Employees' Response to CSR: Role of Organizational Identification and Organizational Trust

Talat Islam (Corresponding author)
Institute of Business Administration, University of the Punjab, Lahore, Pakistan
Email: talatislam@yahoo.com

Ghulam Ali
Department of Commerce, University of Gujrat, Pakistan
Email: ghulamali_bhatti@uog.edu.pk

Abdul Aziz Khan Niazi
University of Engineering and Technology, Lahore, Pakistan
Email: azizniazi@uet.edu.pk

Muhammad Ramzan
Hailey College of Commerce, University of the Punjab, Lahore, Pakistan
Email: wadraha1@gmail.com

Usman Yousaf
Hailey College of Banking and Finance, University of the Punjab, Lahore, Pakistan
Email: shusmanyousaf@gmail.com

Abstract
Since last decade, Corporate Social Responsibility (CSR) has become an inspiring catch-all in the eyes of researchers. Many studies have been conducted examining the influence of CSR on stakeholders including customers, suppliers and shareholders. However, only a dearth of research is found that attempted to understand its impact on most important stakeholders (i.e. employees). This study aims to understand the relationships among CSR, organizational trust, organizational identification and organizational commitment. The study conducted a questionnaire-based survey of 758 employees working in the banking sector on a random basis. Data was analyzed using structural equation modeling and noted that employee when perceive CSR activities, exhibit trust, identification and commitment to their organization. In addition, organizational trust and organizational identification mediate the relationship between CSR and organizational commitment, while organizational trust mediates the relationship between CSR and organizational identification. The data were collected at one point of time, which restrict researchers to establish causal relationship. The study suggests bankers gain employees' support by engaging in CSR related activities.

Keywords: organizational commitment, organizational trust, organizational identification, affective commitment, social identity theory, banking sector.
1. Introduction

Developing socially responsible practices has become essential for the organizations than ever to meet its stakeholders’ expectations (Matten & Moon 2008). Recent literature on CSR is of the view that such practices may add to a firm's goodwill to attain competitive advantage (Fu et al., 2014, Islam et al., 2016). However, Falkenberg and Brunsael’s (2011) thought strikes that Corporate Social Responsibility (CSR) is not only helpful to attain competitive advantage for organizations but also has become a strategic necessity. This is because; CSR benefits employees (Wang et al., 2013), customers (Groza et al., 2011), shareholders (Cochran & Wood, 1984), managers (Du et al., 2013) and consumers (Moosmayer, 2012). Nevertheless, it can be costly for the firms to get the desired benefits (Bhattacharyya, 2007).

Organizations that are not engaged in socially responsible practices may mislay their image, which ultimately affects its long and short-term profitability (Story & Neves, 2015). Conversely, if the organizations engage in socially responsible practices, they may also involuntarily disapproved by the stakeholders, particularly if organization alleviate the cost of investment by maltreating employees or skimping services (Campbell, 2007). Moreover, firms’ strategic investment in CSR activities can also be met with skepticism from stakeholders (Luo & Bhattacharya, 2006). Suffice to say that, some of the firms may get benefit investing in socially responsible practices, while others may not get the gain. Thus, understanding the stakeholders’ perception about a firm’s engagement in CSR activities is important (Story & Neves, 2015) along with how they behave with that organization (Fu et al., 2014).

The present study focused on specific stakeholder, the employees. The reasons to select “employee” as the population of this study are as follows; first, they are the key stakeholders (Story & Neves, 2015; Pedersen, 2011). Second, they are the least investigated the literature of CSR (Aguinis & Glavas, 2012; Fu et al., 2014); and finally, organizational culture, values and practices are more exposed to them (Islam et al., 2014). In narrowing the gap of literature, the aim of this is to investigate the role of CSR towards employees’ attitudinal and psychological states. More specifically, the study aims to investigate the role of CSR on employees’ Organizational Commitment (OC), Organizational Trust (OT) and Organizational Identification (OI) less investigated areas in the literature of CSR, especially from employees’ perspective (Aguinis & Glavas, 2012; Fu et al., 2014; Story & Neves, 2015). In addition, "a strong theoretical foundation is missing to explain how CSR influence employees’ work-related attitudes and psychological states, which generate the need to illuminate this (Islam et al., 2016)."

