

THE INTERNAL SIDE OF CORPORATE SOCIAL RESPONSIBILITY: AN EXPLORATORY FACTOR ANALYSIS

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Abstract:

Despite the huge academic literature devoted to Corporate Social Responsibility (CSR), research on the internal side of CSR is surprisingly scarce. This paper focuses on regional firms interacting with local communities in the Spanish Autonomous region of Extremadura by considering both external and internal sides of CSR in their activities. Drawing on the resource-based view of the firm as theoretical background and build on the CSR scale recently developed by the authors, the research addresses internal practices considered as responsible. A factor analysis was carried out on the results from a sample of 590 managers in business services and findings show that five factors determining the internal side of CSR: responsible human resources practices; organizational culture of responsibility; social projects promotion; significant compensation policies; and employees quality of life.

Keywords: *Corporate Social Responsibility (CSR); Internal Social Responsibility (ISR); human resources; employees' quality of life; factor analysis*

LA CARA INTERNA DE LA RESPONSABILIDAD SOCIAL CORPORATIVA: UN ANÁLISIS FACTORIAL EXPLORATORIO

Resumen:

A pesar de la enorme literatura académica dedicada a la Responsabilidad Social Corporativa, la investigación sobre la cara interna de la RSC es sorprendentemente escasa. Este artículo se centra en empresas regionales que interactúan con las comunidades locales en la Comunidad Autónoma española de Extremadura considerando tanto la cara externa como la interna de la RSC en sus actividades. Con base en el marco conceptual de la empresa basada en los recursos y una escala de RSC recientemente desarrollada por las autoras, la investigación aborda las prácticas internas consideradas como responsables. Se llevó a cabo un análisis factorial sobre los resultados de una muestra de 590 directivos de empresas de servicios y los resultados muestran que cinco factores determinan la cara interna de la RSC: prácticas responsables de recursos humanos; cultura organizativa de responsabilidad; promoción de proyectos sociales; políticas de compensación significativas; y calidad de vida de los empleados.

Palabras clave: *Responsabilidad Social Corporativa (RSC); Responsabilidad Social Interna (RSI); recursos humanos; calidad de vida de los empleados; análisis factorial*

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1. Introduction

This paper focuses on the study of Internal Social Responsibility (ISR) in organizations. Before dealing with it, we must talk about two explanatory theories capable of forming the theoretical framework in which the ISR is supported and the strategy of Corporate Social Responsibility (CSR) established in recent years by a big number of companies.

So, following the Stakeholder Theory approach, we can state that the so-called *stakeholders* or groups of interest are defined as “those groups or individuals who can affect or are affected by the achievement of entity objectives” (Freeman 1984, p. 25) or, alternatively, as those individuals or groups whose objectives depend on what the organization is doing and from which the organization depends (Johnson et al. 2008). In a wide sense, stakeholders of any organization include owners and shareholders, employees, suppliers, creditors, customers, debtors, government, unions, nonprofit organizations and the public in general. Also according to the Stakeholder Theory, it is generally recognized that CSR has two dimensions: external and internal.

Definitions as those by Atkinson et al. (1997) or Frooman (1999) make a special emphasis on the goal of this research. So, according to Atkinson et al. (1997) two categories of stakeholders can be distinguished: on the one hand, they referred to the groups qualified as “*from the environment*”, i.e. customers, shareholders and society; on the other hand, they referred to those groups qualified as “*from the process*”, i.e. owners, employees and suppliers. From this point of view, the collective of stakeholders “from the process” will be, and most especially the employees, who focus the attention of the ISR.

Two years later Frooman (1999) also suggested the distinction between two groups of collectives involved, in this case by considering as *strategic* ones those groups that affect the operation of the organization, while the *moral* groups were those who are affected by the actions of the organization. According to the internal vision of social responsibility, moral collectives would involve the attention of the company, as the collectives on whom internal performances are based will be mainly those affected by the actions of the firms.

The external dimension of CSR include a wide range of activities and relationships between companies and their external stakeholders. So, e.g. companies interact with the local communities in which they provide business activities by guaranteeing economic activity, tax revenues, investing in the local economic system, concluding contracts with the local distributors, respecting human rights, and encouraging protection activities on environment by taking into account environmental concerns in business operations. Meanwhile, internal collectives as owners and employees are the fundamental groups by making an internal boundary to the organization. Following the Stakeholder Theory approach, different authors have supported these ideas (e.g. Freeman 1984; Donaldson and Preston 1995; Atkinson et al. 1997; Mitchell et al. 1997; Berman et al. 1999; Frooman 1999; or Harrison and Freeman 1999).

