

Research Article

Impact of Perceived CSR on Organizational Commitment: A Perspective of Service Employees

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Abstract

Corporate Social Responsibility (CSR) has gained increasing attention over the past few decades. Although, many studies tried to investigate impact of CSR on consumers, the only dearth of research tried to understand CSR impact on employees. This study investigates the relationship between perceived CSR and Organizational Commitment (OC) in the service sector of Pakistan. The four dimensions of CSR employed in the study include economic, legal, ethical and philanthropic. Data were collected through a self-administered survey method from 220 employees of 4 and 5 stars hotels of Pakistan. The findings of the study reveal that perceived CSR has a significant and positive correlation with organizational commitment. The results of correlation and regression analysis also reveal that not all dimensions of CSR have the same effect on organizational commitment. The economic and philanthropic aspects have more influence on organizational commitment of employees. The researchers also provide some implications, limitations, and recommendations for future research.

Keywords: Corporate social responsibility; Organizational commitment; Hotels; Pakistan; Regression and correlation

Introduction

In the current era, Corporate Social Responsibility (CSR) has gained much attention from companies and considered as a high-profile strategy. Companies use CSR as a marketing tool to gain customers' satisfactions and evaluations and several studies have already investigated this relationship [1,2]. However, few studies have tried to investigate the effectiveness of perceived CSR on employees and this area is still evolving [3]. A global survey of 1122 CEOs documents the benefits of CSR due to the attractiveness of potential and existing employees [4]. Although, researchers emphasized to investigate the nexus between CSR and organizational commitment [5,6] nonetheless CSR in Asia is still under research and unclear. Moreover, employees' self-evaluation of CSR initiatives has been neglected or absent. Consequently, it would be helpful to consider employees' self-evaluation of CSR. It is observed that manufacturing industries and firms which are involved in the emission of harmful waste into the environment have pressure for CSR and focusing on CSR activities to improve their image and legitimize their businesses [7]. In contrast, nonmanufacturing industries and firms may have less pressure for CSR as these create less social hazards as compared to manufacturing industries and firms. In conclusion, CSR activities are pivotal for both internal (employees) and external stakeholders (society). Firms engage in CSR activities due to pressure from society and media in order to get a good image in society and retention of employees [8]. These firms consider employees as internal customers and the success of firm depends on their motivation and commitment. Therefore, the purpose of this study is to examine the employees' perception of CSR and its impact on Organizational Commitment (OC) in the service sector of Pakistan. Though, the literature on CSR is mounting while limited on the nexus between perceived CSR and

organizational commitment especially in the service sector of an emerging economy like Pakistan.

Literature Review

CSR is a method of self-regulating mechanism that entails firms to be socially responsible to all stakeholders and society [9]. Literature provides the evidence about significance and recognition of CSR globally [10,11], however, the conceptualization of CSR is still divergent and a common opinion on CSR has not been reached among scholars due to differences in socio-economic factors between countries. Consequently, this divergence in opinion between countries is a reflection of their understanding of CSR which significantly affects the development of CSR at both national and international level. Culture is collective programming of minds which helps in the categorization of one society from other [12]; hence, it is noteworthy to understand the influence of cultural factors on CSR. Undoubtedly, cultural expectations drive the CSR and create complications and differences for organizations in both developed in developing economies. For instance, it was legal action in the United States which determined the CSR standards for some industries while nonprofit activism in Europe. The research on CSR is evolving to compare differences in CSR between countries and this research is primarily based on the context of North America and Western Europe [13-15]. These scholars have compared and integrated CSR in many ways in the Western context, however, recent business developments in Asia arise need of critical CSR studies. These obstacles are quite different in Asia as compared to the Western context and it is challenging to keep uniformity of research methods. Being in a societal context, the attitude and expectations of employees are expected to influence by certain values of the associated society. Moreover, researchers documented a lower level of CSR in Asia as compared to Western counterparts