The grounded understanding of the term CSR is artificial judicial persons and companies should involve in direct or indirect assistance towards the community through socially responsible behaviors. The basic thought behind this view is that organization, and its surroundings are interrelated, and the success of the business is dependent on the community’s health (Bosso & Michelon, 2010). Initially, Bowen (1953) defines the term CSR as, “to pursue policies, to make the decisions, or to follow those lines of action which are desirable regarding the objectives and values of our society”. Conversely, some scholars view CSR as corporations’ engagement in social activities for the society’s
overall welfare rather their interest (Murray & Vogel, 1997; McWilliams & Siegel, 2001). Carroll (1991) broadened the concept by suggesting its four dimensions, i.e. "legal, economical, ethical and philanthropic. Economic CSR is the organization’s economic responsibilities towards its stakeholders (e.g. operation efficiency and competitiveness), legal CSR is related to the compliance with the lawmakers’ promulgated rules and regulations, ethical CSR is related to be fair in conducting performance and making decisions and philanthropic CSR is related promoting goodwill or human welfare in the society".

‘Scope of the responsibility’ is one of the extensively studied issues in CSR. This is because the core aim of the corporation is to maximize shareholders’ profit rather cater to the need of the stakeholders (i.e. society). Henriques and Sadorsky’s (1999) believed that corporations should engage in socially responsible behaviors to entertain its stakeholders compared to society. They further added that shareholders could be categorized as, community stakeholders (residents), organizational stakeholders (shareholder, employee, customers and suppliers), media stakeholders and regularity stakeholders. Like other studies, this study also assumes that CSR programs of an organization have an impact on all stakeholders. Amongst all stakeholders, this study, particularly focused on employees as they are suggested to be studied "... in terms of how they are affected by CSR initiatives of an organization" (Islam et al., 2016; Ahmad et al., 2017; Farooq et al., 2014; Hameed et al., 2016).

Few of the past empirical studies have examined the association between CSR activities and stakeholders e.g. organization’s financial performance, customers’ satisfaction and overall firm’s performance (Wang, 2010; Kang et al., 2010). However, such associations are not generalizable because of mixed findings, as some have reported significant, while others have reported insignificant association (Menz, 2010). Nowadays, the attention is given to the employees, as a result, CSR activities are found to have a positive impact on employees’ behaviors and attitudes (Story & Neves, 2015). However, little has been examined on how CSR activities build and maintain a relationship between the organization and its employees (Fu et al., 2014). Filling this void, this study aims to build a model to understand the relationships among perceived CSR, organizational trust (OT), Organizational Identification (OI) and Affective Commitment (AC). The model of this study is supported by "social identity theory" that, because of CSR activities, employees of any organization identify themselves and in turn shows greater emotional attachment.

The next section of this study is related to the hypotheses development among observed variables along with the theoretical framework.

2. Hypotheses Development

2.1 CSR and Organizational Identification

The idea of social identity originated from Social Identity Theory (SIT) introduced by Tajfel and Turner (1979) and the concept of Organizational Identification (OI) was derived from the idea of social identity. OI is defined as the “perception of oneness with or belongingness to an organization, where the individual defines him or herself regarding the organization(s) in which he or she is a member” (Mael and Ashforth 1992).
SIT theory states that individuals prefer or like to be recognized with groups to view their identity peculiarly. Dutton et al. (1994) contributed that organizational reputation positively contributes to employees’ perceptions of organizational identification which ultimately influence their positive work-related attitudes and behaviors. Recently, Fu et al. (2014) conducted a study and asserted that, employees’ perceptions of CSR not only enhance the organizational attraction for workers, but can also enhance employees’ OI. However, how CSR can influence banking employees’ OI still need further investigation. Therefore, the study suggested that:

- **H₁**: CSR is positively associated with employees’ OI among Pakistani banking sector.

### 2.2 CSR and Organizational Trust

Morgan and Hunt (1994) suggested that presence of trust is essential in maintaining long-term relationships. In this context, Mayer et al. (1995) asserted that trust is “one’s willingness to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor irrespective of the ability to monitor or control that other party”. In an organizational context, it is at times natural for employees to challenge the different decisions taken by organizations. However, they do expect their interests and welfare will be taken into consideration when organization make any decision or devise any policy.

Accordingly, Moorman et al. (1992) suggested that trust is related to the relationship process (e.g. interaction’s quality) and relationship outcomes (e.g. commitment). Suggesting a critical role of trust in relationship process, Moorman et al. (1992) further found trust indirectly related to the quality of instructors. Based on the past arguments, this study also suggests that trust not only influences relationship process, but also is essential for maintaining long-term relations.