Another significant theoretical reference for ISR is provided by the Theory of Resources and Capabilities, as talking on CSR implies the consideration of a new business strategy rushed by companies. According to Cardona (2011), the study of the strategy has been developed around two major perspectives: i) one of them from the competitive environment (an analysis based on the Model of the Five Competitive Forces developed by Porter in 1980 and the key success factors); and ii) the other one corresponding to the organization itself and its resources and capacities to achieve competitive, long-term sustainable advantages (known as the Theory of the Firm, based on resources or capabilities). Following this approach, a salient reference for our research was provided by Priem and Butler (2001).

In this sense, we assume Grant’s postulate (2010) on business strategy is focused on the pursuit of profits, which involves planning to achieve intended goals in a process applicable both to individuals and organizations and, in case of the latter ones, aiming achievement of competitive advantages to ensure their survival and prosperity. To further identify the sources of business profits, we should specially refer to the relevant aspects to the organization by itself, i.e. their unique and heterogeneous resources and capabilities which should be oriented according to the strategy to be implemented in a process of permanent adjustment, given the turbulence of the market and competition in all sectors (Barney 1991; Peteraf 1993; Teece et al. 1997; Sáez de Viteri 2000; Grant 2010; Cardona 2011). According to different authors, the approach which seeks the sources of competitive advantages not externally but within the organization, the importance of resources and capabilities is stressed in order to create, maintain and appropriate the potential benefits that generate sustainable competitive advantages (Sáez de Viteri 2000; Grant 2010; Cardona, 2011). Among the different types of resources, human capital includes people who

are carrying the different positions of the company and its competences, including degree of training, experience, how to reason and make decisions, learning potential, openness to change, adaptability, teamwork ability, personal relationships, leadership, entrepreneurship, as well as psychological and sociological aspects (Barney 1991; Grant 2010; Cardona 2011).

Therefore, the emphasis on strategic importance of employees to a firm's success has contributed to the interaction of strategy and Human Resources Management (HRM) issues (Barney et al. 2001). According to the Resource-Based Theory of the firm, human capital is a key factor explaining performance differences across firms (Acedo et al. 2006). To be precise, after a meta-analysis drawn from 66 studies of the human capital-firm performance relationship, Crook et al. (2011) pointed out the importance of "specific" employees –referring to the best and brightest human capital available in the labour market– to achieve high performance. With the same logic, HRM should be strategically important to a firm's social performance. Even more, Schomaker et al. (2006) argue that treating HRM and CSR separately is an outdated approach because organizations develop towards open systems where cooperative action is based on the willingness of humans to bring in and develop their talents as part of communities of work.

Matten and Moon (2008, p. 405) highlighted the heterogeneity of the definitions of CSR by stating that "CSR is an umbrella term overlapping with some, and being synonymous with other, conceptions of business-society relation". In general terms, it has been considered "an organization's obligation to maximize its positive impact on stakeholders and to minimize its negative impact" (Ferrell et al. 2008, p. 38). Although CSR is constantly evolving, Agliata et al. (2010) set up the most important key concepts around the term highlighting the stress on corporate management as promoter of responsible actions, the explicit reference to global interests, the reference to overcoming strict legal obligations and the integration in the performance of the company's activities. In strategic terms, it is considered a source of competitive advantage (Branco and Rodrigues 2006; Porter and Kramer 2006; McWilliams and Siegel 2011). According to the renewed definition by the European Commission, CSR is the responsibility of enterprises for their impacts on society with reference to collaborate with stakeholders "to integrate social, environmental and ethical concerns, respect for human rights and consumer concerns into their business operations and their core strategy" (European Commission 2011, p. 7).

