiveness (i.e., improving the image of the firm toward its customers, increasing managerial and financial effectiveness) were significant reasons for adopting CSR behaviors. Thus, managers at firms that ascribe importance to competitiveness are likely to adopt CSR-oriented behaviors, motivated by considerations associated with strengthening competitiveness.

Innovative organizational cultures are more likely to encourage CSR behaviors among management, since CSR is still considered to be an innovative managerial

style in Israeli industry. More conservative cultures may not approve of a CSR orientation among management or staff, and may indeed block attempts by management to introduce new forms of behavior and practices, such as stakeholder involvement. Finally, communitarian cultures are almost preordained to encourage managerial responsiveness to CSR. Indeed, strong communitarian cultures may reflect core norms, values, and deep-structure cultural codes that allow CSR initiatives to flourish. Note, however, that it is competitive and goal-oriented cultures, not communitarian ones, that exhibit a higher level of association with managerial CSR involvement. This finding stands in contrast to a one-dimensional view of CSR as ethically driven, and illustrates the fact that CSR is motivated by opposing attitudes and does not necessarily require a preexisting communitarian culture within the organization.

C. The Institutional Level

Within the institutional level of the model we find the external pressures applied on the corporation to partake in CSR behavior and activities, both compliance and beyond compliance in nature. These pressures derive primarily from the regulators that hold authority over industrial firms and from the various stakeholders that aim to influencing firm behavior. Although potential regulators are varied, we focus in this report on the demands laid down by Ministry of Environmental Protection. In addition to regulators, we identify five major stakeholder groups with potential power over industrial firms: customers, employees, suppliers, financial institutions (such as banks and insurance companies), the community (both surrounding community and NGOs and media). We measure the subjective power of these groups and assess their demands on the firms. We derive pressure indicators for both stakeholder and regulators and later assess cumulative pressures placed on firms by integrating the pressure derived by both groups of actors.

1. Stakeholder Pressure

In the research model stakeholder pressure is assessed as a function of stakeholder subjective power and demands made by stakeholders. As

stakeholder demands were not assessed in the current stage of this research we make do with the power dimension as attributed to different stakeholders groups by firm managers. Power is assessed as a combined scale of perceived influence and importance of conducting dialogue with each group of actors. We measure each of these first separately and then go on to combine them to create a power scale.

Perceived Influence of Various Stakeholders

The perceived influence of the various stakeholders is displayed in the following table 14. It is evident that customers and employees are considered most influential; NGOs are of lowest importance. We combine these later with community as their influence is too low to be assessed separately. Banks receive a lower influence rating than would be expected, in particular, when compared to insurance companies. This score seems to reflect managers' notion that banks do not have much to do with CSR in general. A type of response we often encountered when asking as to their influence on CSR issues was: "Why would banks have anything to do with CSR?" This type of answer indicated that often respondents did not consider banks, and especially credit policy, as enabling a significant degree of control over labor, social and environmental policy of the credit receiving firms.

Table 14: Perceived influence of various stakeholders by managers

Stakeholder	N	Min.	Max.	Mean	Std. Deviation
		1-no influence, 2-little influence, 3-moderate influence, 4-major influence			
Customers	53	1	4	2.98	1.009
Employees	54	1	4	2.89	.904
Suppliers	54	1	4	2.13	.825
NGOs	54	1	4	1.85	.833
Community organizations	54	1	4	2.37	1.033
Insurance companies	44	1	4	2.14	1.047
Banks	42	1	4	1.93	1.068
Labor unions	18	1	4	2.17	1.043

Perceived Importance of Dialogue with Stakeholders

As indicated in table 15, managers recognize the importance of maintaining ongoing dialogue with major stakeholding groups as well as taking into consideration their interests and needs. Among these stakeholders, the most dominant are, yet again, employees and customers. These are regarded by managers as requiring the highest degree of attention. Financial institutions (here we combine reference to banks as well as insurance companies) appear once more as relatively less significant. This strengthens the assumption that their demands with regards to CSR are not substantial or clearly presented. Therefore managers perceive them as requiring relatively less attention than other stakeholder groups.

Table 15: Perceived Importance of Dialogue with Stakeholders

Stakeholders	N	Min.	Max.	Mean	Std. Deviation
		1-strongly disagree, 2-disagree, 3-agree, 4-strongly agree			
Customers	48	1	4	3.69	.689
Suppliers	50	1	4	3.06	.935
Employees	50	2	4	3.76	.476
Community	50	1	4	3.06	.867
Financial institutions	39	1	4	2.56	.882

Perceived Power of Stakeholders

The following Table 16 displays the interrelationship between assessments of influence of several stakeholders on management's decisions regarding CSR and managers' attitudes towards dialogue with selected stakeholders. There are several significant correlations between stakeholders' influence and the importance of conducting dialogue with the relevant stakeholder group. Significant positive correlations are found between the influence of customers and the perceived requirement of dialogue with them. Also positive correlations are to be found between employee influence and the importance of conducting dialogue with them. Yet the correlation is not as high as could be expected, especially when compared to the correlation between influence and dialogue

with customers. This would indicate that although management perceives employees as influential they do not, believe to the same degree that they need to enter into dialogue with them. To this finding one may add the lack of significant correlation between influence of trade unions and the need for dialogue with employees. Influence of suppliers correlates with the importance of dialogue with them. However, we have seen that the impact of suppliers as stakeholders is not very high. Similar findings are apparent for the influence of community organizations and dialogue with the community, influence of banks and insurance companies and dialogue with financial institutions. Correlations exist yet; these groups are not major stakeholders as viewed by management.

Table 16: Correlations between Perceived Stakeholders Influence and Perceived Importance of Dialogue with Stakeholders

Influenced by	Dialogue with customers	Dialogue with suppliers	Dialogue with employees	Dialogue with community	Dialogue with financial institutions
customers	0.51	0.09	0.01	0.07	0.17
employees	0.02	-0.05	0.36	0.05	-0.12
suppliers	0.03	0.43	0.10	-0.06	-0.14
NGOs	-0.05	0.23	0.10	0.32	-0.24
community organizations	-0.11	0.03	0.19	0.41	-0.38
insurance companies	0.26	0.09	-0.23	-0.11	0.30
banks	0.39	0.01	-0.31	-0.27	0.41
labor unions	-0.19	0.14	0.21	0.20	-0.25

Following the positive outcomes in the correlation analysis we construct five scales of stakeholder power that combine the effects of influence and dialogue with regards to the five major stakeholder groups identified in the analysis as follows (table 17 and 18):

Table 17: Combined Stakeholder Scales

Stakeholders Groups	Reliability
Customers	Cronbach α = 0.71 (2 items)
Employees	Spearman-Brown = 0.55 (2 items)
Suppliers	Cronbach α = 0.60 (2 items)
Community (integrating community organizations and NGOs)	Cronbach α = 0.69 (3 items)
Financial institutions (integrating banks and insurance companies)	Cronbach α = 0.69 (3 items)

Table 18: Stakeholder Power

Stakeholder Forces	N	Min.	Max.	Mean	Std. Deviation
Customers	48	1	4	3.34	.76
Employees	50	2	4	3.30	.59
Suppliers	50	1	4	2.58	.75
Community	50	1	4	2.43	.73
Financial Institutions	33	1	4	2.28	.79

Through the combined scale it becomes evident yet again, that both customers and employees have the greatest perceived power over the firm when it comes to demands and expectations for CSR behavior. Suppliers are significantly less important than customers, but remain more important than financial institutions and communities. Stakeholder power is later combined with regulator pressure to assess the overall pressures placed upon firms to achieve complaint and beyond compliance behavior in areas of CSR.

These findings show some commonalities and some discrepancies from previous work on stakeholder influence. For example, the relative importance of employees and customers correlates with the studies reviewed by González-Benito and González Benito (2006). However, the insignificant influence of the media and NGOs may imply that reputational mechanisms, or “social license” stipulated by Kagan and his colleagues (Kagan et al., 2003; Gunnigham et al., 2004; Thornton et al., 2009) is not well-established in the Israeli setting. The relative unimportance of financial institutions can be contrasted with those of Cromier et al. (2003), who found that managers perceived investors and lenders as important stakeholders, with regards to firms’ CSR activities. Thus, we can see

that the Israeli institutional setting in which CSR operates may be distinguished from international settings.

Stakeholder power is later combined with regulator pressure to assess the overall pressures placed upon firms to achieve compliant and beyond-compliance behavior in areas of CSR.

2. Regulatory Pressure

To elucidate the overall influence of the institutional level on performance, the pressure generated by stakeholders to achieve CSR goals was assessed alongside the pressure generated by regulators to achieve compliance and beyond-compliance. Data for assessing this part of the model were derived both from managers (as subjective informants), and from the Ministry of Environmental Protection (MoEP) and the Ministry of Economy (MoE) databases. The MoEP data focused on environmental aspects of licensing, monitoring, inspections, and enforcement actions, whereas the MoE data focused on workplace health and safety with regard to similar actions.

