

# The Impact of perceived Corporate Social Responsibility (CSR) on Job Attitude and Performance of Internal Stakeholders

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## **Abstract**

Corporate social responsibility (CSR) has grown rapidly during last decade. Trend is showing that there is a significant increase of society's overall concern about sustainable development with the aid of corporate social responsibility. The concept of sustainable development is gaining importance not only in scientific literature but also in board of governors room (BOG) of firms. Past researches have investigated the impact of CSR on employees but have been mostly focused on the analysis of the 'external' impact of CSR, considering the likely influence of CSR on *prospective* (rather than actual) employees, via mechanisms such as corporate image or corporate reputation (Blackhaus Stone and Heiner, 2002; Turban & Greening, 1997). The results of this study show that CSR has a significant effect on employees work attitudes and behaviors. CSR may possibly improve employees' attitudes and behaviors, contribute to corporations' achievement, and achieve a win-win state of affairs. Therefore, corporations should attach importance to CSR practice so as to benefit employees.

**Keywords:** Sustainability, Corporate Social Responsibility, Employees, Job Attitude, Job Performance

## 1. INTRODUCTION

Corporate Social Responsibility (CSR) has become a hot topic in today's business landscape. The fast dissemination of CSR practices in the world can be ascribed to the likely optimistic impact of CSR on business: enhanced corporations' reputation and profits. These positive outcomes of the involvement in CSR encourage corporations to make CSR an essential part of business.

The definition of corporate social responsibility is not perplexing. According to *Business for Social Responsibility* (BSR), corporate social responsibility is defined as “accomplishing commercial achievement in ways that credit ethical values and respect people, communities, and the natural environment.” McWilliams and Siegel (2001:117) explain CSR as “actions that emerge to further some social good, beyond the interest of the firm and that which is required by law.” A point worth noticing is that CSR is more than just following the law (McWilliams & Siegel, 2001).

On the other hand, Frooman (1997:227), describes the definition of CSR is “An action by a firm, which the firm chooses to take, that notably affects an identifiable social stakeholder’s welfare.” A socially responsible corporation ought to take a step ahead and accept policies and business practices that go ahead of the minimum legal requirements and contribute to the welfare of its key stakeholders. CSR is viewed, then, as a complete set of policies, practices, and programs that are incorporated into business operations, supply chains, and decision-making processes throughout the company and usually contain issues associated with business ethics, community investment, environmental concerns, governance, human rights, the marketplace as well as the workplace.

Each company differs in how it gears corporate social responsibility. The differences depend on such factors as the specific company’s size, the specific industry involved, the firm’s business culture, stakeholder demands, and how in the past progressive the company is in engaging CSR. Some companies spotlight on a single area, which is considered as the most important for them or where they have the maximum impact or vulnerability—human rights. For successful implementation, it is crucial that the CSR principles are part of the corporations values and strategic planning, and that both management and employees are committed to them.

It is crucial to understand the internal impact of CSR. Researchers have found that corporations that engage in social responsibility reap benefits. This is because they portray a good impression to their stakeholders and the society as a whole. Employees are important stakeholder and they play a key role in business achievement. Employees' perceptions of an organization's ethics and social responsibility may influence their attitudes and performance, which in turn will have an effect on their organizations. Therefore, research on the effect of CSR on employees deserves careful consideration. Hence, this study explores the effect of employees' CSR perception on job attitudes and behaviors.

Companies and society have to go side by side for the development of community and this

approach will add value for all parties involved and also bring to the surface new market opportunities (Grigore, 2011). The studies pertinent to the benefits of CSR indicate the following aspects: increases sales and market share, strengthens brand positioning, enhances corporate image and clout, increases the ability to attract employees, decreases operating costs and increases demand to investors (Kotler and Lee, 2005). The objective of this research study is to explore employees' attitudes towards corporate social responsibility and to discuss the implications raised.