Over the last several years, many authors have contributed to the CSR debate but few have attended its two faces: the external and the internal one. Nowadays most European firms pursue CSR for concerns of stakeholders such as government, regulatory bodies, customers or pressure groups, etc., i.e. following a external CSR orientation. However, CSR behaviour and values should also include intra-organizational elements, organizational capabilities and human resources management. Despite the huge academic literature devoted to CSR, literature about the internal side of CSR is surprisingly scarce. This fact aimed this study to explore the emerging area of ISR research. Following Bansal et al. (2001), authors believe on the ISR relevance, as traditionally CSR actions inside the internal scope of the company have received less attention than those focused on external stakeholders, either from a services marketing or a Total Quality Management theoretical view, which have long positioned the satisfaction of insiders as a necessary condition and cause for the satisfaction of external agents.

More specifically, the concept of ISR includes all actions undertaken by voluntary nature of the company to integrate economic, social and environmental concerns in the internal environment of the company and with a direct impact, therefore, on internal interest groups or internal stakeholders, and with an indirect but potentially decisive effect on the external ones. This meaning was included in the definition of CSR included into the well known Green Paper of the European Commission (2001), but making clear the relationship with only internal contacts in the organization positioning them as intermediate agents between the company and its external partners. Drawing on the Stakeholder Theory and the Resource-Based View of the firm as theoretical background as well as on the CSR scale recently developed by Gallardo-Vázquez and Sánchez-Hernández (2014a), this study addresses an empirical analysis approaching the internal practices considered responsible in academic management through a survey of managers in business services to explore the main dimensions of ISR.

After the above explanation on CSR definition and considerations on the main two theoretical frames, fundamental assumptions and research perspectives, the following section is devoted to diverse ISR aspects, specifically the contributions appeared in recent years. Later on, third section refers to methodological issues and fourth one shows the research results. Final conclusions include suggestions for a research agenda related to CSR and internal management.

2. Approaching the internal side of corporate social responsibility

Regarding the particular characteristics of the ISR, and following the three classic dimensions of CSR, we consider the economic, social and environmental dimensions, but with a clear focus on the internal context of the organization. Thus, those actions raised on internal groups only with a clear economic impact should be considered within the economic dimension; the actions to be performed with internal groups will be considered in the social dimension, focusing primarily on the policies and actions of HR at different levels; and the actions taken by the internal agents of interest and with transcendence on the environment as creating *greenteams* or promoting social and environmental intra-entrepreneurship in the company will be considered in the environmental dimension. For all these three dimensions it will be necessary to define some working areas in the organization, such as social dialogue in internal relations, training and learning of individuals, defined actions based on a policy of equality, non-discrimination, integration of disabled people, commitment of employees, employees involvement in the organization, or transmission to internal agents of basic environmental aspects such as recycling products and saving in general in environmental issues.

More specifically, when companies are involved in socially responsible activities, ISR determinates the relations with their internal stakeholders, specially employees. Classical organizational boundaries have become obsolete because “what once was «outside» the organization is now «inside» and vice versa” (Schoemaker et al. 2006, p. 449), which is a fundamental reason for the emergence of the internal face of CSR. Nowadays the external side of CSR and the internal one are more related than ever, showing their higher interconnectivity level (Sánchez-Hernández and Grayson 2012).

When an organization designs its management strategy with human capital, it should certainly make a design at two levels: on the one hand, a first level comprises basic and fundamental actions for the retention of employees in the company framed within as marked by Law; on the other hand, a second level determines some measures to improve workers retention, by achieving a significant differentiation regarding other organizations. At this point, according to a ISR-based differentiation (i.e. a differentiation based on ISR principles), the primarily internal stakeholders guarantee in companies is the facilitation of employment (recruiting employees, guarantee jobs and wages), with a specific focus on concrete goals as job security, raising of the employment for women, or employment of ethnic minorities. The final purpose will be the improvement of employees’ quality of life, by ensuring them a healthy work environment and avoiding any discrimination in payment or social exclusion.

Therefore, the consideration of internal aspects of CSR appears as clearly important for enterprises. At this respect Takala and Pallab (2000, p. 109) highlight that “employees have to be socialised into the fact that along with the firm, they are equally responsible for morally right, pro-environmental actions”. Moreover, these authors refers to responsibility as “having a duty, an obligation” (Takala and Pallab 2000, p. 111). In this sense, CSR designates something still to be done by the enterprise as part of an established role-system where employees have also an important role as individuals.