We devised a measure of regulatory pressure that is the encumbrance placed on regulatees in each given area to comply with legal or beyond-compliance requirements. The measure is derived from the requirements or demands made by the regulators, weighed by their perceived power by the regulated entities.

Regulatory Demands

We commence with assessing regulatory demands through the subjective account of the managerial sample asked to comment on the intensity of instruction issued by regulators and the consequent reporting to the regulators by industry. Next, we address regulatory demands based on objective data relating to the intensity of regulatory interventions by two leading regulators.

The managerial sample was initially asked to indicate the frequency of instructions received from various regulators in the past four years. As

illustrated in Figure 7, the MoE took the lead on regulatory demands from industry, as perceived by company managers. The military Home Front Command, the Standards Institute, and MoEP demonstrate similar degrees of frequency of issuing instructions, followed closely by the Ministry of Health. The Tax Authority accounts for a mere 5% of all guidelines received.

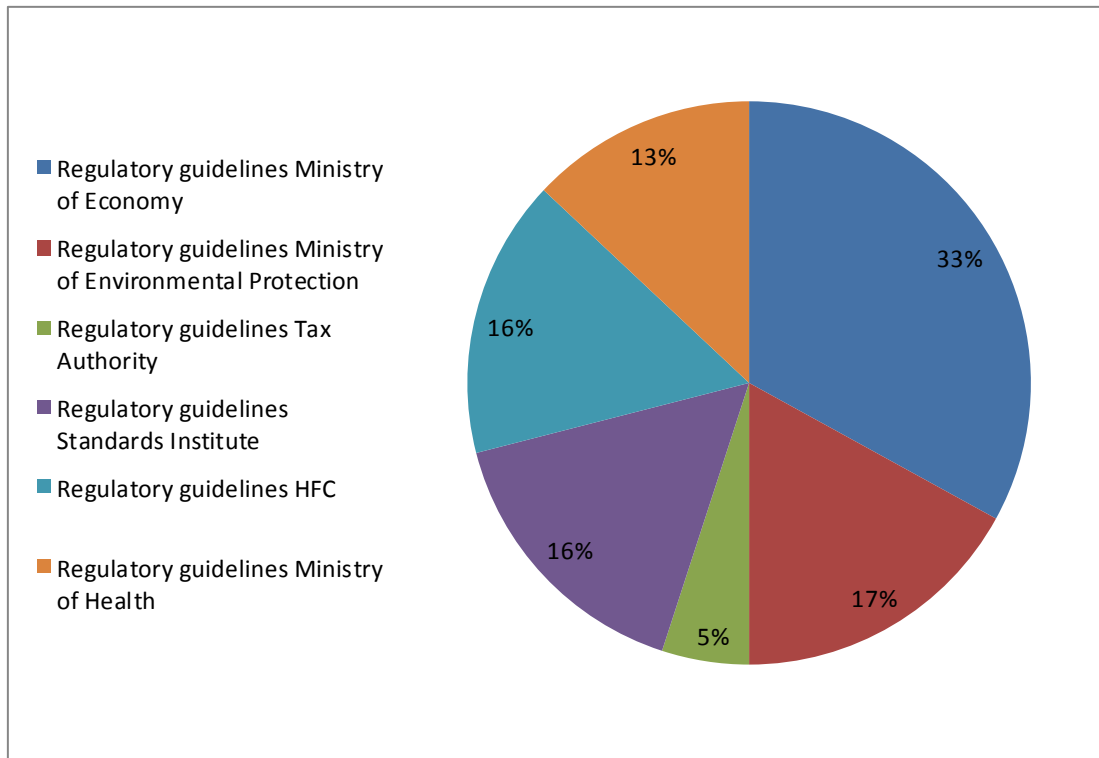


Figure 7: Distribution of Regulatory Guidelines by Regulator

Next, we examined the frequency of reporting to the MoEP and MoE, two of the regulators that were found to be most important in issuing guidelines. Table 19 shows that there were discrepancies in the frequency of reporting by firms to these regulators. Over a third of the sampled facilities were not required to report to the MoE, and a fifth did not report to the MoEP. Another third of all the facilities reported to the MoE between once a year and once every two years, and over 40% of facilities reported to the MoEP at similar frequencies. In contrast, nearly 40% of the sample reported to the MoE 6 times a year or more. A similar proportion of facilities were required to report to the MoEP twice a year or more, with a third of these facilities reporting 6 times a year or more.

Table 19: Frequency of Reporting to Regulators (MoE & MoEP)

Frequency of Reporting	Ministry of Economy	Ministry of Environmental Protection
Not reporting at all	30.3%	20.4%
Once every two years or less	15.2%	10.2%
Once a year	15.2%	30.6%
2-3 times a year	0%	10.2%
4-5 times a year	0%	0%
6 times a year or more	39.4%	28.6%
Total	100%	100%

Neither the frequency of the guidelines nor of reporting can by themselves be considered an indication of regulatory pressure. Pressure arises from the combination of the degree of demands made by the regulator on one hand, and the perceived strength and the credible threat imposed by such demands on industry. But the rate at which instructions are issued and reports submitted is, nevertheless, indicative of the intensity of interaction with the regulator. By considering together the perceived threat of enforcement and the ability of the regulators to reward well-behaved actors, we can assess the degree of pressure the regulators place on industry.

Data on the intensity of regulatory interventions at the facilities included in the sample in the preceding four years (2010-2013) was provided by the MoE and MoEP. The MoE provided information about actions taken on issues of workplace health and safety that are directly regulated by the Safety and Workplace Health Administration. MoEP provided information on all of the

environmental licensing, monitoring, and enforcement actions taken by the central office and by its regional bureaus.

Figure 8 presents the average rate of regulatory actions taken within the assessed four-year period (2010-2013). Environmental inspections as well as health and safety inspections occurred once every year (4 times in 4 years), whereas administrative enforcement actions were sparse and occurred on average only once every four years for health and safety issues, and not at all for environmental issues. The most common regulatory actions were investigations held following a report of a workplace accident. The large number of investigations is directly related to the number of accidents, because all industrial workplace accidents must be reported to the MoE and must be followed by an investigation. It is the random inspections rather than investigations following accidents that play the most important part in regulatory interventions. These inspections usually result in guidelines and instructions to the facilities for improvement of performance, but seldom in formal enforcement proceedings.

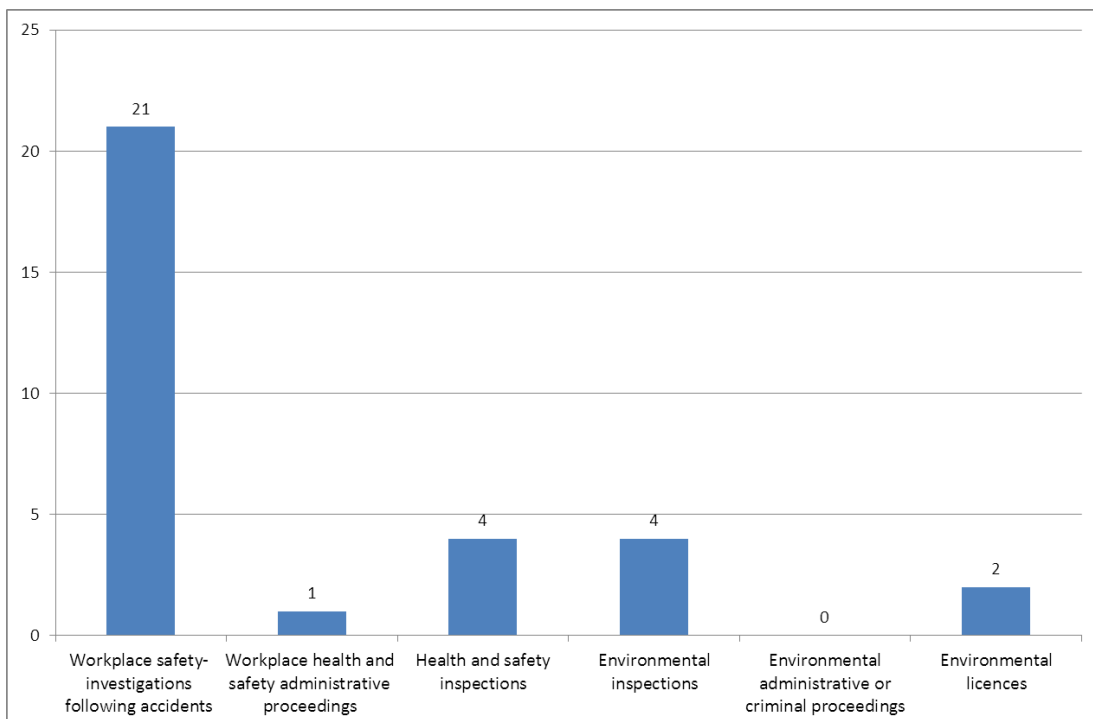


Figure 8: Average Number of Regulatory Demands in the Preceding 4 Years

Although both routine inspections and those following accidents were quite common, it was clear that these regulatory actions were only followed quite seldom by enforcement actions. In the case of environmental regulation the average ratio was 0:4 whereas in the case of workplace health and safety regulation the average ratio was 1:25. These findings indicate that regulatory practice in these areas is usually cooperative and conciliatory (most notably in the health and safety regulation) rather than adversarial and deterrent in nature (Ayers and Braitwaite 1992). Whether this cooperative, rather than deterrent style, actually brings about improved or reduced compliance is a question for further research, as previous research findings on this issue are mixed. See for example Burby and Paterson (1993) that find "cooperative enforcement strategies can improve the effectiveness of regulations that seek to attain performance standards. Compliance with simpler specification standards, however, can be attained just as well with easier to administer deterrent enforcement strategies based on frequent inspections and adequate sanctions."

