

**Corporate Social Responsibility and Organizational Commitment: The Mediation of Job Satisfaction**

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### **Abstract**

*Most studies view organizational commitment as an outcome of the social exchange between an organization and the employee. However, there is reason to believe that perceived socially responsible behavior of the organization toward external parties will also influence the commitment of its employees. Few studies have examined the influence that an organization's behavior toward external parties will have on the commitment of its internal employees. Corporate social responsibility refers to social commitments that organizations have toward stakeholder groups during the course of conducting routine business. Through this paper we propose that perceptions of CSR will have a positive influence on the commitment of employees and this relationship will be mediated by job satisfaction of the employees.*

*Key words: Employee involvement, perception, attitude*

### **INTRODUCTION**

Corporate Social Responsibility (CSR) has been an area of interest among researchers beginning with the seminal works of Carroll (1979). The last 15 years have witnessed an increasing number of organizations focusing on CSR initiatives for various reasons like fulfilling social obligations and financial benefits. Organizations are under pressure from different stakeholder groups to produce differentiated products, retain the cost structure and ultimately maintain profit margins. It is clear that for an organization to reduce prices, the input costs need to be rationalized, which works against the objective of developing differentiated products. Such a scenario challenges an organization's ability to be socially responsible and provide products and services at an affordable price.

Barney (1991) has proposed that human capital provides a source of sustained competitive advantage and the ability of an organization to retain and motivate its key performers is a critical variable contributing to organizational success. Extant literature positions organizational commitment as an antecedent of intention to quit (Meyer, Stanley, Herscovitch & Toplonysky, 2002). Meyer et al. (2002: 34) contend that organizational commitment is a strong predictor of 'pure turnover intention' explaining as much as 51% variance in turnover intent. Similarly job satisfaction has also been cited as among the most potent predictors of turnover intent (Blegen, 1993; Irvine, 1995). Job satisfaction is also believed to be a correlate of organizational commitment (Meyer et al., 2002; Mathieu & Zajac, 1991). Finally, studies have indicated that both organizational commitment and job satisfaction are influenced by the climate

prevalent in the organization (Johnson and McIntyre, 1998; Ostroff, 1993; Meyer et al. 2002). Employee perceptions of the organization's CSR initiatives are likely to impact their assessment of the organizational climate (Sinclair, 1993; Deshpande, 1996). The relationship between ethical climate in an organization, job satisfaction and organizational commitment has been tested in existing literature (e.g., Tsai and Huang, 2008). However, ethical aspects form only one part of the generally accepted CSR model (Carroll, 1979). In addition to ethical responsibility CSR encompasses economic, legal and discretionary responsibility. There seems to be no study that has examined the relationship between CSR, job satisfaction and organizational commitment.

Given the highly competitive nature of the Indian industry it can be expected that organizations would be keen to have a positive impact on all key stakeholders. Employee attrition is becoming a concern in many sectors of Indian industry including information technology, retail, pharmaceuticals and manufacturing (ref. Industry sources). Organizations are competing to hire, retain and nurture committed employees and gain sustained competitive advantage through human capital. This reinforces the belief that the Indian industry is a fertile setting for examining the relationship between employees' perceptions of their organization's CSR initiatives and their job satisfaction and organizational commitment.

### **CURRENT STATE OF CONCEPTUALIZATION OF CSR**

The term CSR has had various shades of understanding across commercial activities in different geographic locations. Therefore, CSR lacks a precise and tight definition primarily because this concept has evolved differently and has had varied forms of existence in different places and business activities. Yet the broad understanding is that CSR is the scope and the kind of social and environmental obligations which corporations may consider while executing and operating their routine business practices (Shamir, 2005). Corporate Social Responsibility is considered as the commitment of an organization to indulge in ethical behavior and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Wright, 1999).

The concept of CSR in theory and practice falls within the realms of various fields of study like sociology, social work, economics, public administration, environmental studies and academics. Extant literature draws on these varied areas, thus leading to multiple and diffuse interpretations. Though the diverse and prolific contributions from various fields have enriched the concept but they have also led to controversies and confusions. As Votaw (1973: 22) put it, "...the term (social responsibility) is a brilliant one, it is something but not always the same thing, to everybody. To some it means socially responsible behavior in an ethical sense; to still others the meaning transmitted is that of 'responsible for' in a casual mode; many simply equate it with 'charitable contributions'; some take it to mean socially conscious or 'aware'; many of those who embrace it most fervently see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behavior on businessmen at large".