Previously, some studies examined the impact of CSR on customers; however little has examined how CSR activities impact employees’ perceptions. According to the findings of Vlachos et al. (2010) organization’s engagement in socially responsible activities positively influences sales people’s behaviors and perceptions of organization. Similarly, Lee et al. (2012) asserted that, when employees feel that their organization is engaged in socially responsible activities, they feel proud that they are a part of that organization. Thus, in this study, it is anticipated that employees’ perceptions of CSR will have positive influence on employees’ trust in the organization. Hence, the following hypothesis is being proposed.

- **H₂**: CSR is positively associated with employees’ organizational trust among Pakistani banking sector.

### 2.3 CSR and Organizational Commitment

Moorman et al. (1992) suggested that Organizational Commitment (OC) is “an enduring desire to maintain a valued relationship”. Allen and Meyer (1990) introduced three dimensions of OC i.e. affective, normative and continuance. They further added that, affective commitment is the employees’ emotional attachment, normative commitment is their obligatory authority and continuance commitment is related to price to be paid in
case of leaving the organization. Fu et al. (2009) is of the view that affective (emotional) commitment has ability to produce most consistent results especially in service sector. Employees’ AC is not only confined to the fulfillment of their self-identification needs, their perceptions regarding organizational activities which benefit its stakeholders are equally important (Fu et al., 2014). Such perceptions enable them to form an emotional bond with their organizations. According to Hofman and Newman (2013) employees’ perceptions of CSR enhance their level of organizational commitment, specifically with AC (Turker, 2009). This study focuses on AC because in a meta-analysis Meyer et al. (2002) found it most closely related to the employee-related outcomes. In addition, Ahmad, Islam and Saleem, (2017) also noted CSR activities positively contribute in enhancing employees’ emotional attachment. Thus, it is hypothesized that:

- **H3:** CSR is positively related to employees’ OC among Pakistani banking sector.

2.4 Theoretical Framework

Social Identity Theory (SIT) can be explained the mediating role of OI between the relationship of CSR and OC which was presented by Tajfel (1978). This theory attempts to highlight principal mechanisms to facilitate inter-group comparisons. According to Tajfel (1978), social identity is derived from membership of a social-group or knowledge and is a part of an individual’s self-concept. This theory proposes that individuals make social comparisons by classifying themselves into in-groups and out-groups. Individuals of a group compare their group with others for distinctiveness and enhance their social identity, which uninterruptedly fortifies self-esteem (Tajfel and Turner, 1979). "In this respect, CSR can serve to address a requirement for the positive uniqueness of in-groups as it is socially attractive and emphatically corresponded with organizations' notoriety (Branco and Rodrigues, 2006). In addition, therefore CSR (which creates an organization’s favorable image) can enhance employees’ identification (OI) as well as their emotional attachment (organizational commitment) with their organization". On the other hand, organizational engagement in CSR activities makes employees proud and they trust their organization, which in turn strengthens their relationship commitment (OC) with that organization (Lee et al., 2012). Thus, this study proposed that:

- **H4:** OI mediates the relationship between CSR and OC among Pakistani banking sector.

- **H5:** OT mediates the relationship between CSR and OC among Pakistani banking sector.

OT is one of the essential variables to establish a long-term relationship between organization and its employees. In addition, Ertu’rk (2010) asserted that OT also strengthens employees’ level of attachment to the organization. Accordingly, OT has not only been noted as an important constituent to encourage employees’ organizational identification (OI) (Rocek and Delobbe, 2012), but also related to the employees’ attachment to the organization (i.e. OC) (Mulki et al., 2006; Ertu’rk, 2010; Lee, 2004).

Although the existing studies have identified that employees’ perception of CSR consequent employees’ trusts in an organization, some researchers thought strikes that,
OT may mediate the relationship between CSR and employees’ behaviors (Hansen et al., 2011). This is because CSR sends positive signals to the employees about firm’s moral values and ethical position, which in turn enhance their trust and organizational identification. This mechanism can “support and facilitate employees’ self-categorization efforts to define themselves through organizational affiliation and reflect the same attributes as those that define their self-concept” (Rocek & Delobbe, 2012). Therefore, this study proposed that:

- **H6**: OT mediates the relationship between CSR and OI among Pakistani banking sector.