Perceived Power of Regulators

In addition to objective information on regulatory demands, we examined the perceived effect of regulators on CSR performance, as reported by the managerial sample. Figure 9 shows that over 60% of managers perceived regulators as having a significant influence on performance, and a little over 20% perceived managers as having no or little effect on CSR performance. Overall, the average effect was perceived as moderate to great.

We integrated the two data sources, objective and subjective, to assess the regulatory pressure affecting performance as part of the overall role of the institutional level in advancing CSR. This effect is assessed and presented in the final chapter in this part, dedicated to performance level.

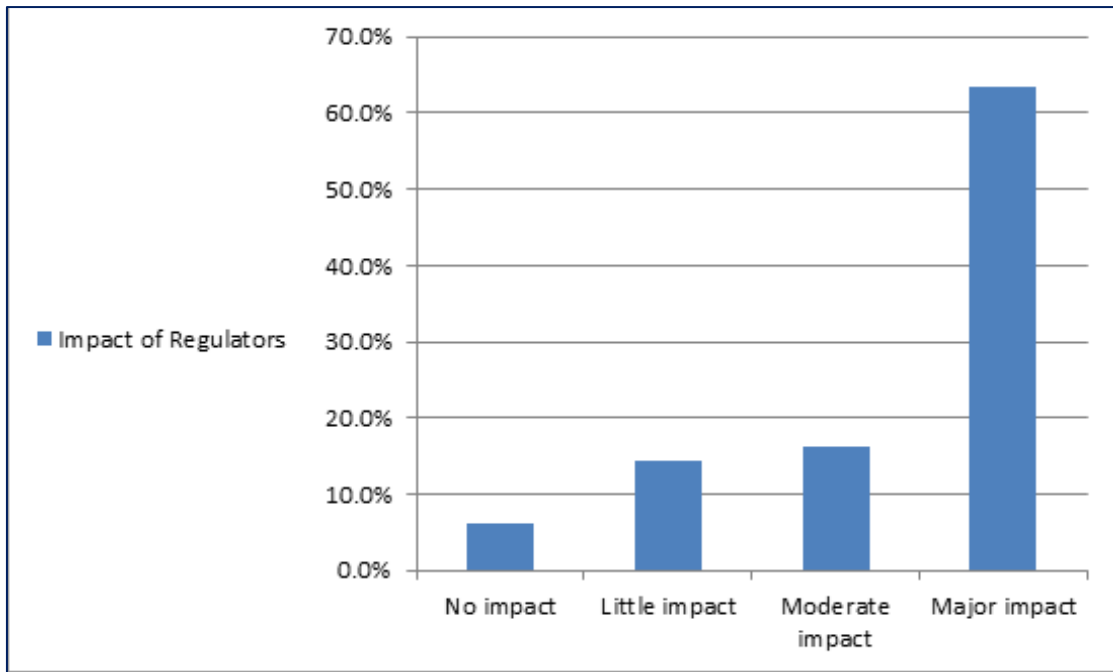


Figure 9: Perceived Effect of Regulators by Facility Management

D. The Performance Level

The central and final stage of our study aims at determining and describing the significant relationships between the factors included in the three upper layers of the model, and the performance level. We assess the relationships between the individual-level factors (organizational commitment (OC), job satisfaction (JS) and organizational civic behavior (OCB) and CSR performance. We then, proceed to assess the relationships between the organizational level factors (leadership quality, organizational culture and managerial attitudes/behaviors) and CSR performance. We then evaluate the relationships between selected characteristics of the industrial plant profile and CSR performance. Finally, we assess institutional level factors (both stakeholder pressure and regulatory pressure) and CSR performance.

In order to assess performance we measure CSR behaviors and actions that take place in the facility sample, through two data sets. The first is a series of indicators, covering all six fields of CSR, namely economic, environmental, labor, social, product responsibility and corporate governance. The data for these

indicators was provided by the participating firms through semi-structured responses to a "CSR indicator questionnaire", based on the 24 indicators chosen in the study of experts and stakeholders, outlined in Part I, Section F2. The indicators included in the questionnaire (detailed in Appendix I) provided quantitative and qualitative data, which was not readily available, and required collecting and computing before submission. The second set of data was obtained from the response of the management sample to an open-ended question, regarding beyond-compliance programs and activities that the firm undertook. Both sets of data were analyzed separately, as presented henceforth.

1. Predicting Voluntary (Philanthropic) Programs

Methodological Note

Predicting voluntary programs, as well as other performance indicators of CSR, by the preceding layers of the model was done mainly by Categorical Regression (CATREG). CATREG extends the standard approach of linear regression by simultaneously scaling nominal, ordinal, and numerical variables. The procedure quantifies categorical variables, so that the quantifications reflect characteristics of the original categories. The procedure treats quantified categorical variables in the same way as numerical variables. Using nonlinear transformations allows variables to be analyzed at several levels, in order to find the best-fitting model. Where there was only one predictor, such as OCB, we estimated the relationships from a zero-order Pearson correlation.

Describing CSR Voluntary Programs

As noted the nature and scope of voluntary beyond compliance programs and activities addressed as a distinct indicator within the performance level. Voluntary programs are noncompulsory activities, most usually philanthropic in nature, not mandated by the regulator in various fields of CSR. These activities would normally be initiated by company managers or employees. Information regarding these programs was sought after in an open ended question posed to managers.

Based on reports by 54 managers, we were able to group the firms in our sample into three types:

- a. Firms with voluntary programs and activities in the area of labor and human-resource development.
- b. Firms with voluntary programs and activities in environmental and labor-related areas.
- c. Firms with multiple voluntary programs involving environmental, labor, and social issues.

Nine out of 11 firms in the sample reported beyond-compliance activities. One firm was found to have programs of labor type only (a). One firm was found to have environmental and labor type programs (b), and the remaining seven firms were found to belong to type (c), having multiple environmental, labor, and social programs.

The focus of many of the beyond-compliance environmental programs was on activities with a clear economic rationale. Voluntary initiatives were reportedly aimed at the improvement of resource efficiency through reduction of raw material use, reuse, and recycling. More costly programs, with a lower rate of return, reported by two facilities, involved the implementation of green building standards in a new industrial facility, and solar PV roof installations. One facility reported on the adoption of beyond-compliance practices in the area of clean air regulations (early adoption of the obligations under the Clean Air Act of 2008). The economically rational nature of voluntary programs is consistent with similar findings in the literature (Vogel 2005).

Social programs were quite diverse in nature but usually included philanthropic activities such as the "adoption" of a social welfare organization or education facility. Occasionally, these initiatives included minor monetary donations, but were characterized mainly by the provision of in-kind resources (such as computers) and donating employee volunteer hours to the adopted organization.

Labor programs that were reported as beyond-compliance referred primarily to the integration of special needs of minority populations in the workforce and the

provision of on-the-job and classroom training to these groups. Improving general workforce surroundings and employment conditions, such as bonuses and welfare activities, were not mentioned by managers within this framework.

Predicting Voluntary Programs through the Institutional Level:

Stakeholder Pressures

First, we attempted to predict voluntary programs and activities based on the pressures forced by a single group or by all stakeholders groups at the institutional level (customers, workers, suppliers, community organizations, and financial organizations). Regression analysis, however, produced no significant effect or prediction of stakeholder pressures on voluntary programs.

This finding contradicts the prevailing view that stakeholders influence CSR (e.g., Ditlev-Simonsen et al. 2013; O'riordan and Fairbrass 2014; Corcoran and Shackman 2007). Although managers in the study exhibited a relatively high level of recognition of the importance of stakeholders (as demonstrated in Section B3 of this Part), this did not translate into the direct ability of stakeholders to impact firms' activities and encourage or discourage beyond-compliance programs.

Previous research conducted in emerging economies, has shown, in similar fashion to the findings of this research, that stakeholder engagement in CSR implementation is low or virtually lacking. In these countries, CSR initiatives may be driven not by stakeholders but rather by internal action of firm managers and employees (Weyzig 2006).