#### **CSR: Diverse views and similar concepts**

The concept of corporate social responsibility (CSR) has been debated upon heavily in the present times especially since the early 20th century, when with the onset of industrialization, the impact of business activity on society and environment assumed new dimensions. Large corporations had the power and the resources to impact the environment considerably. Post-industrialization notions about social responsibility of businesses have evolved into what we recognize as the present-day concept of CSR. The concept of CSR bears similarity to several other concepts like corporate citizenship (Carroll, 1979), corporate social responsiveness (Strand, 1983), corporate social performance (Wood, 1991), and stakeholder management (Jones, 1995). Of all these terms, CSR is the most commonly used term and it refers to the responsibility that an organization has toward society. However, it seems fair to conclude that there is no decisive agreement on what CSR encompasses and a single definition has not been agreed upon. Some of different conceptualizations of CSR have been shown in Table 1.

As is evident there are diverse views about CSR and also several similar concepts. There are however, some common elements among all these different definitions and conceptualizations. First, there is a consensus on the fact that CSR activities need to be within legal bounds. The conceptualization proposed by Sethi (1979) and Carroll (1979) focused on this aspect. Hence it is necessary that firms engage in activities that comply by the laws of the land if they are to be recognized as socially responsible organizations. Second, nearly all conceptualizations address the issue of responsibility toward stakeholders, including the community and environment. However, the moot issue is that different stakeholders may have divergent needs and it might be difficult for an organization to meet all these opposing demands. Hence, varying demands from different stakeholders could lead to a wide range of CSR activities. Third, CSR invariably refers to social responsiveness or positive action of business toward society. Hence, the primary aim of CSR activities should be benefit of the society. Finally, most researchers agree that CSR connotes action and hence can be operationalized in terms of specific actions of an organization toward being socially responsible, ethical and meeting legal requirements.

### **CSR model**

As discussed, CSR can be conceptualized variedly depending on the levels of analysis, stakeholder groups, specific CSR activities etc. For this particular paper we chose to adopt the CSR model proposed by Carroll (1979), wherein CSR was dimensionalized in terms of economic responsibility, ethical responsibility, legal responsibility and discretionary responsibility. This is among the more influential works in CSR. The four social responsibilities are depicted as a pyramid. In further studies, Carroll (1991) suggests that the foundations of CSR are laid when an organization accepts that strong economic performance is a pre-requisite for being classified as a responsible entity. Hence, it is important for an organization to be committed to profitability. In order to be socially responsible the organization must first generate surpluses, maximizes shareholder earnings and then pass on these benefits to other stakeholders as well. Next, the organization needs to be legally responsible wherein; it should ensure that the economic responsibility motive is achieved without resorting to activities that may violate or subvert

the statutory and legal framework of the country. Further, the organization should strive to meet ethical norms of fairness and equity by adopting practices, which have societal sanction. This would include respect for expectations of various stakeholder groups like consumers, employees and society at large. For instance, an organization that is conscious of the environment and adopts 'green technologies' can be classified as being ethically responsible. In general, ethical responsibilities refer to actions that can be termed as fair and just to most stakeholder groups. Finally, the organization needs to engage in philanthropic or charitable activities. These would include discretionary activities like contribution to community welfare, improving the overall quality of life of people around, promoting human welfare and goodwill.

### **ORGANIZATIONAL PERFORMANCE**

The relationship between CSR and organizational performance has also been examined through several dimensions. Literature on CSR has looked at effect on financial performance (e.g., McWilliams and Seigel 2001; Griffith and Mahon, 1997 etc.), increased sales and reduced costs (Maignan and Farrell, 2001), attractiveness of the organization to potential employees (Turban and Greening, 1997), customer responses to CSR (Bhattacharya and Sen, 2004), and market value (Luo and Bhattacharya, 2006) among others. There has been mixed support for the relationship between CSR and organizational performance owing to the diffuse nature of both these constructs. CSR has been studied with respect to its impact at several levels, viz., individual level responses like satisfaction, organizational level parameters like revenue and profitability and societal level parameters like organizational image.