[16,17] and found a different level of responses between Asia, North America, and Europe [18]. Chapple and Moon (2007) [10] argued that CSR is not widely explored and there is a dearth of research in Asia. However, western business practitioners and researchers have given importance to CSR to aid competitiveness. Moreover, Asian involvement is also based on western ideas and practices and much of attention has given to the issue of the environment. In a similar vein, Hills and Welford [19] conducted a study in China and explored the governance aspects of environmental responsibility while Forsyth [20] emphasized on public-private cooperation in enhancing climate technology transfer between Thailand and Philippines. In Asia, few studies have been conducted in the specific industries. A study was conducted in Jordan by Al-bdour, et al. [21] to examine the nexus between internal CSR and organizational commitment within the banking sector. The findings reveal a positive nexus between internal CSR dimensions and organizational commitment. Linfei and Qingliang [22] conducted a study in Ningbo, China, to examine CSR implementation and documented CSR as initial capital rather than cost. They further documented that firms who were engaged in CSR activities performed better socially and economically as compared to inactive firms. In contrast, Murthy and Abeysekera [23] conducted a study in 16 software firms of India to examine the CSR practices and argued that firms are adapting dual strategies in reporting CSR activities.

Organizational commitment refers to the affiliation of employees with their organizations [24] and it is widely studied the concept in organization psychology [25]. Committed employees believe in organization's mission and vision and want to contribute to it [26]. Researchers divided model of organizational commitment into three components; affective commitment (positive attachment), continuance commitment (perceive high costs) and normative commitment (moral obligations) [26-28]. A meta-analysis of affective, continuance and normative commitment was performed by Meyer, et al. [29] they documented strong and positive correlation with performance, attendance, stress and organizational citizenship behavior. Consequently, considering this notion, a majority of researchers only used affective commitment to study organizational commitment as a whole [30-32]. Taking this logic as a base for this study, only affective commitment is investigated in relation to perceived CSR. Turker [30] found a positive nexus between CSR and organizational commitment and also documented an increase in employee perception. He further expounded the nexus between CSR and organizational commitment on the notion of Social Identity Theory (SIT). SIT argues that individuals define and identify themselves with the related group. Consequently, their CSR perception resulted in positive outcomes and commitments [33,34]. Literature provides support to the argument that employees of ethically and socially responsible organizations may incline more value and recognition towards their organization. Consequently, this increases the commitment and loyalty of employees within the organizations and they feel the honor to be a part of such organization. Moreover, Gong, et al. [35] argued that environment of social and ethical responsibility promotes organizational commitment through the exchange of relationships between employees. Du, et al. [36] documented that "Internal marketing theory and psychological contract theory can also be considered to

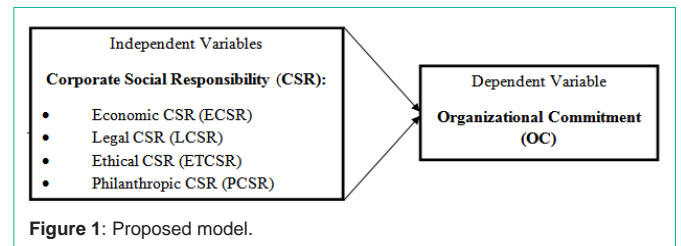


Figure 1: Proposed model.

deepen and enrich understanding of employees reactions to CSR in addition to social identity theory" (p-230). Commitment and loyalty are considered as the same but there is a difference between these two. Different scholars defined organizational commitment differently in organizational behavior literature. Some scholars defined it as a behavioral phenomenon [37,38] while some defined it as an attitudinal phenomenon [26,39]. Loyalty does not involve any obligation whereas commitment involves moral obligation. The committed employees are willing to do any duty and exercise self-control and autonomy without demanding supervision. Commitment is termed as the process of improving efficiency and working hard by considering it as their moral obligation while customers' attachment is called loyalty because they do not have any moral obligation to that organization. Though, if employees perform some duty beyond their job expectations, that is called loyalty. Therefore, loyalty is more stressful and driven by commitment [40]. Universities are also revising their vision and educational practices due to evolving public demand for a sustainable society and emerging environmental and social concerns [41]. The measure of CSR is still under debate and scholars employed different measures of it [30,42,43].