Predicting Voluntary Programs through the Institutional Level: Regulatory Demands

A second attempt to predict voluntary programs was conducted by assessing the correlations between beyond-compliance and demands by the regulators included in the study. Recall that the labor and workplace health and safety regulator (MoE) and the environmental regulator (MoEP) were included in the study. We assessed the demands made by these regulators, through licensing

requirements, inspections, and administrative and criminal proceedings as predictors of the adoption and execution of voluntary programs.

Table 20: Voluntary Programs and Regulatory Demands (Environment and Economy Regulators)

Voluntary programs	Spearman ρ^*
Environmental licensing demands	.800
Environmental administrative and criminal proceedings	.407
Environmental Inspections	.855
Health and safety administrative proceedings	-.557
Work, health and safety, accident related Inspections	.654

* Significant ($p < 0.05$)

We found (see table 20) a high correlation between various regulatory demands and voluntary and activities. Environmental inspections and licensing requirements were both found to correlate highly with regulatory demands, whereas health and safety inspections and environmental enforcement actions (administrative and criminal proceedings) showed medium positive correlations. Health and safety administrative proceedings were found to have medium negative correlations. This finding is quite baffling, and a plausible explanation would require additional investigation.

The general outcome of the correlation analysis indicates a medium-high relationship between regulatory demands and the adoption of voluntary programs, but the explanation for this finding is not clear. The regulatory demands surveyed are all strictly compliance-oriented. Moreover, the interviewed officials of the regulatory ministries indicated that at present neither the MoEP nor the MoE have extensive programs actively promoting voluntary initiatives among regulated firms. Even where specific initiatives exist (such as greenhouse gases reporting by industry or inclusive employment), they usually do not have clear incentives attached to joining them. Furthermore, they are not directed at community volunteering, which is found to be the core of voluntary

initiatives undertaken by firms. This finding is especially perplexing in light of the weak or null correlations found between regulatory demands and the rest of the CSP indicators used in the study (see below).

In consideration of the above, it may be suggested that the relationship between regulator pressure and the adoption of voluntary programs can be partially explained by the mediating effect of corporate motivation to present itself to the regulators as a deserving corporate citizen. This stipulation requires further research and validation.

**Predicting Voluntary Programs through the Organizational Level:
Leadership Quality and Organizational Culture**

Voluntary programs and activities were found to be strongly predicted by quality of leadership (negative relationship) and by the strength of organizational culture (positive relationship). The model succeeded in capturing more than 70% of the variance in the dependent variable (voluntary programs), as illustrated in Table 21.

Leadership quality, however, was found to serve as a negative predictor. This indicates that high-quality leadership decreases the likelihood of voluntary programs and activities, whereas strong organizational culture encourages them.

Table 21: Predicting Voluntary Programs through Organizational Culture and Leadership

Model Summary						
Multiple R	R Square	Adjusted R Square	Apparent Prediction Error			
.876	.767	.729	.233			
ANOVA						
	Sum of Squares	df	Mean Square	F	Sig.	
Regression	33.729	6	5.622	20.252	.000	
Residual	10.271	37	.278			
Total	44.000	43				
Coefficients						
	Beta	df	F	Sig.	Importance	Zero-Order
Leadership	-.904	3	13.867	.000	.612	-.519
Organizational culture	.803	3	38.534	.000	.388	.370

We expect our finding about the inverse relationship between leadership and the adoption of voluntary programs to be controversial, as previous research has emphasized leadership to be an important vehicle for improving commitment to CSR (Hemingway and Maclagan 2004; Hemingway 2005; Vogel 2005; Aguilera et al. 2007; Waldman et al. 2006; Groves and Larocca 2011). Recall the change in the measurement of the leadership factor due to some statistical constraints (see above). But the strong negative relationship between leadership quality and beyond-compliance programs and activities is valid, and we can suggest a preliminary explanation.

It is possible that firms enjoying stronger perceived leadership are more conservative and stable in nature. As described in Part II section B3, motivations for adopting CSR initiatives by managers are varied, among these are internal organizational considerations such improving motivation and retention of employees and improving managerial effectiveness. Strong leaders may not need to incorporate soft and voluntary initiatives into daily activities of the firm, and they may feel that they do not need CSR initiatives as a means of improving employee motivation or managerial effectiveness. They may perceive traditionalist leadership as capable of achieving these goals without help from special activities and programs.

Predicting Voluntary Programs through the Organizational Level:

Managerial Attitudes and Behaviors

Among the various manager attitudes and behaviors, discussed in detail in Part II Section B(3), we found only self-reported CSR conduct to be a significant predictor of voluntary programs and activities. This component alone explained over 70% of the variance in the dependent variable, but correlations with additional behaviors and motivations were not confirmed, as shown in Table 22. This finding confirms the rather straightforward hypothesis that a manager who (a) does not focus exclusively on economic and industrial performance, (b) uses various strategies to advance social and environmental goals, and (c) places

emphasis on receiving credible information on social and environmental performance, is more likely to succeed in advancing voluntary CSR programs and activities in the firm than is a manager who does not have these characteristics. This exemplifies that declared motivations are not a good predictor of results, and that active practical involvement, goal-setting, and program advancement serve as much closer and clearer predictors of performance.

Table 22: Predicting Beyond-compliance through Managerial Attitudes and Behaviors

Model Summary						
Multiple R	R Square	Adjusted R Square	Apparent Prediction Error			
.679	.461	.249	.539			
ANOVA						
	Sum of Squares	df	Mean Square	F	Sig.	
Regression	18.421	11	1.675	2.173	.048	
Residual	21.579	28	.771			
Total	40.000	39				
Coefficients						
	Beta	df	F	Sig.	Importance	Zero-Order
Motivations for Adopting CSR	-.266	3	.516	.675	.073	-.126
Motivations for Rejecting CSR	-.238	2	.517	.602	-.014	.027
Managers' Self-Reported Behavior Regarding CSR	.622	4	8.011	.000	.627	.464
Perceived Roles of Actors and Actions in CSR	.477	2	1.009	.377	.314	.303

Predicting Voluntary Programs through the Individual Level:

Organizational Commitment

Among the different forms of organizational commitment discussed in detail in Part II section A(1), the only type of organizational commitment (OC) that was found to have a significant (negative) correlation with CSR beyond-compliance is continuance or utilitarian OC, as illustrated in Table 23. This finding is surprising as most of voluntary programs require and rely on employee involvement; we assumed would be driven by affective and normative OC. Yet we found that the utilitarian form of OC, having to do with commitment to the organization

associated with the costs of leaving and with job security, explains more than 60% of the variance in the dependent variable. This finding, contrary to our expectation and to what transpires from the literature, deserves additional exploration and confirmation.

Table 23: Predicting Beyond-Compliance by Organizational Commitment

Model Summary						
Multiple R	R Square	Adjusted R Square	Apparent Prediction Error			
.851	.724	.661	.276			
ANOVA						
	Sum of Squares	df	Mean Square	F	Sig.	
Regression	31.862	8	3.983	11.484	.000	
Residual	12.138	35	.347			
Total	44.000	43				
Coefficients						
	Beta	df	F	Sig.	Importance	Zero-Order
Affective OC	1.160	2	2.032	.146	-.022	-.013
Normative OC	-1.174	3	1.762	.172	.735	-.453
Continuance (utilitarian) OC	-.633	3	11.682	.000	.285	-.326

Predicting Voluntary Programs through Individual Level: Job Satisfaction

Job satisfactions (JS) in general and JS with pay in particular, are strong predictors and exhibit positive relationships with voluntary programs and activities, as illustrated in Table 24. JS with workplace ambience, however, has significant negative effect on CSR. The negative relationship is puzzling and requires further exploration in order to verify it and provide an adequate explanation.

This finding exemplifies that individual level characteristics of the workforce may have significant relevance to CSR performance. Indeed, this finding should be interpreted as consistent with the finding that employees (together with consumers) are viewed by management as the most influential group of stakeholders in CSR (Part II, section C1). At the same time, it is seemingly inconsistent that employee pressure as stakeholders did not exhibit a direct effect on voluntary programs (previous section 3). A possible explanation is that positive attitudes (JS) of workers as internal agents working within the

organization have greater force in shaping organizational practices than the perceived power of workers as external stakeholders. Whereas the institutional-level model regards workers as exterior agents, exerting pressure on the firm or relieving it, the individual level considers employees to be agents within the organization, working cohesively within the firm and shaping the firm through their daily attitudes and practices. Acting as internal agents, employee attitudes affect organizational performance directly, rather than externally, through power and pressure relationships characteristic of demands from stakeholders.