### **1.1-SIGNIFICANCE OF STUDY**

A body of previous research on CSR has estimated the impact of CSR on economic outcomes such as Corporate Financial Performance (CFP) (Waddock & Graves 1997, Margolis & Walsh 2003) and marketing methods such as Customer Relationship Management (CRM) (Martens & Akridge 2006). newly, the emphasis of CSR has shifted from one-sided profits orientation to many-sided social benefits (Valentine & Fleischman 2008). However, even though increasing attention has been given to CSR, a large amount of research had focused on stakeholders outside the corporation. Less focus has been paid to the internal stakeholders such as employees. Therefore, there is a need to examine the effect of CSR on this important stakeholder.

### **1.12-CONTRIBUTION OF EXISTING RESEARCH LITERATURE**

#### **Theoretical contribution**

This study has urbanized a structure for the range of CSR. The model links employees' perceived CSR to their attitudinal and behavioral outcomes. The CSR awareness ties organizational level to individual level, providing a unifying model of CSR. Furthermore the study broadens the horizon of past CSR research by extending it to Pakistani context. The study explores and enriches the understanding of the profound impact of perceived CSR on employees' behaviors through attitudinal reactions.

In short, this study describes to CSR theory development by:

- (1) Establishing a diverse CSR model to clarify how CSR influences employees behaviors.
- (2) Investigating the model in Pakistani context, and
- (3) Linking in attitudinal and behavioral variables in the model from the literature.

#### **Practical Implications**

This study explored the possible relationships involving employees' perception of CSR and work outcomes, such as employees' job satisfaction and extra-role behavior. beside with the theoretical contributions of this study, several practical implications can be drawn for the management.

First of all, CSR has predisposed not only the organization's financial performance but also individual work outcomes. Rather than appraise the financial effect of CSR, this study tests the intangible effect of CSR, namely employees' work attitudes and behaviors. The study indicates that the management should consider focusing on corporation ethics and CSR activity, which may bring about more positive outcomes for the organization.

Secondly, employees play a great role in an organization's CSR initiatives. Their involvement in CSR should not be unnoticed. As the key stakeholders of the organization, employees play

an vital role in organization's implementation of CSR; their perceptions of CSR will influence their subsequent work outcomes. The management thus is suggested to accentuate the role of employees in the CSR activities. The organization will benefit more by effectively interacting with employees on CSR issues. Moreover, given the distinctive culture of Pakistan, employees' perceptions of CSR and their reactions will be different from other countries.

## **2-LITERATURE REVIEW**

Corporate social responsibility (CSR) has been largely discussed since it was estimated about half a century ago. Topics of CSR in research history comprise theories, concepts, models, and relevant themes. The concept of CSR has been accepted as obligations, which have been obligatory by societal expectations for guiding business behaviors (Carroll 1999, Fairbrass et al 2005).

The review traces the theoretical evolution of CSR. Although there is no agreement on a universal definition and dimension of CSR, the substance of the concept is unswerving (CSR refers to the responsibility of businesses to benefit the entire society).

Organizational justice and CSR share common main beliefs (to be ethical, to be fair) and similar outcomes (positive work attitudes and behaviors) (Folger, Cropanzano, & Goldman, 2005). That is, employees experience and evaluate their corporation's CSR programs. The CSR perception is expected to function as a evenhandedness measurement to guide employees' decisions about their relationship with their corporation (Liao & Rupp 2005). The extent of the fulfillment of fairness will affect employees' work attitudes and behaviors.

Rupp et al. (2006) suggest that CSR can also frame employees' perceptions of organizational justice. We can similarly expect that, given its multidimensional nature (Van Burren III, 2005) CSR will affect a broader range of organizational attitudes and behaviors, beyond commitment. For instance, it has been advanced that CSR can affect other dimensions of employees' behaviors dimensions such as Organizational Citizenship Behavior (OCB) (Swaen & Maignan, 2003).

Internationally, marketing-management literature faces new challenges. In 2010, the rising importance of "marketing stakeholder" was highlighted in one publication of the American Marketing Association (Bhattacharya and Korschun, 2008). Experts recommend that this concept means to go beyond satisfying customers' needs, and not to ignore other relevant stakeholders, that can affect or are affected by companies' activities (Freeman, 1984). To study the internal dimension of an organization – the employees – and their perception about the social responsibility dimension of their employer becomes a challenge that is the objective of this research to explore.