Concrete examples of ISR activities in organizations include issues related to: support of people at risk of social exclusion and/or contribution of disabled people to the business world (Gallardo-Vázquez and Sánchez-Hernández 2012), quality of life of employees (Turker 2009; Gallardo-Vázquez and Sánchez-Hernández 2012), paying wages above the industry average (Turker 2009; Agudo-Valiente et al., 2012; Pérez et al. 2012; Gallardo-Vázquez and Sánchez-Hernández 2012), compensation of employees based on their skills and results (Gallardo-Vázquez and Sánchez-Hernández 2012; Lu et al. 2012), standards of health and safety beyond the legal minimum (Turker 2009; Agudo-Valiente et al. 2012; Gallardo-Vázquez and Sánchez-Hernández 2012; Lu et al. 2012; Pérez et al. 2012), commitment to job creation (Turker, 2009; Gallardo-Vázquez and Sánchez-Hernández 2012), promotion of employees’ training and development and conciliation of employees’ professional and personal lives (Turker 2009; Agudo-Valiente et al. 2012; Gallardo-Vázquez and Sánchez-Hernández 2012; Pérez et al. 2012), taking employees’ initiatives into account in management decisions (Turker 2009; Gallardo-Vázquez and Sánchez-Hernández 2012), equal opportunities for all employees (Turker 2009; Gallardo-Vázquez and Sánchez-Hernández 2012; Pérez et al. 2012), participation in social projects benefiting the community (Turker 2009; Gallardo-Vázquez and Sánchez-Hernández 2012; Pérez et al. 2012), encouraging employees to participate in volunteer activities and/or to collaborate with NGOs (Turker 2009; Gallardo-Vázquez and Sánchez-Hernández 2012), having dynamic mechanisms of dialogue with employees (Gallardo-Vázquez and Sánchez-Hernández 2012), pension plans, specific actions to raise awareness, to

educate, and to inform employees on the principles and actions related to CSR, the proving that CSR-related values are presented in the vision and strategy of the firm (Gallardo-Vázquez and Sánchez-Hernández 2012), and active membership in organizations, professional associations or discussion groups that promote the implementation of CSR.

Regarding consequences, there are many benefits for the organization that ISR can lead as a whole. They include, e.g., improvement of the internal relationships with stakeholders, strengthening communication, encouraging employees to train and develop their skills and capabilities (such as leadership, own initiative, creativity, teamwork...), increasing staff satisfaction, lower absenteeism, promoting the culture of social awareness, a greater commitment to the company, or strengthening loyalty mark, among many others.

3. Methodological issues

3.1. Sample and procedure

Data for this research was collected from business services managers in the Autonomous Community of Extremadura, a region in South-Western Spain. The broad argument to choose business services as reference industry is that the fit between HRM and CSR strategy is greater than in other sectors, and the internal side of CSR is more highlighted as well. The selection of the geographical territory was justified on the fact that since 2010 a special plan for CSR promotion exists in the region. To be precise, main pillars for building a responsible culture in the region are the Law of CSR in Extremadura (Law 15/2010, 9th December) and the Decree 110/2013, of 2nd July, establishing the Autonomous Council to promote Social Responsibility of Extremadura, the Office of Corporate Social Responsibility, and the procedure for the qualification and registration in the Register of socially responsible companies in the region.

As shown in Table 1, the sample of regional business services comprised 590 SME managers with their corresponding predetermined substitute firms to control the non-response index. The considered universe of 5332 firms was drawn from Spanish Central Enterprise Directory 2009. To assure the representativeness of the sample of those organizations participating in the survey, weighting coefficients were established according to the defined strata of the firms. Possible biases relative to the characteristics of the total population in the Directory were checked by using statistical tests comparing the structure of the sample with the total population of the database and obtained results justified the validity of the sample for the purposes of the study. A pilot test was carried out in order to check the adequate interpretation of the questionnaire by respondents.

Data were collected through telephone interviews with business services managers, which were carried out using the CATI system (Computer Aided Telephone Interviewing). After intending 14580 calls, a total figure of 590 completed surveys were obtained, i.e., a participation index of 11.07%.