Table 24: Predicting Voluntary Programs through Job Satisfaction (JS)

Model Summary						
Multiple R	R Square	Adjusted R Square	Apparent Prediction Error			
1.000	1.000	1.000	.000			
ANOVA						
	Sum of Squares	df	Mean Square	F	Sig.	
Regression	44.000	12	3.667	690619.310	.000	
Residual	.000	31	.000			
Total	44.000	43				
Coefficients						
	Beta	df	F	Sig.	Importance	Zero-Order
JS-with people	-.549	1	1.437	.24	.083	-.152
JS-workplace ambience	-1.046	3	20.715	.000	.712	-.681
JS- work itself	-.393	2	2.089	.141	.055	-.139
JS-pay	.461	3	4.877	.007	.102	.222
JS-general	.654	3	5.987	.002	.046	.071

Predicting Voluntary Programs through the Individual Level:

Organizational Citizenship Behavior

Because OCB is defined as discretionary individual behavior that is not directly or explicitly recognized by the formal reward system, it seems natural that such behavior should serve as an antecedent of voluntary activities at the firm level. But OCB has been found to have no significant correlation with voluntary programs. The fact that no such association is found is against expectations and requires additional exploration.

2. Predicting Corporate Social Performance

Methodological Note

In similar fashion to the analysis of voluntary programs, the main statistical tool used in this section is the CATREG. Where multivariate techniques could not be used, we use parametrical and non-parametrical correlation analysis (Pearson r and Spearman ρ).

CSR performance was assessed using the "CSR indicator questionnaire" detailed above. An initial set of 24 indicators, belonging to the 6 thematic CSR fields were used. These are detailed in Appendix I. Eventually, only 19 indicators were used in 15 scales, some combining two or three indicators from the original 24. These appear in the following table 25.

Table 25: The Final Performance Indicators

Indicator/Scale used	As detailed in Appendix I
1. Local expenditure and investment in R&D	Indictors A2+A4
2. Existence of EMS and environmental safety officer	Indictors B6+B7
3. Frequency of reporting data to the regulator	Indictor B8
4. Percentage of recycled water	Indictor B9
5. Not exceeding air quality standards	Indictor B10
6. Energy efficiency measures	Indictor B11
7. Dangerous materials landfilled	Indictor B12
8. Dangerous materials reused	Indictor B12
9. Dangerous materials neutralized on site	Indictor B12
10. Labor practices	Indictors C13+C15+C16
11. Difference in average hourly pay-men woman	Indictor C17
12. Human rights contract and company code clauses	Indictors D19 + D20
13. Product responsibility checks and risks	Indictor E21
14. Product safety complaints received	Indictor E22
15. Corporate governance- anti-corruption and transparency measures	Indictor F23, F24

Predicting Corporate Social Performance by the Industrial and Business Profile

The data accumulated by the study on the industrial profile included such characteristics as industrial sector, ownership structure (publicly traded or not), export orientation, density of competition, number of employees, geographic location, additional production facilities, proximity to residential areas, human resource characteristics (workforce composition, division between production and administrative workers), age, coverage of workers by collective employment agreements and union membership, as well as significant changes occurring in the preceding five years.

Table 26 presents most of the above characteristics. We omitted the characteristics that were found not to have sufficient variation, and therefore no significant correlations could be determined. Keeping in mind the limitations of sample size and the consequent constraints on performing multivariate analyses, the data presented in Table 6 show that correlations between industrial and business profile and CSP are not substantial. Scattered correlations were found but mostly, these show no clear or theoretically significant pattern.

It is worthwhile noting that firms with little or no competition from overseas have a greater tendency to include human rights clauses in their contracts and to address these issues in company codes of conduct than do firms working in a competitive environment. This finding appears to contradict some findings in literature that have suggested that companies working in competitive environments, with higher import penetration, are likely to have superior CSP (Fernández-Kranz and Santaló 2010). Moreover, multinational enterprises (MNEs) appear to be more attentive to human rights and social issues if they are subject to the scrutiny of their global supply and demand chains, and to public pressure (Gamerschlag, et al. 2011; Lim and Phillips 2008; Preuss and Brown 2012).

We found, however, that companies working in localized settings or having little competition from global markets were more receptive to promoting human rights and social issues than were MNEs. A possible explanation of this phenomenon is that low levels of competition and exposure to global markets may allow companies greater leeway in addressing general social concerns in addition to their bottom line. Less competition generally entails larger profit margins, and hence more possibilities for addressing what are considered to be "soft" concerns. This finding is consistent with much of the CSR-financial performance literature, which has shown a positive relationship between CSP and financial performance (van Beurden and Gösslin 2008). Furthermore, local companies depend on their locally-built reputation and on the legitimacy provided by the local stakeholders far more than MNEs do (Tochman et al. 2012). At the same time, this phenomenon can exist in parallel with the finding that stronger competition equals greater respect for human rights, but within our sample we find clear evidence for the latter.

Table 26: Industrial Profile Characteristics and CSP

	Firms age	Location		Competitors		Major changes in last 5 years		
		Southern	Industrial zone	Little local competition	Little foreign competition	Opened new facilities	Closed facilities	Growth
Local expenditure & investment in R&D			0.43	0.46				
Existence of EMS & environmental safety officer					-0.52			
Frequency of reporting data to regulator			-0.60					
Percentage of recycled water	-0.44							
Not exceeding air quality standards	0.71		-0.43		-0.41			-0.42
Energy efficiency measures	-0.83	0.73	0.88	0.73		-0.73		
Dangerous materials landfilled	0.56	-0.74	-0.89	-0.89		0.74		0.44
Dangerous materials reused				0.63				
Dangerous materials neut. on site								
Labor practices					-0.47	-0.55		
Difference in average pay men - woman		-0.42			-0.46		-0.42	
Human rights contract & company code	-0.56	-0.60		0.42	0.76		-0.61	0.43
Product responsibility checks & risks	-0.83			0.47		-0.52		0.57
Product safety complaints received					0.43			
Corporate governance- anti-corruption & transparency measures							0.48	

Legend:

Spearman rank order correlations ρ . Marked correlations are significant at $P < 0.05$

Predicting CSP through Individual, Organizational, and Institutional Variables

Fifteen indicators or scales (combining two or more indicators) are used to depict CSP at the firm level. A tabular summary of the relationships between these indicators and the components of our multilevel model are shown in Table 2.26. JS is the strongest predictor of CSP for all indicators, closely followed by OC, both having high and significant correlations with CSP. OCB was found to have no significant effect on CSP indicators. These findings for the individual level are consistent with those in previous section regarding the effect of these variables on voluntary programs.

JS and OC are classic strong determinants of the nature of the workforce. Based on the literature, we also know that organizational culture is a strong antecedent to JS and OC (Lock and Crawford 1999). Although more advanced path models should be examined in the future, at this stage, as demonstrated by the summary in Table 2.26, organizational culture and leadership are of particular importance and are relatively strong predictors of performance in and of themselves. Nevertheless, attitudes and behaviors of management have only medium-to-low prediction power with regard to performance.

Table 27 shows that stakeholders generally have a low-to-no impact on CSP. This finding, possibly more than others, reflects the localized nature of our study and the preliminary stage of development of CSR, both in corporate culture and in the consciousness of the general public in Israel. Although managers proclaim a moderate regard for stakeholders interests (through the perceived importance of dialogue and acknowledged influence, see Part II section C1), this perception is not translated into effective influence by stakeholders on performance per se.

We suggest that stakeholders have little influence over performance because their demands (which could not be independently corroborated, as in the case of regulators) are generally weak and non-substantive. In other words,

stakeholders have neither extensive nor consistent demands relating to the various themes of CSR, although they may have specific singular demands. As far as financial institutions (banks and insurance companies) are concerned, many interviewees stressed the lack of concrete demands. Other stakeholders, such as customers, suppliers, and employees were also mentioned occasionally by some interviewees as having no tangible demands with respect to CSR.

Table 27: Summary of Relationships between Model's Upper Levels and CSP Indicators (Spearman ρ rank order correlations)

Model Level Performance Indicator	Individual			Organizational		Institutional		
	Org. Commit	JS	OCB	Leader-ship & Org. culture	Managerial attitudes & behavior	Stakeholders pressure	Regul. power	Regul. demand
Local expenditure and investment in R&D (Indictors A2+A4)	H	H	N	H	L	M	N	N
Existence of EMS and environmental safety officer (Indictors B6+B7)	H	H	M	M	N	N	M	L
Frequency of reporting data to the regulator (Indictor B8)	H	H	N	H	N	N	N	N
Percentage of recycled water (Indictor B9)	M	H	N	M	M	N	N	M
Not exceeding air quality standards (Indictor B10)	H	H	N	M	N	N	N	N
Energy efficiency measures (Indictor B11)	M	H	N	M	L	N	N	N
Dangerous materials landfilled (Indictor B12)	H	H	N	H	M	M	N	M
Dangerous materials reused (Indictor B12)	H	H	N	H	H	M	N	N
Dangerous materials neutralized on site (Indictor B12)	H	H	M	H	L	N	N	N
Labor practices (Indictors C13+C15+C16)	H	H	N	L	N	N	N	M
Difference in average hourly pay-men woman (Indictor C17)	H	H	H	H	N	N	N	M
Human rights contract and company code clauses (Indictors D19 + D20)	H	H	N	H	M	N	N	L
Product responsibility checks and risks (Indictor E21)	H	H	N	H	N	N	N	N
Product safety complaints received (Indictor E22)	H	H	L	H	N	N	N	M
Corporate Governance Scale (Indictor F23+F24)	H	H	M	H	N	M	N	L

Legend:

1. Indicator numbers following the name of the performance indicator relate to the indicators as they appear in Appendix I.
2. Correlations are determined as high (H) when $\rho > \pm 0.7$, medium (M) $\rho > \pm 0.4-0.6$; low (L) $\rho < \pm 0.4$, only when significant. Non-significant correlations are assigned N.