Companies believed to have a strong CSR commitment often have an increased ability to attract and to retain employees (Turban & Greening 1997), which leads to reduced turnover, recruitment, and training costs. Employees, too, often assess their companies CSR performance to decide if their personal values clash with those of the businesses at which they work. Firms may benefit from socially responsible actions in terms of employee confidence and productivity ( Parket & Eibert, 1975; Soloman & Hansen, 1985).

On one hand, companies are starting to engage in CSR activities in order to respond to an

external demand, and also taking into consideration the positive effects of CSR. On the other hand, their CSR activities have an impact on current employees commitment towards their employer (Turker, 2008) and on the attractiveness of an employer in the mind of prospective employees (Greening and Turban, 2000). Also, it is highlighted that employees have sufficient power, legitimacy, and urgency to become salient stakeholders to management (Mitchell et al., 1997), therefore they are considered to be a relevant group of stakeholders for each organization.

The role of corporate social responsibility on employees is becoming more present in the business world, one of the reasons being that successful companies should attract, hold the best work force. If employees are satisfied and attach the company, they will recommend to friends and family as a good employer (Bhattacharya et al., 2008)

In the classical approach, many companies consider that the client is only interested in the final product that he buys, and not necessarily in how it is produced. Currently, however, consumers begin to evaluate companies in terms of working conditions of the company. Quality of products or services of a company depends to an extent of the degree of motivation and training of its employees. That is why the company should look at employees from the stakeholder theory perspective and consider their requests. Marketing science developed the concept of internal marketing, which involves targeting the marketing efforts within the company to its employees. In this context, promoting corporate social responsibility inside the company and encouraging employees to participate in these activities, allows the companies to develop a muscular relation with its internal stakeholders (Harwood [et. al](#), 2008). When the level of the quality of relationship between a company and employees improve, the customer satisfaction increases as well, and this cycle of success leads to better profit margin (Schlesinger and Heskett, 1991).

The basic model of this research suggests that CSR can enhance specific employees' attitudes at work (e.g. organizational justice, organizational trust, organizational commitment, and satisfaction at work) through identification. CSR can also affect the social exchange dynamics between employees and the corporation through its alteration of the identification processes (Flynn, 2005). As a result, CSR can ultimately affect employees' behaviors (e.g. by stimulating Organizational Citizenship Behaviours) and consequently Corporate Organizational Performance.

### **3-METHODOLOGY AND COLLECTION OF DATA**

The objective of this study is to assess the attitudes of the Pakistani employees regarding the CSR activities in general, and of their company in particular, by pointing out the following dimensions: (1) the extent to which CSR activities are related to employees,

(2) What are the factors that builds the image of a responsible employer in the eyes of employees and

(3) The employee's involvement in social or environmental activities.

(4) The employee's perception about CSR and its benefits.

For this objective an online survey was conducted to attain several advantages: the possibility to reach a vast number of respondents, in a rapid way and with low costs. Also, it offers flexibility and a possibility for respondents to feel comfortable in their environment. A questionnaire was urbanized to measures the attitudes of the employees regarding CSR. For

this the Osgood scale (1 unimportant-5 very important) and Likert scale, but also nominal one.

The data is collected among different national and international firms (AGTL, D. G. Cement, PEL, Samsung, MCB, Allied Bank etc) in District D. G. Khan, Pakistan The questionnaire includes two sections:

- (1) Questions that intend to identify the extent to which employees are aware of the CSR activities developed by their employer and
- (2) Demographic questions.

This study didn't include the employees with middle and top management because those can alter the results of the study, as they are involved in the decision process, and have the tendency of defending the corporate culture.

Data was collected using an online questionnaire. Possible respondents were contacted by email and asked to fill in the questionnaire and recommend other potential respondents. Three hundred questionnaires were distributed and 245 usable questionnaires remained in the sample after verifying the completion accuracy. The sample consisted only of employees from urban areas from all types of companies.