This study recruits Carroll [42] framework of CSR due to its appropriateness for last 35 years. Carroll [42] divided CSR into four dimensions of economic, legal, ethical and philanthropic. These four dimensions of CSR were taken as independent variables while organizational commitment was taken as dependent variable. The study developed and proposed a theoretical model for analyzing the relationship between CSR and OC as presented in Figure 1.

Methodology

Methodology including measurement, data analysis, and sampling are explained in this section.

Measurements

In this study, four dimensions of CSR i.e. economic, legal, ethical and philanthropic were taken as independent variables while organizational commitment was taken as dependent variable. As included in Figure 1, five constructs were included in proposed model.

The CSR scale consists of 29 CSR activities that adapted from Lee, et al. [44] comprising of four sub-dimensions with specific indicators that measure economic, legal, ethical and philanthropic CSR respectively. The economic, legal, and ethical CSR includes 7 items in each dimension, and philanthropic CSR included 8 items measured on the five-point Likert scale from "strongly disagree to strongly agree". Organizational commitment was measured by 8 items, a shortened version of Allen and Meyer [26] organizational commitment scale. These items were also measured on the five-point

Table 1: Results of Cronbach's Alpha.

Sr#	Variables	Items	Cronbach's Alpha
1	ESCR	7	0.868
2	LCSR	7	0.885
3	ETCSR	7	0.798
4	PCSR	8	0.858
5	OC	8	0.813

Table 2: Results of demographic characteristics.

Demographics	N	%
Gender		
Male	134	60.9
Female	86	39.1
Age		
18-24 years	16	7.3
25-31 years	25	11.4
32-38 years	153	69.5
39 and above years	26	11.8
Education		
Under Graduate	23	10.4
Graduate	58	26.4
Post Graduate	139	63.2
Experience		
Less than 6 years	107	48.6
6-10 years	58	26.4
11-15 years	34	15.5
16 and above years	21	9.5

Likert scale from “strongly disagree to strongly agree”.

Data analysis

The collected data were analyzed by using SPSS 22. The individual items having Cronbach’s alpha below 5.0, were excluded in the final analysis. Hence, one item was removed from ECSR, two items were removed from LCSR and OC while three items were removed from ETCSR and PCSR scales. The descriptive statistics, correlation and regression analysis were performed while taking gender as the control variable.

Sample and data collection

The data were collected from employees of 4 and 5 stars hotels in Pakistan by a self-administered survey method. Five hotels from each 4 and 5 stars hotels were selected by employing convenient sampling technique and 35 questionnaires were sent to each hotel to give equal weight, thus, a total of 350 questionnaires were distributed. Out of 235 questionnaires that were received, only 220 of them were suitable and used for data analysis, 15 questionnaires were excluded due to incomplete fillings. Therefore, the overall response rate was 62.8%, this response rate is acceptable as Welford [18] also found comparative the same percentage in the other Asian countries. Table 1 reveals that present study had acceptability and reliability with Cronbach’s alpha ranged from 0.798 to 0.885.

Results

The sample of the present study consisted of employees of 4 and 5 stars hotels in Pakistan. Table 2 reveals that Pakistani service sector is dominated by males, as the females’ percentage is 39.1 compared to the males’ percentage of 60.9. Most of the respondents (69.5%) were aged between 32 to 38 years while only 7.3% of respondents were very young, aged between 18 to 24 years. Results reveal that most of the respondents (63.2%) have a postgraduate degree while only 10.4% of them had undergraduate degrees. Most of the respondents (48.6%) have experienced less than 6 years while 9.5% respondents have experience 16 years and above.

Table 3 reveals the results of correlation analysis between ECSR, LCSR, ETCSR, PCSR, and OC while controlling for gender. The correlation matrix reveals a positive and significant relationship between the dependent variable (OC) and explanatory variables (CSR). The correlations between four dimensions of CSR have values of more than 0.7 which shows strong correlation between these dimensions. However, the correlation of OC with CSR dimensions is above 0.3 which shows a moderate correlation between variables. This implies that as the level of awareness about dimensions of CSR increases, the employees show more commitment to the organizational objectives.