Finally, regulator demands show a low level of correlation with CSP. Most CSP indicators show low to no correlation with regulatory demands, but five indicators show medium correlations with regulatory demands. Note that these stronger correlations are not strictly in the area of compliance-oriented indicators, and are present also with respect to indicators reflecting beyond-compliance behavior. At the same time, the effect of regulatory power (the perceived power of regulators by managers) is null. If we assess these two factors, regulatory power and demands, together as sources of regulatory pressure, we must conclude that the effect of regulators on CSP is weak.

We suggest that this finding is again greatly dependent on the localized nature of the model application. Although regulatory demands as described in part II section C2 are not unsubstantial, enforcement and monitoring actions, bringing firms in direct contact with regulators, is quite sparse, occurring on average only once every 4 years. At the same time, regulatory power (the perceived importance of regulators – see section C2) although high in and of itself, does not hold effective influence over CSP. This may be explained by relating to a previously elucidated finding (in relation to managerial attitudes and behaviors). Namely, that proclaimed attitudes are not generally found to be strong explanatory variables for actual actions taken.

The direct relationships of the upper levels of the model with CSP are graphically illustrated in Figure 10 below.

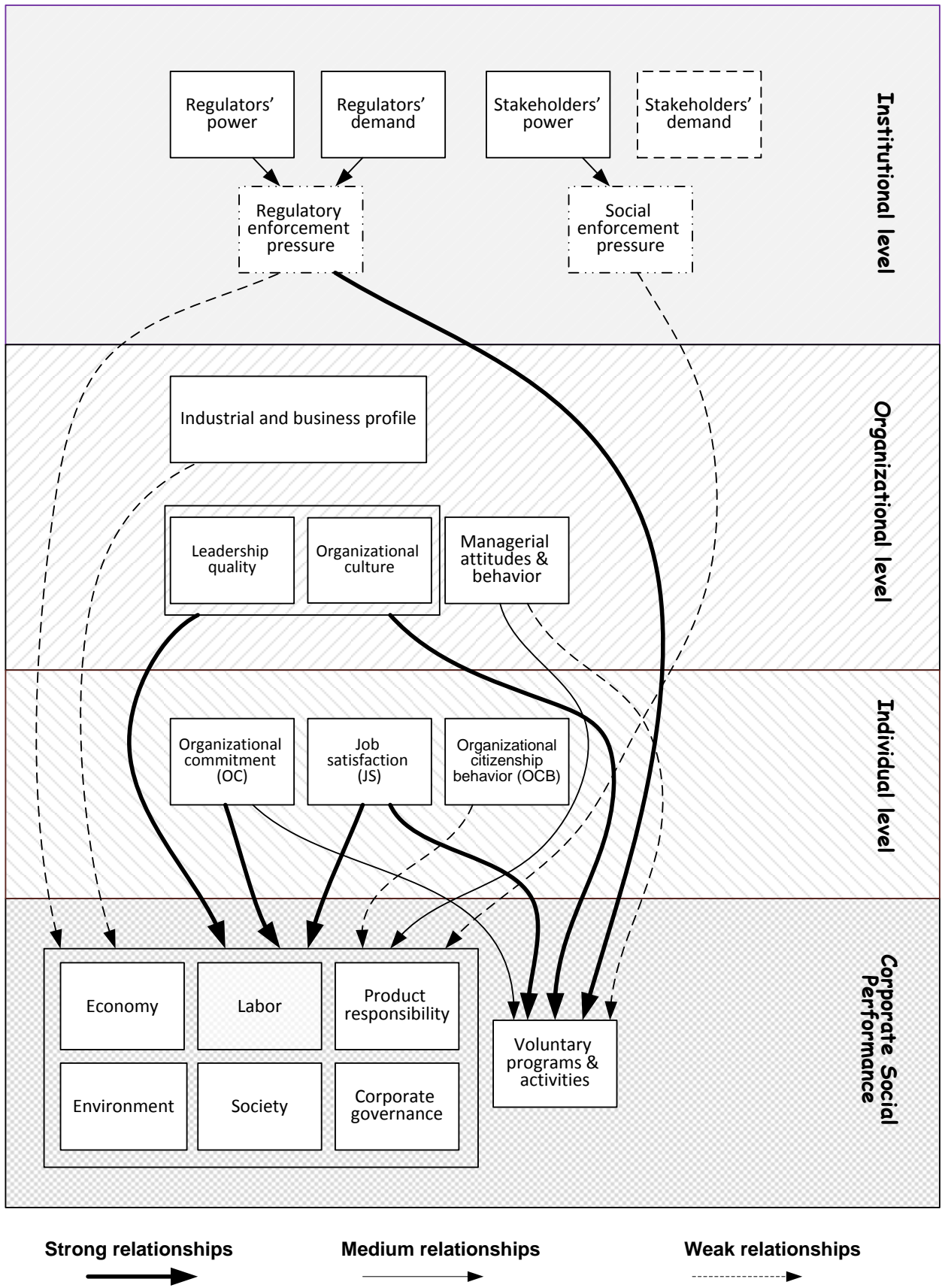


Figure 10: Summary of Relationships Found in Model

3. Summary

Multilevel analysis is essential for forming a full, broad, and empirically valid understanding of the evolution of CSP in the business sector (Aguinis and Galavas 2012). Despite its importance, to date few attempts have been made to elaborate and validate a comprehensive model that includes both internal and external factors potentially affecting CSP. In this part we presented such an integrated model that relates the performance level to the upper institutional, organizational, and individual levels. To the best of our knowledge, this is the first analytical attempt to integrate a four-level analysis of CSR.

As the application of the model is preliminary, the findings require several qualifications. Furthermore, we suggest that future attempts to apply the model may require some expansions and improvements. The sample size for the institutional and performance levels reduced the possibilities of performing multivariate analysis, therefore, at this stage of the research project we had to rely on bivariate analyses such as Pearson and Spearman rank order correlations. Within the institutional level, we were unable to independently establish the individual demands of stakeholders, and were required to rely on perceived stakeholder power only. Finally, because of the preliminary nature of the study, we have yet to conduct path analyses (structural equation models – SEM) to address the full dynamics of the model.

Taking these qualifications into account, we find that the individual level shows the most significant relationships with CSP. Particularly, we establish that elevated levels of OC and JS usually have a positive effect on CSP and the execution of voluntary programs. At the same time, organizational culture and leadership are also highly correlated with CSP and voluntary programs (leadership being negatively correlated with voluntary programs). Managerial attitudes and behaviors show medium correlation with CSP. Finally, the institutional level is much less dominant and effective than expected, with regulatory pressure serving as a highly significant determinant only for voluntary programs, with slight effect on CSP indices. The low-to-no effect of stakeholders in our study is the most unexpected result, reflecting the lack of

substantial stakeholder involvement in advancing CSP in the field under study. Future applications of the model, in other sectors and locations, may study the effect of varying regulatory and stakeholder pressures and provide a basis for a comparative analysis across fields.

**PART III: CONCLUSIONS AND POLICY
RECOMMENDATIONS**

Conclusions

For over two decades, CSR has been considered an important form of self-regulation that acts as a necessary supplement to government regulation of firms (Fiorino, 1999; Tietenberg, 1998; Pinske and Kolk, 2009, 43-45; Smith et al., 2010). Yet our understanding of the underlying mechanisms and processes that bring about the adoption of CSR guidelines and programs that improve the social outcomes of business performance is still limited. Consistent with the substantial literature review by Aguinis and Glavas (2012), we suggest that enhancing this understanding requires the adoption of a multilevel research perspective capable of capturing both the internal and external environments of the firm, which may influence corporate social performance (CSP). Such a broad multifaceted approach makes it possible to explore in parallel the relative importance of the constellation of motivations affecting the firm in the adoption and achievement of CSP goals. Accordingly, the multilevel model designed and tested in this research integrates four levels of analysis: institutional, organizational, individual, and performance. The design attempts to answer the "first knowledge gap" in CSR research: multilevel analysis that includes more than two levels (Aguinis and Glavas, 2012, p. 953). The model allows the simultaneous appraisal of the internal and external environments potentially shaping firm behavior.