**Table 1.** The Structure of the sample

<b>Sex</b>	<b>( n=245, 0 missing)</b>
Male	37,70%
Female	62,30%
<b>Total</b>	<b>100%</b>
<b>Income per month</b>	<b>( n=245, 0 missing)</b>
13000-1600 PKR	16,6%
1600- 20000 PKR	27,9%
20000-25000 PKR	28,2%
Above 25000 PKR	27,3%
<b>TOTAL</b>	<b>100%</b>
<b>Age</b>	<b>(n=245, 0 missing)</b>
18-25	26,00%
26-35	48,70%
36-45	18,00%
above 46	7,30%
<b>Total</b>	<b>100%</b>
<b>Education</b>	<b>(n=245, 0 missing)</b>
High school	12,90%
University	50%
Masters	35,50%
Other	1,60%
<b>TOTAL</b>	<b>100%</b>
<b>Work experience</b>	<b>(n=245, 0 missing)</b>

less than 2 years	26,1%
2-5 years	44,9%
6-10 years	19,2%
above 10 years	9,8%
<b>Total</b>	<b>100,0%</b>

#### 4-RESULTS

In the first part of the study the authors asked the employees what aspects they take into account when forming the image of an employer brand. Some options are given for consideration. Table 2 presents these criteria and the responses for each of them.

**Table 2.** The criteria for building an employer brand

Criteria	Frequency		Percent	
	Yes	No	Yes	No
healthy working conditions	187	58	76,33%	23,67%
Concern for rights of employees	215	30	87,76%	12,24%
Improving the quality of life of employees at work and outside It	152	93	62,04%	37,96%
Employee participation in community and environmental problems	82	163	33,47%	66,53%
clearness in communicating with employees	164	81	66,94%	33,06%
Non-discrimination in employment and profession	139	106	56,73%	43,27%
wages and fringe benefits	206	39	84,08%	15,92%
development opportunities to Employees	187	58	76,33%	23,67%
Responsible approach to restructuring in case of crisis	88	157	35,92%	64,08%

In Table 2 the employees consider that the brand of the employer is built by respecting the rights of the employees (87%), fair wages (84%) and safety at work and employee professional development (76%). Regarding the involvement of the employees in solving social and environmental problems the employees didn't find this item important for the employers' brand (33.47%). This result shows that employees demand from the company to act in a responsible way, but when it comes for him to be involved, this doesn't represent an important thing.

Another aspect, relevant for our research was to determine in which social responsibility activities organized by the company the employees are involved. Considering the total number of 245 respondents, just 79 of them declared that they didn't participated in any activity. The most attractive CSR activities for employees are donations, and another important aspect is that the women are more engaged in CSR activities compared to men.

**Table 3.** Types of CSR activities that employees are engaged in

Activity	Frequency		TOTAL
	Male	Female	
Volunteer for community support	23	31	54
Contribute to public welfare (e.g., donation, plant trees).	38	59	97
Selective recycling	29	54	83
Blood donation	17	25	42
I have not participated in any of the activities	33	54	79

Regarding the perception of employees on the company's involvement in social causes and environmental issues the respondents answered that they consider their company mainly responsible (Table 4).

**Table 4.** Employee perception on the company's involvement in social and environmental issues

Issue	Very responsible	Responsible	Indifferent	Less responsible	Irresponsible
Involvement in supporting Social Causes	13,47%	39,18%	31,02%	11,43%	4,90%
Company's involvement in environmental issues	13,47%	39,59%	27,76%	14,29%	4,90%

## 5-CONCLUSIONS

In summary, the purpose of this study is to obtain a better understanding of how the employees perceive the CSR activities developed by their employer and what is their attitude towards these. The findings from an online survey reflect several important aspects.

Firstly, the majority of respondents consider that respecting the employees' rights, fair wages and safety at work are the most prevalent dimensions in the image of a responsible employer. Secondly, the research shows that women are more likely to engage in CSR activities compared to men. Thirdly, most of employees are aware of the CSR activities of their employer, but fewer are actually involved in these activities. A possible explanation for this



third aspect is that CSR activities are vaguely presented and introduced in the companies.

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