The key stakeholders for an organization include employees, consumers, investors, local communities or society, media, environmental groups and governmental agencies. Clarkson (1995:6) has defined stakeholders as all those "persons or groups that have or claim ownership rights, or interests in a corporation and its activities, past, present or future". Addressing the CSR expectations of all these stakeholder groups seems too tall an order for any organization. Even from the research perspective it would be unrealistic to attempt a study covering performance expectations of all the stakeholder groups. For the purposes of this paper we have examined the relationship between CSR perceptions and

attitudinal variables of employees, viz. organizational commitment and job satisfaction. Hence, the variables are conceptualized at the individual level of analysis.

### **Organizational Commitment**

Organizational commitment was initially explored by Porter et al. (1974: 604) who noted that organizational commitment was characterized by the following,

- “..strong belief in and acceptance of the organizational goals and values”,
- “..willingness to exert considerable effort on behalf of the organization”, and
- “..definite desire to maintain organizational membership.”

Broadly speaking, organizational commitment refers to the employees’ attachment with their organization. Organizational commitment can be distinguished from other forms of commitment, like occupational commitment, commitment to the union, commitment towards the goal and commitment to the team or leader, based on the target of commitment. Majority of the research has focused on commitment to the organization; and commitment to the team or leader is often considered a supplement of commitment to the larger cause i.e., the organization (Becker, 1992). Reichers (1985: 469), however, argued that in organizational commitment literature, the organization ‘typically is viewed as a monolithic, undifferentiated entity that elicits an identification and attachment on part of the individual’ while in reality an individual could have varying commitment profiles. She suggested that organizational commitment is best understood as collection of multiple commitments to specific foci. Meyer and Allen (1997) tested the multiple-constituency framework and found that global organizational commitment had fairly strong correlations with job satisfaction, turnover intent and organizational citizenship behavior and increment in prediction contributed by commitment to specific foci was quite small. A recent review by Meyer and Herscovitch (2001) has developed a generalized model of commitment in the workplace using the definition given by Porter et al. (1974: 603) that commitment is a “stabilizing force that binds a person to a course of action.” Organizational commitment, hence, remains the concept from which most of the

other models of workplace commitment, except union commitment, have been developed (Meyer & Herscovitch, 2001).

### **Conceptualization of organizational commitment**

Literature has been divided over several issues like dimensionality of commitment, uniqueness of each of the dimensions of commitment and forms of commitment. Early literature had conceptualized organizational commitment as a uni-dimensional construct (Blau, 1985; Mowday, Porter, & Steers, 1982), while recent literature tends to view it as a multi-dimensional construct (Allen & Meyer, 1990; Angle & Perry, 1981; Mayer & Schoorman, 1992; O'Reilly & Chatman, 1986). In one of the earliest studies on organizational commitment, Mowday et al. (1982) had proposed that organizational commitment refers to the employee's affective bond with the organization. Subsequent research on organizational commitment examined various motivational bases for employee commitment. Scholl (1981) proposed that commitment was influenced by investments and alternatives, obligation through norms of reciprocity and identification. Allen and Meyer (1990) proposed a three-component conceptualization of organizational commitment (OC) viz., affective commitment (AC), normative commitment (NC) and continuance commitment (CC). It is now widely accepted that organizational commitment is a multidimensional construct and that the antecedents, correlates and outcomes vary across dimensions.

### **PERCEPTIONS OF CSR, JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT**

CSR is dimensionalized in terms of economic responsibility, legal responsibility, ethical responsibility, and discretionary responsibility (Carroll, 1991). It is measured through employee perceptions of organizational action on these four dimensions (Maignan, 1999). For ease of understanding we will call this composite variable as perceptions of CSR. Several studies have examined the link between organization ethics and job satisfaction (Koh and Boo, 2001; Viswesvaran and Deshpande, 1996). Vitell & Davis (1990) studied the relationship between five dimensions of job satisfaction and top management's sense of ethics on an ethical optimism scale, i.e., the degree of optimism that one has concerning the positive relationship between ethics and success in his / her company. They found a



positive relationship between job satisfaction and ethical optimism. They also found that when top management actions are believed to be ethical, the employees are more satisfied with all aspects of the job. Interestingly, pay satisfaction considered to be an extrinsic motivator was not found to be significantly impacted. However, they noted that those with a higher degree of social responsibility are somewhat less satisfied with their job (negative correlations ranging from .10 to .26). However, here social responsibility was defined in terms of the respondent's own sense of social obligations. This seems to suggest that perceptions of socially responsible behavior by the organization have a positive impact on job satisfaction, and it also places greater responsibility on the organization or its agents to behave in a socially responsible manner.