1. Findings at the Institutional Level

Consistent with the leading and influential stakeholder theory of CSR (Freeman, and Velamuri, 2006), the model takes into account pressures applied by both stakeholders and regulators. The concept of "pressures" relates to a combination of objective formal demands made by these agents and to their power as perceived by firm managers. Together these variables constitute the upper institutional level.

Because the various stakeholders' demands could not be independently identified, we relied only on stakeholder power as a predicting variable. This variable was a composite index of the perceived importance of conducting a

dialogue with stakeholders and their perceived influence over the firm. Regulator power was similarly construed, and we were able to assess regulator pressures adding one more dimension of regulatory demands. Two regulators were assessed in the study: the environmental regulator (MoEP) and the labor and health and safety regulator (MoE). We found that of the various stakeholders assessed, customers and employees are perceived by firm managers as having the highest influence on firm-related CSR behavior. Managers also recognize the importance of maintaining an ongoing dialogue with main stakeholding groups and of addressing their interests and needs. Concerning stakeholder dialogue, the most dominant groups are again employees and customers. Financial institutions rank low both in influence and in the importance of dialogue. This finding is not surprising because of the relative non-involvement of Israeli financial institutions in CSR. Note that stakeholder influence, as assessed by managers, was on average lower than the importance of maintaining a dialogue with stakeholders. This lends support to the assumption that dialogue does not always translate into effective involvement and influence.

Regulatory power was assessed by managers' subjective reports. We found that over 60% of the managers perceived regulators as having a significant influence on performance, and a little over 20% perceived managers as having no or little effect on CSR performance. Overall, the average effect of regulators on CSR-associated behavior of the firm was perceived as moderate to strong. Regulatory demands were assessed using five groups of variables. Environmental inspections as well as health and safety inspections occurred once per year (4 times in 4 years), whereas administrative enforcement actions were sparse and occurred on average only once every four years for health and safety issues, and not at all for environmental issues. The most common regulatory actions were investigations following a report of a workplace accident. These were held 5 times per year on average. Although both routine inspections and those following accidents were quite common, it was clear that these regulatory actions were rarely followed by enforcement actions. In the case of environmental regulation, the average ratio was 0:4, and in the case of workplace health and safety regulation 1:25. These findings indicate that regulatory

practice in these areas is usually cooperative and conciliatory (most notably in the area of health and safety regulation) rather than adversarial and deterrent in nature (Ayers and Braitwaite, 1992).

2. Findings at the Organizational Level

At the next (organizational) level of the model, we included four main groups of variables that appeared to be significant in previous studies: organizational profile, organizational culture, leadership, and managerial attitudes and behaviors. The following organizational profile and workforce traits were included in the study: sector, size, location, proximity to residential areas, ownership structure, export orientation, level of competition in the market, number of employees, membership in labor unions, participation of women and men in the workforce, professions, and the ages and length of employment of workers included in the sample. Although the facility sample size was small, it was sufficiently diversified. As demonstrated in the performance-level analysis, scattered specific correlations between a few profile characteristics and the various CSR performance indicators were found, but no distinct pattern emerged.

Within the second group of variables, grouped under "managerial attitudes and behaviors," we addressed motivations for adopting CSR policies and practices by management, actions and perceived roles of actors in CSP, and self-reported CSR behavior among management. Among motivations for adopting CSR policies and practice, ethical motivations (i.e., improving commitment to community and strengthening corporate citizenship) were ranked, on average, as the strongest incentives for adopting CSR policies and practices. Improving financial efficiency and managerial effectiveness were regarded to be relatively less important motivations. With regard to the perceived importance of actors in the achievement of CSP, the commitment and involvement of senior and middle management was perceived as highly important. Lower value was attributed to the involvement of administrative workers, and the lowest perceived value was associated with the participation of production workers. Ongoing monitoring was deemed to be most important among the actions, together with setting

appropriate guidelines, followed by availability of appropriate budgets, planning, and infrastructure. Finally, public relations were considered to be least important for the success of CSP.

The importance attached to monitoring and guidelines may be indicative of a goal-oriented attitude toward CSR, reflecting the understanding that similarly to other firm activities, CSR ultimately must be managed and systematically applied. The tendency to ascribe less importance to communication and public relations also reflects a practical and goal-oriented attitude of managers, not necessarily seeking to gain reputational benefits from these activities. Indeed, in interviews, some managers showed concern that publicizing CSR activities may be seen as no more than a public relations stunt, and therefore even what is deemed as positive media attention can end up affecting the company image negatively.

A third aspect of managerial attitudes toward CSR was addressed by questions regarding the behavior of the senior management team concerning CSP. Managers reported placing emphasis on the collection of credible information with regard to social and environmental performance of the firm. They also reported on being expected to meet social and environmental performance, as well as economic performance goals. But adopting specific strategies and setting goals to achieve these was seen as less important. This finding indicates a certain gap between management's stated commitment to improving CSP, on one hand, and the adoption of practical measures that effectively advance CSP goals, on the other.

He hypothesized that organizational culture, a third key component of the organizational level, was an important factor affecting CSP. The types of organizational culture were derived from scales emphasizing various values, norms, and practices that are specific to the workplace, according to the workers' assessments. Prevalent across the research sample are "innovative" and "learning" types of organizational culture. "Familial," "communitarian," "competitive and goal-driven," as well as "authoritative" types of organizational culture lag only slightly behind. Note that the "human resource development" culture, which can be directly associated with CSP, was weakest in the sample.

The relative importance of "authoritative" culture was an unanticipated finding, given that previous research has at times provided a contrasting depiction of Israeli industry and business as decentralized, informal, and accessible.

Leadership, the fourth and last component of the organizational level, was not found to discriminate between transformative and rewarding styles. When using a one-dimensional leadership quality scale, leadership quality was found to be medium on average (2.8:4).

3. Findings at the Individual Level

Within the "individual level" we examined the positions and attitudes of employees toward their respective companies and managers. We addressed job satisfaction, organizational commitment, and organizational citizenship behavior, and found low levels of affective and normative OC among industrial workers, and a high level of continuance (or utilitarian) OC. JS levels were moderate on all dimensions, apart from JS in general, which was moderate-to-high. JS with pay was moderate-to-low. In sum, workers were found to be reasonably satisfied but not committed to their workplace. This finding suggests that workplace retention would in fact be low if employees' prospects of a better job were higher. In contrast, OCB was assessed as moderate-to-high, reflecting a willingness to help co-workers and to become involved in civic activities in the organization. OCB is positively affected by affective and normative OC, and by job satisfaction with work and pay.

4. Assessing the Model: Correlations with the Performance Level

The dependent level of the model is the "performance level." Performance is judged not by attitudes or positions, but rather assessed based on voluntary activities (as a discerned separate performance variable) and some 15 other performance variables (some composite) relating to company programs and practices in six areas of CSR: economic, environmental, social, labor, product responsibility, and corporate governance.

The institutional level has been found to be relatively weak in relation to both stakeholders and dominant Israeli regulators. Although some stakeholder groups are more influential than others (e.g., customers and employees relative to financial institutions), the general effect of the stakeholders as a group on performance is low to null, with no effect on voluntary programs and a low effect on CSR performance indicators. This is partially explained by the fact that stakeholders' demands for CSR are not clearly articulated or sufficiently encompassing to be understood widely as indeed referring to CSR.

Regulators assessed at the institutional level (the Ministry of Environmental Protection and The Ministry of Economics) both have low influence on performance, but they show a strong correlation with voluntary activities. The significant finding regarding the regulators' low effect on performance indicators confirms the study hypothesis. Although regulators pressure firms in various ways, their actions (such as licensing, inspecting, monitoring, and enforcing) are focused on achieving compliance. Therefore, both their potential and actual effect on beyond-compliance CSR performance is low. At the same time, the correlation found between regulatory pressures and voluntary programs was somewhat unexpected. We explain this by the need of highly regulated industries to present themselves to regulators and to the workforce as deserving corporate citizens. Moreover, adopting such programs may be explained by the aspiration to reduce regulatory pressures, although this is not corroborated by findings at the organizational level. Addressing the proclaimed attitudes and motivations of managers, we found that adopting CSR measures is not seen as an important means for reducing regulatory pressures.

The organizational level, which includes a variety of elements, provides mixed results with respect to mechanisms affecting CSR performance. Organizational culture is a dominant explanatory factor, together with leadership, but the industrial profile, which includes numerous characteristics, is not a significant one. Organizational culture, specifically goal-driven, competitive, innovative, and communitarian cultural modes, were found to show high correlation with performance indicators and low correlation with voluntary activities. At the same time, managerial attitudes and behaviors showed mixed results and moderate correlation with performance. Managerial reports concerning actions

taken, rather than statements or the perceived importance of CSR by managers, were significant.