Table 4 reveals the results of model 1 and model 2. The M1 reveals the results of control variable gender while M2 reveals results of regression analysis between four dimensions of CSR and dependent variable OC while controlling for gender. The results of M1 reveal that gender has no significant effect on organizational commitment as R2 value is 5%. This means only 5% changes can occur in the dependent variable (OC) due to the gender. Hence, it is possible to ignore this effect. The results of regression analysis of M2 reveal that CSR has a significant positive relationship with OC. The t statistics and p values present that ECSR, ETCSR, and PCSR have a significant relationship with OC while LCSR has an insignificant relationship with OC. The results reveal that 21.9% change in organizational commitment is due to these explanatory variables. The results reveal that employees give weightage to CSR activities and employees become more committed if the firm is implementing CSR activities.

Discussion and Conclusion

Employees consider firms’ level of corporate social responsibility while searching for new jobs [45]. Moreover, employees also consider firm’s environmental and social relationship, treatment of employees and transparency and fairness. The service sector of any country responds to new socioeconomic needs of any modern economies.

Table 3: Results of correlation matrix.

Control Variables		ECSR	LCSR	ETCSR	PCSR	OC
	ECSR	1				
	LCSR	.904**	1			
Gender	ETCSR	.973**	.877**	1		
	PCSR	.960**	.966**	.903**	1	
	OC	.382**	.318**	.353**	.350**	1

ECSR: Economic CSR; LCSR: Legal CSR; ETCSR: Ethical CSR; PCSR: Philanthropic CSR; OC: Organizational Commitment
 **Correlation is significant at .01 (2 tailed)

Table 4: Results of regression analysis between CSR and OC.

M1M2 Variables	Beta	t	Sig	Beta	t	Sig
Constant		28.076	0		3.624	0
Gender	.226 [*]	3.429	0.001	-0.202	-1.629	0.105
ECSR				4.187 [*]	3.281	0.001
LCSR				1.286	1.769	0.078
ETCSR				-1.979 [*]	-2.659	0.008
PCSR				-2.952 ^{**}	-2.239	0.021
R ²	0.051			0.219		
Adjusted R ²	0.047			0.201		
	11.76			12.032		

Since employees recognize the importance of CSR; the present study analyzed the effect of perceived CSR on organizational commitment of employees in the service sector of Pakistan. Specifically, the focus of the study was to examine the nexus between four dimensions of CSR and organizational commitment of the employees. Findings revealed that service sector employees' perception of CSR has a positive effect on their level of organizational commitment. Prior researchers also support these findings by documenting a positive relationship between CSR and organizational commitment [46]. Employees are committed to their organizations if they recognize that their firms are implementing CSR activities. Consequently, this may enhance the performance of employees and ultimately firm overall performance.

The findings of the present study support the idea that firms should strive for citizenship behavior both inside and outside of the organization. Additionally, the multiple regression analysis revealed that economic CSR activities such as "reducing operating costs" and "establishing long-term strategies" as well as philanthropic activities such as "contributing towards the betterment of community" and "helping poor people" are most influential factors affecting employees' level of organizational commitment. The findings suggest that HR managers should consider CSR activities in communication, resource management, and strategy management to enhance commitment and ultimately performance [47]. Moreover, CSR activities and positive working conditions not only help to retain and attract talented individuals but also increase the level of commitment and identification with their firms. The findings of the present study revealed that service sector companies should not avoid CSR activities, especially hotels, as this may help to boost their image and attract talented employees and customers.

Limitations and Future Research

The present study has several limitations and also makes some recommendations for future research. First, the study only considered 4 and 5 stars hotels of Pakistan and collected data from 220 employees, the sample size may not be representative of the overall service sector or hotel industry in Pakistan. Future research studies may consider collecting data from a larger sample of the service sector. Second, the generalization of findings is limited to hotels in Pakistan; future researchers may expand this study into a wider range of geographical setting and cultural context which will identify new aspects unique to the context. Third, the present study only considered organizational commitment as the dependent variable; future researchers may

include more dependent variables like employees' satisfaction, performance, and organizational citizenship behavior. In the last, the study only employed descriptive stats, regression and correlation analysis, future researchers can employ advanced methods like structural equation modeling and factor analysis.

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