Table 1. Technical data sheet

Universe	SMEs in the business services industry located at the Extremadura Region (Spain) according to data in the Spanish Central Enterprise Directory 2009
Method for gathering information	Phone survey
Population size	5332 firms
Sampling method	Simple random
Sample size	590 SME managers
Index of participation	11.07% (14580 intended calls)
Error size	3.30%
Level of confidence	95% ($p = q = 0.50$)
Average duration of the interview	14 minutes 35 seconds

3.2. Questionnaire

A questionnaire was elaborated to inquire manager's perceptions concerning different constructs, asking them to rate their answers in a 10-point Likert scale. The questionnaire contained different CSR-related indicators as well as item related to other business variables. In this paper we refer to ISR variables.

In this sense, ISR is conceptualized following the guidelines in the *Guidance on Social Responsibility* published by the International Organization for Standardization in 2010 (ISO 26000), aiming to assist companies to expand their responsible behaviour from external to internal actions so complementing their efforts when looking for synergies and a better final performance. Thus, according to the reviewed literature and previous contributions by the authors (Gallardo-Vázquez and Sánchez-Hernández 2012, 2014a, 2014b) the 18 ISR indicators in the questionnaire are shown in Table 2.

3.3. Methodology

Looking for potential correlations among ISR items in Table 2, i.e., the level that scores on each variable share information contained in the others (Cudeck 2000), a factor analysis was carried on. In a general sense, factor analysis is a collection of methods for explaining the correlations among variables in terms of more fundamental elements called factors. Specifically, and according to Jolliffe (2005), the central idea of a principal component analysis is to reduce the dimensionality of a data set in which there are a large number of interrelated variables, while retaining as much as possible of the variation present in the data set. This reduction is achieved by transforming to a new set of variables, the factors or principal components, which are uncorrelated, and which are ordered so that the first few retain most of the variation present in all of the original variables.

Additionally, and due to the importance of those issues related to sample size in the factor analysis literature, it is important to remark that the sample ($N = 590$) appears as appropriate to this purpose. Taking in mind the recommendations by MacCallum et al. (1999), as even under the worst imaginable conditions of low communalities and a larger number of weakly determined factors, the very large sample required is over 500.

Table 2. Selected indicators on the internal dimension of CSR

<i>We support the employment of people at risk of social exclusion (INTR01)</i>
<i>We value the contribution of disabled people to the business world (INTR02)</i>
<i>We are aware of the employees' quality of life (INTR03)</i>
<i>We pay wages above the industry average (INTR04)</i>
<i>Employees compensation is related to their skills and their results (INTR05)</i>
<i>We have standards of health and safety beyond the legal minimum (INTR06)</i>
<i>We are committed to job creation (through fellowships, generation of job opportunities in the firm...) (INTR07)</i>
<i>We foster our employees' training and development (INTR08)</i>
<i>We have human resource policies aimed at facilitating the conciliation of employees' professional and personal lives (INTR09)</i>
<i>Employees' initiatives are seriously taken into account in management decisions (INTR10)</i>
<i>Equal opportunities exist for all employees (INTR11)</i>
<i>We participate in social projects to the community benefit (INTR12)</i>
<i>We encourage employees to participate in volunteer activities or to collaborate with NGOs (INTR13)</i>
<i>We have dynamic dialogue mechanisms with employees (INTR14)</i>
<i>We understand the importance of pension plans for employees (INTR15)</i>
<i>We put into practice specific actions to raise awareness, educate and inform employees on the CSR-related principles and actions (INTR16)</i>
<i>The values related to CSR are present in the vision and strategy of the firm (INTR17)</i>
<i>We are active members of organizations, businesses or professional associations, or discussion groups that promote the implementation of CSR (INTR18)</i>

4. Results and discussion

The factor analysis was used as a method for grouping the proposed variables related to the internal side of CSR according to a similar correlation pattern in order to discover the main factors for this construct. Previously, an exploratory principal components factor analysis allowed checking the factorial composition and validity.

Thus, the initial 18 item instrument was performed to determine the ISR structure. The Kaiser-Meyer-Olkin (KMO) measured the sampling adequacy, which should be greater than 0.5 for a satisfactory factor analysis, and the Bartlett's test of sphericity showed whether the correlation matrix is an identity matrix, which would indicate that the factor model is inappropriate. In this case the value of the Kaiser-Meyer-Olkin measure of sampling adequacy was $KMO = 0.873$ and the Bartlett sphericity test showed the existence of good correlations between the variables, then pointing out that we could continue with the factor analysis.

