

*Full Length Research Paper*

# Corporate social responsibility influences, employee commitment and organizational performance

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**Research on corporate social responsibility (CSR) majorly describes its effects on corporate financial performance or consumers' behavior towards CSR. Relatively few studies have focused employee's sentiments towards CSR. This study analyzes the multifaceted influence of CSR on employee's organizational commitment and organizational performance. The study uses exploratory approach; primary data is collected from 371 professionals working in different sectors of Pakistan. The study uses structural equation model (SEM) technique to test the hypotheses. The study found significantly positive relationship between CSR actions and employee organizational commitment, CSR and organizational performance and employee organizational commitment and organizational performance. The study discusses important implications regarding uses of CSR for enhancing employee's organizational commitment and improving organizational performance.**

**Key words:** Corporate social responsibility, employee job satisfaction, organizational commitment, Pakistan.

## INTRODUCTION

The concept of increasing corporate wealth is now vanishing against the broader concept of organizational success. Today the most important matter for corporations is sustainable growth, especially in the era of global recession. Recent research on corporate social responsibility (CSR) has stressed corporations to assign substantial resources for the welfare of the community. Researchers are advising corporations to consider the amount spent on CSR as investment than expenses. The corporations have also realized the multifaceted benefits of CSR and are paying great attention to incorporate it in all spheres of business strategies. Corporations are using CSR to strengthen its relationships with different stakeholders including customers, investors, government, suppliers, and employees. These strengthened relationships ensure corporations minimum conflicts with stakeholders and maximum loyalty from all stakeholders.

Majority of research on corporate social responsibility roams around financial performance, consumer behavior and its effects on environment for instance Alexander and Buchholz (1978), Cochran and Wood, (1984); Stanwick and Stanwick, (1998); McWilliams and Siegel, (2001); and Arx and Ziegler, (2008) have studied relationship between CSR and corporate financial performance. Likely many studies have supported the positive effects of CSR on consumer behavior including Brinkman and Peattie (2008) and Ali et al. (2010). Heslin and Achoa (2008) also emphasized the strategic significance of corporate social responsibility for corporate success. However, little research so far has focused on employee's perceptions towards CSR and its influence on their organizational commitment. On the other hand companies are also worried about high employee turnover, employee absenteeism and employee low motivation towards work and organization. Researchers on employee behavior and corporate social responsibility have suggested use of CSR to build strong employee bond with corporations and to achieve better employee and organizational performance. Studies have also confirmed

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positive effects of employee commitment on organizational performance. Committed employees are considered as critical success factor for any organization. To develop sound relationships with employees organizations are using corporation social responsibility (CSR) as a strategic tool. Corporate social responsibility is being utilized by leading organization to establish good association not only with external stakeholders but also internal stakeholders as well for example employees.

This study addresses this gap by analyzing the influence of corporate social responsibility on employee commitment and organizational performance. The following research questions are central to this study:

1. How employees perceive CSR activities conducted by corporations?
2. What is influence on CSR activities on employee organizational commitment?
3. How CSR effects employee organizational commitment and organizational performance?

The next sections discusses the theoretical background, development of hypotheses, theoretical model, research methods, results and discussions and finally study concludes with important findings and practical implications for researchers and decisions makers.

## **THEORETICAL BACKGROUND AND DEVELOPMENT OF HYPOTHESES**

The inception point of corporate social responsibility can be traced in 1953 when New Jersey Supreme Court allowed Standard Oil Company to donate money to Princeton University as a philanthropic action. This decision was given against the suit filed by one of the shareholders of Standard Oil, believing that it would reduce shareholder's wealth. Literature provides diverse definitions of CSR; this study follows the definition of Mohr et al. (2001) which describes CSR as a company's commitment to minimizing or eliminating any harmful influence and maximizing its long-run beneficial impact on society.

The notion of CSR was initially advocated by Beyer (1972) and Drucker (1974) while stating that corporations should do social activities for the welfare of the community and feel sense of self-ombudsmanship. It was argued that corporations are earning huge amount of profits from community and deteriorating the natural resources, therefore they should contribute for the sustainability of the environment and other natural resources and work for the uplifting of the society. Freeman (1970) opposed the idea of CSR by stating that corporations are neither meant for social activities nor they have expertise in this regime, therefore it is better that they produce quality products for consumer obey legal rules and regulations and contribute in the economic