*Proposition 1: Perceptions of CSR among the employees will be positively related to their job satisfaction.*

Bammer, Millington & Rayton (2007), examined the relationship between organizational commitment and employee perceptions of CSR based on the theoretical foundations of social identity theory. They found that perceptions of CSR were positively correlated with employee commitment. Greening & Turban (2000) have provided evidence that perceived ethical action by an organization has a positive influence on individuals who are evaluating that particular organization as a potential employer. As per the social identity theory, employees are believed to identify with socially responsible behavior of the organization. Affective commitment is conceptualized in terms of identification and involvement with organizational activities (Meyer and Allen, 1990).

*Proposition 2: Perceptions of CSR will be positively correlated with employee's affective and normative commitment to the organization.*

The third component of commitment is continuance commitment, which is conceptualized in terms of low alternatives (lo alt) and high sacrifices (hi sac). Employees who perceive that the organization is socially responsible are more likely to trust the organization and be committed to it. However, there seems no reason to believe that employees who are emotionally attached to the organization feel the need to justify their continued presence in the organization owing to reasons like lack of alternatives (O'Driscoll and

Randall, 1999). In fact, extant literature indicates a negative correlation between continuance commitment and the other two dimensions of commitment (Meyer et al., 2002). However, the HiSac component of continuance commitment is found to behave differently (McGee and Ford, 1987).

*Proposition 3: Perceptions of CSR will be negatively correlated with employee's continuance commitment*

*Proposition 4: Perceptions of CSR will be positively correlated with the high sacrifices component of continuance commitment.*

The relationship between commitment and job satisfaction is still a topic of debate (Koslowsky, Caspy and Lazar, 1991). Researchers have found causal (Bateman and Strasser, 1984) and correlational (Mathieu and Zajac, 1991) relationship. Meyer et al. (2002) have positioned job satisfaction as a correlate of organizational commitment. This study does not seek to resolve the debate about causal direction between the two variables, but recognizes that most of the extant literature positions job satisfaction as an antecedent on organizational commitment (e.g., Bagozzi, 1980; Bartol, 1979; Reichers, 1985 etc.) Hence, we propose that job satisfaction is a likely mediator of the relationship between CSR perceptions and organizational commitment.

*Proposition 5: Job satisfaction will mediate the relationship between CSR perceptions and affective and normative commitment.*

The conceptual model is depicted in Figure 1.

## DISCUSSION

From the preceding review of literature and discussions we have developed a model to address the following issues,

- a. Can CSR activities be categorized based on stakeholder groups that they impact?
- b. Which specific dimensions of CSR affect attitudinal variables like organizational commitment and job satisfaction?
- c. Develop a model linking employee perceptions of CSR with organizational commitment and job satisfaction.

The important implication of this model is that organizations can create a committed workforce through positive organizational action. In the past, positive organizational action was classified in terms of perceived organizational support (POS) (O'Driscoll and Randall, 1999) or organizational justice (Folger and Konovsky, 1989). Through this model we demonstrate that even perceptions of socially responsible actions of the organization contribute to positive outcomes like commitment and satisfaction. While POS and justice perceptions are created if the employee is a direct beneficiary of organizational action, perceptions of CSR do not call for the employee to be a direct beneficiary. In fact, in most situations the employee is only a witness to the socially responsible act of the organization. This creates an opportunity for organizations to 'manage' attitudinal variables like commitment and satisfaction. The multiple benefits of having a committed workforce and indirect benefits of CSR are clearly important for an organization in today's rapidly changing business environment.

The model has significant implications for the CSR strategies of organizations. It is clear that an organization cannot meet the CSR expectations of all stakeholder groups. Also, there are several activities, which lead an organization to be classified as socially responsible. Organizations have a choice of CSR initiative based on stakeholder group. Organizations, today are investing heavily in CSR initiatives with a variety of objectives. Through this model we hope to demonstrate that managers might be positively inclined toward CSR initiatives owing to several organizationally beneficial outcomes. Empirical support for the model is necessary to examine whether perceptions of CSR have any impact on employee commitment over and above employee engagement practices.