![Figure 1: Measurement Model](image)

### 3. Methods

In Pakistan, there are 22 commercial banks registered with the state bank (governing bank of Pakistan), including 17 private and 5 public banks, having 9000 branches and 81000 employees across the country (www.sbp.org.pk). This study used a multi-stage sampling technique to draw sample, at first stage capital cities of the five provinces were selected (i.e., Peshawar, Quetta, Lahore, Karachi and Gilgit). In these five cities, 1947 bank branches have been established and 14592 employees have been hired. At the second stage of sampling, 1340 employees were selected observing the formula given by Krejcie and Morgan (1970) and at the final stage, and questionnaires were distributed to employees on a random basis to ensure a high response rate (Islam, 2014). A total of 840 employees responded back (response rate = 62.7%), from these, 27 questionnaires were found incomplete and 55 questionnaires were found having extreme values (i.e. multivariate outliers), thus, 758 responses were used for final analysis.

The measurement scale of this study was adapted from previous studies. The employees’ perceptions of CSR items were adapted from the study of Lee et al. (2012). The measure OC, the scale was adapted from the study of Meyer and Allen (1997) related to affective commitment. Scale related to OT was adapted from the study of Crosby et al. (1990) and scale for organizational identification was adapted from the study of Mael and Ashforth (1992). The respondents were asked to answer the questions based on a five-point Likert scales ranging from 1-strongly disagree to 5-strongly agree.

Demographical characteristics of the respondents were also evaluated on the basis of their age, gender, qualification, job level and tenure. Majority of the respondents were male.
Islam et al.

(64.4%), having age between 35-44 years (29.6%) holding a masters’ degree (38.7%). By job level, 47.2% of them were having a middle-level job with the total working experience of 6-10 years (30.6%).

4. Data Analysis

4.1 Descriptive Statistics and Correlation

The values given in the Table 1 identify the descriptive statistics of the measurement model. The mean value of the OC (M=4.19) shows that banking employees are committed to their organization. On the other hand, the mean values of CSR, organizational trust (OT) and organizational identification (OI) are near to ‘agree.’ This means that banking employees agreed that their organization is engaged in CSR activities (M=3.79), agreed to OT (M=3.98) and OI with their organization (M=3.47).

The results generated by the correlation analysis show that all the variables are significantly correlated to each other (i.e. P<.001). The strongest correlation between OI and OC is noted (r=0.66), however, this relation is not exceptional as Fu et al. (2014) noted a correlation of 0.75 between the same variables.

Table 1: Mean, Standard Deviation and Correlation among Variables

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*Note: CSR=Corporate Social Responsibility, OT=Organizational Trust, OI=Organizational Identification, OC=Organizational Commitment, S.D=Standard Deviation, *P<.001.*

4.2 Confirmatory Factor Analysis (CFA)

A first-order factor model was used to examine the validity of the measurement model. The majority of the items’ factor loading were found well above the standard value of 0.50 except some items from CSR and OC (see Table 2). After removing these items, the measurement model showed a satisfactory fit i.e. "GFI= 0.96, AGFI= 0.93, NFI= 0.92, IFI= 0.96, CFI= 0.97, X²/df = 2.35" (see Table 3). The values of table 2 also identify that the measurement model has composite reliability as the values are well above the standard value of 0.60. While the values of average variance extracted were also noted as above 0.50. Therefore, the convergent and discriminate validity of the model is verified (Kline, 2005; Hair et al., 2010).

4.3 Structure Equation Modeling (SEM)

The results generated by the SEM shows a satisfactory fit (e.g. "GFI= 0.97, AGFI= 0.92, NFI= 0.90, IFI= 0.94, CFI= 0.97, X²/df = 2.49"). In Figure 2, path estimates of the measurement model are depicted. The paths of the proposed model were found to be significant and supported by the suggested hypotheses H1-H3. To examine the mediating
role of the variables, the method of indirect paths was used. The indirect effect of OT in the relationship of CSR and OC was noted as 0.37, which indicate that OT partially mediates between the relationship of CSR and OC. The indirect effect of OI between CSR and OC was noted as 0.27 also indicate partial mediation. Similarly, the indirect influence of OT in the relationship of CSR and OI was noted as 0.33 which identifies the mediating role of OT between CSR and OI. Moreover, an additional path was also examined to see the mediating role of OI in the relationship of OT and OC which was found to be non-significant.