development of country. Many researchers including Sturdivant and Ginter (1977); Stanwick and Stanwick (1998); Fombrun, Gardberg, and Sever (2000); Maignan and Ferrel (2001); Bromley, (2002); and Kashyap, Mir, and Iyer (2006) supported the concept of CSR by corporation and endorsed that such actions of corporations should also be reported for the information of consumer, community, competitors and the government. Plenty of researches and advancements were brought to the corporate world, including its diverse effects on corporations, methods of reporting CSR. Researches on CSR including Sturdivant and Ginter (1977); Churchill and Surprenant (1982); McWilliams and Siegel (1995); Porter and Van der Linde (1995); Hart (1995); Judge and Douglas (1998); Klassen and McLaughlin (1996); Stanwick and Stanwick (1998); Fombrun et al. (2000); Maignan and Ferrel (2001); Bromley, (2002); Hart et al. (2003); Paine (2003); Kashyap et al. (2006) Guo, Sun, and Li (2009); and Ali et al. (2010) emphasized on the significance of CSR for the satisfaction and retention of different stakeholders and sustainable corporate performance. These studies were conducted in different contexts including CSR and financial performance, consumer behavior and employee behavior.

### **Corporate social responsibility and employee organizational commitment**

Ample of research is available on effects of corporate social responsibility on employee organizational commitment. Studies suggested that corporate social responsibility increases employee commitment level with the organization, because CSR interventions also included activities for the welfare of employees and their families. Many other studies including Moskowitz (1972); Turban and Greening (1996); Albinger and Freeman (2000); Greening and Turban (2000); Backhuas et al. (2002); Peterson (2004); Dawkins (2004) stated that corporate social contribution attracts motivated potential employees and improves commitment level of existing employees. Brammer et al. (2007) noted that CSR increased employee organizational commitment. Sharma et al. (2009) discussed the role of HRM as main contributor towards CSR. Scott (2004) stated that corporate social contribution builds better reputation of organization in the society that helps in attracting new graduates. This study therefore, investigates the effects of CSR on employee organizational commitment in the context of Pakistan.

### **Corporate social responsibility, employee commitment and organizational performance**

The concept of corporate social responsibility is viewed by researchers with different variables including

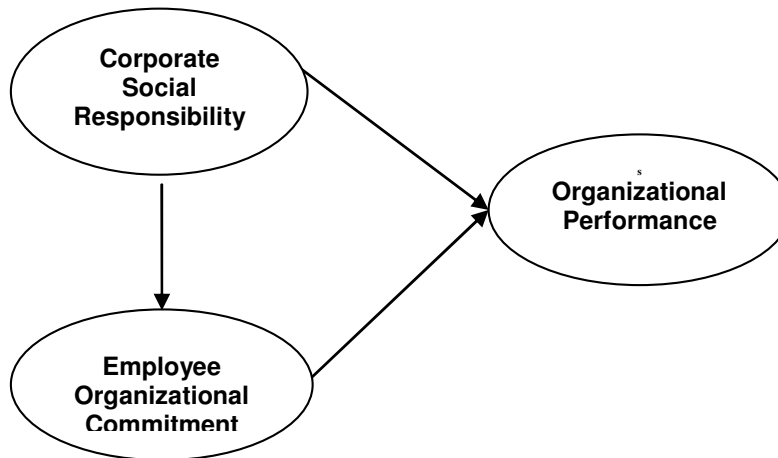


Figure 1. CSR, employee commitment and organizational performance.

Table 1. Development of hypotheses.

Hypotheses	Statements
H <sub>1</sub>	Employee organizational commitment is positively influenced by higher level of CSR actions
H <sub>2</sub>	Organizational performance is positively influenced by higher level of CSR actions
H <sub>3</sub>	Organizational performance is positively influenced by employee organizational commitment

organizational performance, consumer behavior, investor behavior and employee behavior. Moreover, researchers also focused on effects of the disclosure CSR on various stakeholders. This study introduces a model which combines corporate social responsibility, employee organizational commitment and organizational performance. This is a unique study in the context that it combines these variables in one model, the theoretical model of the study is presented in Figure 1. Researches proved that CSR supports employee organizational commitment, but not as much as employee job satisfaction, the good deeds of corporations motivates employees to discuss with others outside organizations and feel a strong sense of belongingness with the organization (Stawiski et al. 2010). Stawiski et al. (2010) proposed that in order to yield maximum benefits of CSR, employees should be involved in decision making regarding which actions should be undertaken relating to environment, community, employees themselves and the likewise. The more employees are influenced by CSR actions, the higher will be their organizational commitment, and consequently it will enhance their productivity. If majority of employees are committed with organization and performing at higher level, certainly it will influence positively on organizational performance. Moreover, CSR itself is having positive effects on organizational performance by building positive reputation of the corporation with other stakeholders including customers, investors, suppliers, government, which

results in favorable decisions by these stakeholders in respect of corporation. The 'doing good' reputation also provides many competitive advantages to the corporations, which again effects positively on organizational performance. The nexus between CSR and employee commitment, CSR and organizational performance and organizational commitment and organizational performance has been investigated by many researchers in different studies. The current study investigates these relationships in one theoretical model.