Later on, a principal components factor analysis with varimax rotation was performed, resulting in 5 factors, as shown in Table 3. According to the figures in this table, we can observe how the eigenvalues and explained variance decline following the extraction of the first factor. The factors extracted explained 61% of the total variance.

In order to validate the exploratory factor analysis we took two random sub-samples. Since the communalities of the sub-samples were found to be similar in values to those ones of the initial sample, the total explained variance was also similar, and the factor loadings after varimax rotation were also close to the initial sample. Then, the validity of the factor analysis was accepted.

Table 3. Factor analysis results

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
INTR10	0.754	0.106	0.137	0.105	0.122
INTR14	0.747	-0.010	0.248	0.081	0.171
INTR11	0.737	0.031	0.145	0.206	0.103
INTR09	0.659	0.153	0.100	0.136	-0.014
INTR08	0.656	0.276	0.031	0.278	0.074
INTR07	0.433	0.315	0.014	0.244	0.113
INTR18	0.059	0.785	0.126	0.045	0.049
INTR17	0.179	0.729	0.262	0.005	0.163
INTR16	0.160	0.708	0.230	0.176	0.003
INTR13	0.115	0.144	0.835	0.086	0.015
INTR12	0.107	0.199	0.775	0.111	0.101
INTR15	0.266	0.231	0.599	0.052	-0.008
INTR04	0.128	0.048	0.104	0.798	0.087
INTR05	0.288	-0.031	0.136	0.708	0.085
INTR06	0.225	0.263	0.016	0.622	0.032
INTR01	0.068	0.122	0.093	0.018	0.836
INTR02	0.158	0.044	-0.010	0.103	0.835
INTR03	0.461	0.052	0.042	0.362	0.483
Standard dev. %	31.133	10.315	7.640	6.228	5.687
Accumulated %	31.133	41.448	49.088	55.316	61.003

Determinant of the correlation matrix = 0.003 Kaiser-Meyer-Olkin Index = 0.0873

Bartlett Test (Chi-squared; sf) = 4335 (1 53) Signification level = 0.000

The five factors extracted from the data were labelled as:

1. Human Resources (HR) practices related to CSR (shortly *Responsible HR*);
2. *Responsible Corporate Culture*;
3. Linking *HR and Social Issues*;
4. *Responsible Compensation*; and
5. Improvement of *Quality of Life*.

The results of the analysis gave a clean factor structure with relatively higher loadings on the appropriate factors. Most variables loaded heavily on just one factor, reflecting minimal overlap among factors and indicating that all the factors were independently structured. The underlying factors for the de five dimensions (responsible human resources practices, organizational culture of responsibility, promotion of social projects, existence of significant compensation policies, and improvement of employees' quality of life), supported the proposed structure with factor loadings exceeding 0.433 on the hypothesized factor and communality above 0.40. Findings showed that each one of the five dimensions was homogeneously loaded on the different factors, and hence that they were clearly differentiated in the managers' minds.

While the values of Cronbach's alpha will always lie between 0 and 1, the values calculated were all well in excess of the generally accepted rule-of-thumb lower limit of 0.60 to be acceptable (Nunnally and Bernstein 1994). Cronbach's alpha value were good for the first three factors ($\alpha_1 = 0.813$; $\alpha_2 = 0.735$; $\alpha_3 = 0.711$) and acceptable for the remaining two ($\alpha_4 = 0.64$; $\alpha_5 = 0.67$). These results were good enough because Cronbach's alpha has a positive relationship with the number of items in the scale and the questionnaire contained only 18 items. The magnitude of the alpha values obtained was an evidence for the internal consistency of the items forming the scales.