Finally, the individual level was found to have the strongest explanatory value for CSR performance and voluntary programs. Both job satisfaction and organizational commitment exhibited strong correlations with performance, and strong to medium correlations with voluntary programs. At the same time, contrary to the research hypotheses, organizational citizenship behavior was found to be insignificant in predicting performance. Although correlations between OC, JS, and CSP were high, the assertion that improved workers' OC and JS positively affects CSP should be regarded as preliminary, because the present study is one of the first to research these attitudes as explanatory variables for CSR. Nevertheless, the current research findings bring to light the possible dependence of CSP on workers' relationships with the firm, and not purely on managements' attitudes, actions and leadership. OC and JS should be regarded as potentially significant antecedents to CSP, and as such justify additional research in this context.

5. General conclusions

Research findings demonstrate the potential usefulness of a multilevel analysis of CSR not only within the specific context of the study but on a broader scale. A particularly dominant attribute of multilevel analysis is its ability to identify weak links in the mechanisms and processes that inform and promote CSR. Multilevel analysis facilitates a holistic view of both the firm's internal and external environments, making possible a solid comparative analysis that takes into account variations in contextual settings. As such, the model can prove useful in identifying and comparing the mechanisms that are deficient or not fully developed in different contexts, taking into account variations in the identity and profile of businesses and sectors, as well as the national and local contexts.

B. Recommendations

Based on the research findings, we make the following general and preliminary recommendations with regards to promoting CSR and beyond-compliance behavior in Israeli industrial firms. Recommendations are separated by actor: regulators, corporate managers and owners, and other stakeholder groups, including consumers, NGOs, community organizations, and the Manufacturers' Association of Israel.

1. Recommendations to Regulators

Government has the ability to improve corporate CSP by initiating regulatory and policy changes aimed at advancing responsible beyond-compliance behavior of firms.

- 1) Advancing beyond-compliance CSR behavior of firms and providing an incentive for it can bring about a reduction in regulatory costs. At the same time, it has the potential of improving business, economic, social, environmental, and governance outcomes for society. Therefore, government should prioritize the design of such mechanisms and create incentive structures that bring about responsible behavior among managers and employees of firms.
- 2) Responsible behavior is not necessarily promoted by more stringent regulatory enforcement. Although monitoring and inspections are important to achieve compliance, beyond-compliance initiatives usually do not emerge from more rigorous enforcement aimed at compliance with legal requirements.
- 3) Both policy and regulatory mechanisms can be designed to support existing beyond-compliance and voluntary programs already practiced by firms, and to encourage the development and expansion of additional programs.
- 4) Regulatory and policy measures should be aimed at strengthening the power of other stakeholders and their demands for CSR. National efforts at increasing the transparency of firm behavior and at standardizing CSR initiatives can strengthen CSR-oriented pressures by various stakeholders. Such initiatives as obligatory CSR reporting, product labeling, and verification

schemes can improve transparency and expand the information available to consumers, strengthening consumer pressures aimed at achieving CSR.

- 5) Regulation can address and develop tangible means of measuring and verifying CSR claims. More specifically, it can mandate CSR reporting and assure the implementation of this requirement for medium and large firms.
- 6) Mechanisms should be developed for reducing regulatory burden as a result of consistent, coherent, and reliable CSR self-reporting. These mechanisms can rely on similar ones used for determining enforcement priorities based on risk assessment by industry.
- 7) Beyond regulatory measures, government programs should focus on advancing and providing encouragement for leadership and organizational cultures that promote CSR. Government can play an active role in supporting corporate programs and initiatives that provide managers and workers with better tools for understanding and applying CSR programs. Such training courses can and should be supported by government resources.

2. Recommendations to Managers and Owners

Managers and owners of firms can have a substantial effect on CSP by focusing on their employees' job satisfaction and the commitment, and by positively affecting and constituting corporate culture.

- 1) Managing the "triple bottom line" (economic, environmental, and social) requires goal setting and monitoring by firms, much like the goal setting prevalent with respect to economic indicators. Even if firms choose not to make CSR information publicly available, they should institute appropriate guidance and methods of measuring CSP.
- 2) Appointing a CSR officer within the organization is not a guarantee of improved performance. Owners and senior managers who genuinely want to promote CSR need to see this as an organizational endeavor involving the full length and breadth of the organization. Training and internal marketing of CSR with the goal of increasing awareness is a key factor. Training can generate dialogue about CSR and offer a setting for involving different levels of the corporation in developing CSR goals and programs.

- 3) Managers at all levels should be provided with tools, case studies, and ideas about relevant CSR strategies, projects, and behaviors. They should be rewarded for the CSP achievements of their divisions. Rewarding CSP achievements, even if the rewards are non-pecuniary, provides incentive and demonstrates that the firm values the achievement of the triple bottom line.
- 4) Improving monitoring and measurement of CSP increases management awareness of the performance achieved in these areas. It makes it easier for firms to assess the short- and long-term benefits and costs associated with CSR programs and activities. The data outcomes of such monitoring should be made available, at the minimum, to stockholders and employees.
- 5) Owners and managers who focus on increasing job satisfaction and commitment will not only increased work retention and productivity of their employees but also improve the likelihood of successfully addressing social and environmental challenges of the organization.
- 6) Employees should be engaged in CSR and be made aware of the benefits of these activities to the firm. Such engagement should be rewarded using both formal and informal reward systems.

3. Recommendations to Stakeholders

The various stakeholders of businesses may have different interests and expectations of responsible behavior by firms. They may be able to increase corporate awareness of their interests using dialogue and engagement.

- 1) All stakeholders should clearly articulate CSR-related demands and continuously monitor the accession to these demands by businesses. Especially, environmental NGOs and community-based organizations should strengthen their engagement and dialogue with corporations. They should more clearly articulate CSR demands not only with regard to philanthropic programs, but also in relation to the achievement of wider social and environmental goals.
- 2) Strengthening media coverage and NGO involvement can enhance the reputational effect of CSR.

- 3) Financial institutions, such as bank and insurance companies, should set clear CSR requirements and link these to credit allocations, interest rates or insurance policy and premiums.
- 4) The Manufacturers Association of Israel should provide training opportunities with regards to CSR and conduct outreach to industry regarding the deployment of CSR policies and programs.

Abbreviations

CG	Corporate Governance Indicators
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
EC	Economic Indicators
EN	Environmental Indicators
EMS	Environmental Management System
GHG	Greenhouse Gas
HFC	Home Front Command
JS	Job Satisfaction
LA	Labor Relations Indicators
MLQ	Multifactor Leadership Questionnaire
MoE	Ministry of Economy
MoEP	Ministry of Environmental Protection
OC	Organizational Commitment
OCAI	Organizational Cultural Assessment Instrument
OCB	Organizational Civic Behavior
OCI	Organizational Cultural Inventory
PR	Product Responsibility Indicators
PRTR	Pollutant Release and Transfer Register
SO	Social Indicators
SII	Standards Institute of Israel

Appendix I: CSR Performance Indicators

A. Economic Responsibility:

1. Percentage of net profit from total revenues.
2. Percentage of local purchasing and wage expenditure from overall expenditure in these fields.
3. Percentage of revenues invested in the development of infrastructure that benefits the public good.
4. Percentage of investment in research and development from total revenues.

B. Environmental Responsibility:

5. Percentage of average expenditure on measures, facilities, equipment, and materials used for environmental protection in the past five years.
6. Is there a third-party-verified environmental management system in place?
7. Is there an employee or committee dedicated to environmental protection?
8. Does the facility continuously monitor emissions and discharges into the environment? Is the data reported to the Ministry of Environment on a regular basis?
9. Percentage of recycled water from the overall water usage in the facility.
10. Have there been cases of non-compliance with the air emission requirements under business licensing in the past year?
11. Percentage of electricity saved due to energy efficiency measures, compared to previous years.
12. Handling of hazardous substances: percentage of reused, recycled, and landfilled materials. Percentage of materials not landfilled.

C. Labor Relations

13. Specification of employment patterns according to employment type: Percentage of full-time, part-time, and contract employees.

14. Organized labor: percentage of employees under collective employment agreements; percentage of employees who are members of a workers' union.
15. Occupational health and safety: absentee days due to work accidents and occupational diseases.
16. Annual hours of vocational or general training.
17. Gender equality: comparison of average hourly wages for male and female employees.

D. Social Responsibility

18. Total sum and percentage of gross profits donated to community causes.
19. Do contracts with suppliers include a human rights clause?
20. Has the firm adopted an ethical code or internal guidelines with regard to human rights?

E. Product Responsibility

21. Percentage of products that undergo health and safety checks in the course of the product life cycle.
22. Non-compliance with product safety requirements: have there been complaints or law suits regarding product safety?

F. Corporate Governance

23. Has the firm undertaken a systematic check to examine risks of corruption in the past 5 years?
24. Does the firm publish information about various aspects of corporate responsibility?

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*All of the above are Israeli legislation unless mentioned otherwise