In the next stage we intend to empirically examine the proposed conceptual model. The Indian pharmaceutical industry is in a transitional phase. With the product patent regime round the corner, dynamics of the industry are changing at a rapid pace. To meet global challenges, the Indian pharmaceutical industry is preparing itself through restructuring and consolidation, giving emphasis to basic research, strengthening product portfolios and leveraging process skills to enter highly regulated markets. Such a scenario clearly highlights the need to limit human resource turnover and foster higher levels of employee performance. However, employee turnover remains an area of concern in the Indian

pharmaceutical industry with attrition rates of 20-22% (refer: industry sources). Committed employees are believed to retain organizational membership and perform better at the workplace (Meyer et al. 2002). Clearly then, given the current level of attrition, the Indian pharmaceutical industry provides an appropriate context for this study.

The Indian economy has been growing at around 8% annually and is among the fastest growing economies in the world. This growth comes along with a strong need to proliferate management practices that are employee friendly and enable organizations to remain competitive through its workforce. We propose that while it is beneficial to engage the employee through positive HR practices, it is even more important to engage in socially responsible behavior because this affords an organization the double benefit of employee engagement as well as external image building.

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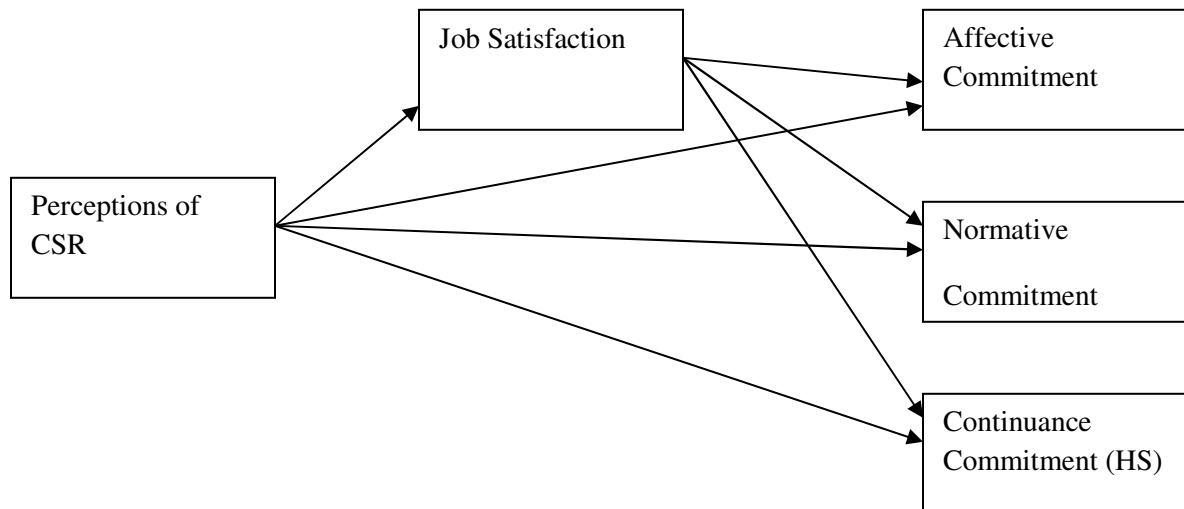
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**Figure No. 1: Conceptual Model**



**Table 1: Multiple views on CSR**

Study	Definition
Davis (1973: 313)	“..the firm’s consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm. It is the firm’s obligation to evaluate in it’s decision making (....) to accomplish social benefits along with the traditional economic gains..”
McIntosh et al., (1998:20)	“Corporate citizenship is concerned with the relationship between companies and society – both the local community, which surrounds a business and whose members interact with its employees, and the wider and increasingly worldwide community, which touches every business through its products, supply chain, dealer network and its advertising among other things”
Wood (1991)	Institutional social responsibility, organizational social responsibility and individual social responsibility
Carroll (1979)	Economic, legal, ethical and philanthropic responsibility of businesses toward stakeholders
Sethi (1979)	Ethical, legal and social responsiveness dimensions
Maignan (1997)	Economic citizenship referring to meeting customer needs; legal citizenship referring to operations within legal framework; ethical citizenship referring to following of established moral standards and discretionary citizenship referring to contribution to societal well being.