The hypotheses in Table 1 can be developed on the basis of previous theoretical discussion.

## RESEARCH METHODOLOGY

### Sample and sampling

This study is conducted to analyze the influence of CSR actions in developing employee organizational commitment and corporate performance. This is an exploratory research based on primary data. The primary data is collected from professional working in different organizations. The sampling population is employees working in various organizations from different sectors doing CSR actions in Pakistan. A sample of 500 employees and survey questionnaire distribution process was personally administered by the research team. A total of 371 usable survey questionnaires were returned leaving a response rate of 63%. Convenience sampling technique was used to select respondents. The sample included respondents from both genders and diverse backgrounds, different professions, ages, industries so that results can be

generalized. The survey was conducted in two phases, in first phase the self-explanatory questionnaires were distributed among respondents. In second phase the questionnaires were collected from respondents after a reasonable time, a reminder was also given to respondents to ensure maximum response.

## Measurement and instrumentation

### *Dependent variable*

There are two dependent variables in this study, firstly employee organizational commitment because this study analyses the dynamic effects of CSR on employee organizational commitment. Secondly, organizational performance is also dependent variable in this study, as this study also investigates the influence of CSR actions and employee organizational commitment on organizational commitment. The instrument to measure employee's organizational commitment has been adopted from Mowday et al. (1979, 1982). This scale was also used by Huselid and Day (1991) and Turker (2008). The revised instrument contain 9 items addressing various aspect of organizational commitment and is measured on 5 point Likert scale (1 for Strongly Disagree and 5 for Strongly Agree). The second dependent variable in this study is organizational performance, which has been measured on 5 point Likert scale (1 for Strongly Disagree and 5 for Strongly Agree). The instrument contained 3 items, first item relates to increase/decrease of market share relative to previous year, second is concerned with positive/negative change in overall performance of corporation relative to its competitors and finally third item inquires about the increase/decrease in return on investment, return on assets, sales growth, and growth in profit. This scale is adopted from Deshpande et al. (1993); Jaworski and Kohli (1993); and Samiee and Roth (1992).

### *Independent variable*

This study examines the dynamic influence of CSR on employee organizational commitment and organizational performance, therefore the independent variable in this study is corporate social responsibility CSR. Literature provides some scales to measure corporate social contribution for instance Carroll (1979); Wood and Jones (1995); Maignan and Farrell (2000); and Trucker (2006). The instrument to measure employee's perceptions towards CSR actions of corporation was taken from Turker (2006). The scale contains 17 and incorporates almost every aspect of CSR including responsibility to social and non-social stakeholders, employees, customers, and government. The instrument is measured on 5 point Likert scale (1 Strongly Disagree and 5 for Strongly Agree).

### **Data analysis**

The data collected was initially fed into SPSS software and transformation of variables was done to make it usable for AMOS. Structural equation modeling technique was used to analyze the data and test hypotheses. The structural equation model technique is an important tool which involves identification of variable and development of theoretical model. Hypotheses are then framed based on theoretical model. Primary data is collected through survey questionnaires and hypotheses are tested on the bases of collected data.

## **RESULTS AND DISCUSSIONS**

This study is undertaken to investigate the influence of

CSR on organizational commitment and organizational performance. The correlations analysis is produced in Table 2. Table 2 shows positive correlation between CSR, employee organizational commitment and organizational performance. The analysis of data is given in Table 3 and structural equation model is presented in Figure 2. Table 3 shows very encouraging results. In order to accept any hypotheses the value of P should be less than 0.05. All three values of P in Table 3 are well below than .05 therefore we accept our hypotheses H1, H2 and H3. H1 refers towards the positive relationship between CSR actions and employee organizational commitment, which is confirmed by this analysis. H2 also states that CSR actions are having positive influence on organizational performance; this has also been confirmed by Table 3. Finally, H3 describes positive relationship among employee organizational commitment and organizational performance, Table 3 also verify this. The model fit of this study is also acceptable with probability level = 0.182. Figure 2 describes the positive nature of relationship among all three variables in structural equation model (SEM) form.

The results of reliability analysis are also very sound with 0.957 value of Cronbach's Alpha of all 33 items that were used in the scale. The results of this study are quite encouraging and well supported by previous studies for instance; Meyer et al. (2002); Bentley (2006) and Brammer et al. (2007) stated that contribution of CSR towards employee commitment is as greater as job satisfaction. Trucker (2008) found CSR are the strongest positive predictor of employee organizational commitment. This has also been viewed in the case of Pakistan especially in 2005 earthquake, when many companies took their employees for rehabilitation of earthquake affectees on voluntary basis. This action of corporations not only built positive rapport of corporation with society but also a strong sense of belongingness and proud among employees as well. This motivates employees to remain committed with the organization and work harder for its progress. The positive association between CSR actions and corporate financial performance is also well supported by many studies including, Alexander and Buchholz (1978); Cochran and Wood (1984); Waddock and Graves (1997); Stanwick and Stanwick (1998); McWilliams and Siegel (2001); Arx and Ziegler (2008) and Rettab et al. (2009).