Table 2: Standardized Factor Loading, Composite Reliability, Average Variance Extracted and Cronbach’s Alpha Values of the Measurement Scale

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5. Discussion, Implications and Conclusion

The results of this study reveal that employees’ perception of CSR reinforces their OT, organizational identification and organizational commitment. The findings of this study contribute to the existing literature since it focuses on employees of the banking sector, while past studies have focused on employees of the hotel industry (Fu et al., 2014), food franchise companies (Lee et al., 2013) and oil industry (Roeck & Delobbe, 2012). In addition, this study clarifies the mediating mechanism of organizational identification and OT between the relationship of CSR and OC as it is not that straightforward as expected. This study also and illuminates the mediating role of OT between CSR and OI as little has been focused on this relationship previously. Finally, OI was not found to mediate the correlation between OT and OC, even though the results asserted that OT is an important predictor of OI and OC like other scholars (Fu et al., 2014; Lee et al., 2012). The filling of this knowledge gap will provide more opportunities for future CSR researchers. The results of this study lead to many implications.
5.1 Theoretical Implications

This study suggests that in a micro-level analysis, an organization’s engagement in CSR activities support organizational performance and legitimacy by influencing employee’s OI and OT to enhance their level of OC (Roeck & Delobbe, 2012; Lee et al., 2012; Lee et al., 2013; Fu et al., 2014). More specifically, the study analyzed employees’ reciprocation to organization’s engagement of CSR activities. This study also suggests that understanding OI is an essential psychological process to comprehend why CSR enhances employees’ attitudes towards their organization. Corresponding to the past studies (Roeck & Delobbe, 2012; Kim et al., 2010), this study also supports that ‘social identity theory’ is fertile for understanding employee’s response to CSR activities. In doing so, this study focused on banking employees’ perception of CSR towards their attitudes and psychological aspect, while other studies have focused on customers respond to CSR activities (Kim et al., 2010; Jones 2010). Specifically, this study supports previous studies which emphasized corporation’s engagement of socially responsible activities enhances employees’ organizational values and traits (i.e. honesty, competency and level of benevolence) that assure OT worthiness (Hansen et al., 2011). Hansen’s arguments support self-categorization process through which employees associate themselves with the organization.

In this study, organizational identification and OT are found important predictors of employees OC. Fu et al., (2014) proposed that OI plays a mediating role between CSR and OC. Therefore, based on the SIT this study supports that OI performs the role of mediation between CSR and OC. The findings of the study confirm that CSR exerts its influence on OC through identification process (OI). In addition, this study finds that OT as an important mediator between CSR perceptions and OC. The findings of this study are aligned with the empirical evidence of Lee et al. (2013) who suggested that organizations can develop a sound relationship with employees through engaging CSR activities and trust, essential for sustaining relationship commitment.

5.2 Practical Implications

For the managers of the banking sector, this study suggests that banks can gain more support and legitimacy by engaging themselves in CSR programs. In this case, this study finds CSR performing the vital role of strengthening organizational-employee relationship. Moreover, this study identifies that to enhance the employee’s trust, identification and level of commitment; organizations should focus on CSR activities rather maximizing profit. Human Resource managers aspire to build organizational identification and motivate employees to integrate and to adhere mission and values of the organizations (Roeck & Delobbe, 2012). This study suggests HR managers strengthen employees’ identification through CSR strategies which are essential to strengthen organization-employee relation and this also enhance employees trust on their organization.

5.3 Limitations

Despite the implications, this study is not free from limitations. First, cross-sectional data was used to conduct this study which restricts researchers to establish a causal
relationship. Future researchers should employ such research design that allows them to establish the causal relationship among observed variables to further enhance the concept of CSR. Second, this study collected data from the employees working in the banking sector of Pakistan. Future researchers should replicate the study in other geographical areas since cultural traits influence employees’ perceptions. Third, this study considers overall CSR to examine its influence on employees’ attitudes and psychology. Future researchers should consider the concept dimensionally as suggested by (Carroll, 1991). Finally, the future researcher should also consider other variables such as workplace deviance and employee engagement to add to the concept of CSR.

5.4 Conclusion
The purpose of this study was to examine the relationships among CSR, OT, organizational identification and organizational commitment. Employees of the banking sector in Pakistan was target population of this study. The results confirmed that perceived CSR positively influences employees trust, identification, and commitment towards their organization. In addition, structural equation modeling confirmed that OT and organizational identification perform the role of mediation in the relationship of CSR and organizational commitment. It was also noted that OT mediated in the relationship of perception of CSR and organizational identification.

REFERENCES

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