Another aspect of construct validity was the ability of factors to accurately reflect the theoretical dimensions or argued by academic literature. The individual factors contributing to the ISR model and their theoretical explanation are as follows:

- *Responsible HR* (Factor 1, 31.1% of explained variance): it can be described and interpreted as representing the responsiveness of HR policies in respect to employees' needs and wants. This first factor is aligned with previous contributions in the internal marketing field (Sánchez-Hernández and Miranda 2011; Sánchez-Hernández and Grayson 2012) where employees are considered as internal clients and the importance of meeting the demands from this stakeholder group is emphasized. Job creation, training, conciliation and equal opportunities and dynamic mechanisms of employees' participation in management decisions fostering dialogue are part of this composite factor.
- *Responsible Corporate Culture* (Factor 2, 10.3% of explained variance): internalization of CSR principles and values into the vision and strategy of the business, relationship with associations promoting CSR and the effort to communicate internally CSR aspect to employees are the essential elements of a culture of responsibility and constitute this second factor in the analysis. At this respect, some authors have highlighted the importance of a culture of responsibility as the first step to become a responsible business (Pohl 2006; Sánchez-Hernández and Grayson 2012).
- *HR and Social Issues* (Factor 3, 7.6% of explained variance): this factor can be best described as representing the link between internal HR practices and the external side of CSR in their relationship with the community in any effort for attending social issues. Issues as awareness of problems in society, inclusion of pension plans for retirement, and fostering corporate volunteering are included in this factor and theoretically supported either in the same context (Sánchez-Hernández and Gallardo-Vázquez 2013) or in different ones (Muthuri et al. 2009; Kim et al. 2010).
- *Responsible Compensation* (Factor 4, 6.2% of explained variance): as in previous studies (Mahoney and Thorne 2005; Collier and Esteban 2007), the essential elements in this factor are related to going beyond the legal minimum and beyond the average in the sector in human resources tools such as wages, health and safety, and linkage of employees' compensation with their performance.
- *Quality of Life* (Factor 5, 5.6% of explained variance): the essential element of this fifth ISR factor, which is also theoretically supported (Sánchez-Hernández and García-Miguélez 2013) is related to the aim of improving employees' quality of life, including disabled individuals and those in risk of social exclusion.

These five factors were perceived as ISR dimensions for the purposes of our study, and their compatibility with future research to be done will be indicative of the validity of the study. In addition, the requirement of discriminant validity to demonstrate that any indicator should correlate more highly to another construct than to the construct it intends to measure (Barclay et al. 1995) is also satisfactory in all factors in the analysis.

5. Conclusions, limitations and future research guidelines

This paper argues in favour of a stronger focus upon the management of ISR policies and practices in businesses. Obtained results show the main factors determining the ISR structured as they have been perceived by a big sample of services business managers in the Spanish region of Extremadura.

Delimitation of five core nucleus ISR components can be highlighted as the main conclusion and contribution of the conducted research. The obtained empirical evidence constitutes a first contribution in the field of CSR research, where there is a lack of studies devoted to the internal side of responsibility. Therefore, this study contributes to the generation of knowledge on internal responsible behaviour of firms. As demonstrated, ISR in service business (an industry where firm performance is more influenced by human resources practices than in other sectors), is defined by five well-delimited dimensions related to responsible HR practices, presence of an organizational culture of responsibility, linkage between HR practices and promotion of social projects, development of significant compensation policies, and improvement of employees' quality of life. A point of interest that needs to be highlighted is the important role that HR management could play in the CSR strategy of any business.

It should also be noted that results from the undertaken analysis should be interpreted overcoming the limitations derived of the selection of the sample, which was limited to the service sector, as well as to SMEs and to the geographical territory of a single Spanish Autonomous Community. As a consequence, findings could not be directly extrapolated to other environments in case of differences in the defining variables. However, as predominance of services business and SMEs are characteristics of the business sector not only in the whole Spanish territory, but also in the whole European Union, we can take the findings from this research as a good referent.

Moreover, and even when this research could be considered as a substantial contribution to the knowledge of ISR, in the near future qualitative and quantitative research would clearly contribute to the development of the study field. Meanwhile, managers must already be aware of the real relevance of one of the most important stakeholders in a company, that is, its employees. Employees must be considered as internal clients and CSR should start inside the company. To be precise, when designing their CSR policies managers should question whether there is or not enough focus upon investment in employees, which could be regarded as an important driver of external CSR practice.

Finally, some suggestions for a research agenda emerge from this first attempt to approach the internal side of responsibility in business. Firstly, new studies in a similar way, but in different industries and territories would clearly contribute to confirm or disconfirm the findings and, in case of confirmation, to extrapolate them. Secondly, and related to the linkage between CSR and internal management, it would be advisable to analyse the theoretical and hypothetical relationship between the internal and the external sides of CSR in order to determine the direct effect in external CSR fostered by responsible HR policies internally.

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