## **Conclusions**

This study is conducted to investigate the influence of corporate social responsibility perceptions of employees on their organizational commitment level and organizational performance. It is an important study in the context that it provides management insight about employee's behavior regarding CSR.

The study found highly significant positive relationship

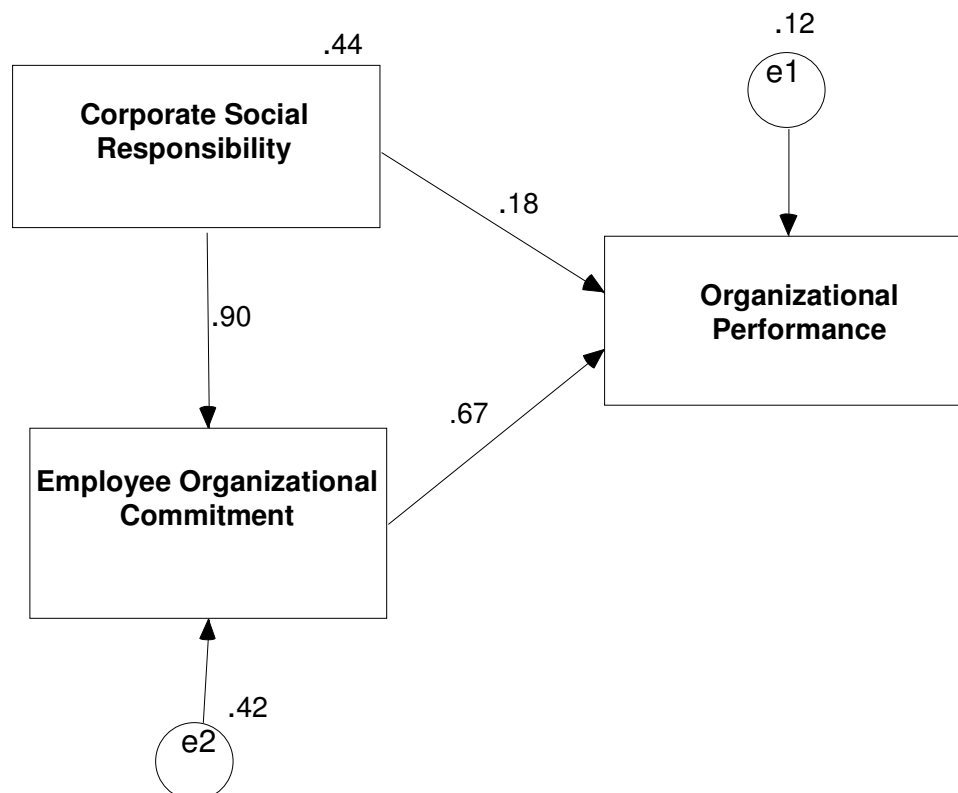
**Table 2.** Correlations.

		CSR	EOC	OP
<b>CSR</b>	Pearson correlation	1	-	-
	Sig. (2-tailed)		-	-
	N	371	-	-
<b>EOC</b>	Pearson correlation	0.677(**)	1	-
	Sig. (2-tailed)	.000		-
	N	371	371	-
<b>OP</b>	Pearson correlation	0.683(**)	0.883(**)	1
	Sig. (2-tailed)	.000	.000	
	N	371	371	371

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Table 3.** Regression weights.

	Hypotheses	Estimate	S. E.	C. R.	P	Decision
H <sub>1</sub>	Employee organizational commitment - CSR actions	0.903	0.108	8.374	0.001	Accept
H <sub>2</sub>	Organizational performance - CSR actions	0.181	0.078	2.321	0.020	Accept
H <sub>3</sub>	Organizational performance - employee organizational commitment	0.670	0.058	11.471	0.021	Accept

**Figure 2.** Structural equation model.

between CSR and employee organizational commitment, CSR and organizational performance, and Organizational commitment and organizational performance. These findings are very meaningful for decision makers and researchers. It depicts that organizations can enhance their employee organizational commitment through involving themselves in social activities for instance, identifying needs of the community and fulfilling them, working for better environment, involving in employee welfare, producing quality products for customers and complying with government rules and regulations and working within legal ambiance. All these activities significantly and positively influences employee commitment with organizations and improve organizational performance.

This study provides important information to decision makers involved in designing employee related policies for uplifting their moral and motivate them to remain loyal, committed with their organization and work hard for the uplifting of organization. It also provides useful reference for future researcher on this topic.

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