The Impact of Employee Perception of CSR Practices on Organizational Commitment and Role Behaviors: A Study of SMEs Sector in Penang

Teo Lam Chew (Jacki Teo),
Graduate School of Business USM,
Malaysia.
Email: jacki_teo@yahoo.com

Dr. Ellisha Nasruddin
Email: ellisha@usm.my

Abstract

This study examined the mediating role of the three dimensions of organizational commitment which are affective commitment (AC), continuance commitment (CC), and normative commitment (NC) in the relationship between the four dimensions of CSR practices, namely marketplace, workplace, community and environment, and the two dimensions of role behaviors which are in-role behavior (IRB) and extra-role behavior (ERB). This study utilized a non-probability sampling method in the forms of purposive sampling. The questionnaires were personally administered and collected as well as conducted a web survey from 220 employees working within the SME sector in Penang. Factor analysis has confirmed the appropriateness of the aggregation of the questionnaire items in each variable and the values of Cronbach alpha indicated that all the measures are reliable. The mediation regression analysis and hierarchical regression analysis were used to test the research hypotheses.

Keyword: Employee Perception of CSR Practice, Organizational Commitment, Role Behavior, SME, In-role Behavior, Extra-role Behavior.
1. Introduction

Small and medium enterprises (SMEs) play a crucial role in equitable development and facilitating economic advancement, especially in developing countries. Hence, by sheer proximity, SMEs are constantly opposed to contribute aggressively in the development of the economy ethically in the environment. SMEs sector has control over environmental and social impact, as shown by a growing number of initiatives designed to involve SMEs in the CSR program.

In Malaysia, the CSR framework was created by Bursa Malaysia (2006) and there are four dimensions inside its framework, namely marketplace, environment, community and workplace. This CSR framework is used as a guideline for Malaysian PLCs in assisting them to practice the CSR. According to Lim & Mazlina (2013), although CSR has been well explored in large firms, however, there is less focus and limited research in the study of SMEs. In recent years, CSR has attracted increasing amount of attention from scholars and practitioners as well according to Christopher & Linda (2012). Nevertheless, little is known as to how the CSR affects employees. In an organization, the primary stakeholders are employees who directly contribute to making the company successful; hence realizing employee reactions is important to CSR because it helps in answering a lingering question regarding the possible impacts of CSR on firms and identifying some of the processes responsible for them.

2. Research Background

In current business situations, CSR has become a progressively significant issue. Business performance such as enhancement in profits and reputation could be a positive impact credited by CSR practices. Many previous studies on CSR that investigated the CSR impacted on customer relationship management and corporate financial performance.

According to Cotterill (2007), organizational commitment to CSR is significant to potential employees, and a good CSR reputation of an organization might be valuable in employing excellent employees. People would prefer for a firm that pays attention to the employee, customer and the general public. In fact, many HRM functions are influenced by CSR. As stated by Lockwood (2004), HRM's functions are accomplished by several CSR-related tasks that relate with main stakeholders in raising employment practices that assist employees volunteer to serve in society. A survey of 58 organizations was performed by IRS Employment Review to study the employee ethical occupation practices and benefits of strategies as stated by Egan (2006). The result of their survey shows that 23 respondents believed that their employees’ commitment had improved through their ethical practices; and the entire result shows that ethical policy implementation positively impacted on the employee commitment.
With rapid economic growth, Malaysia is exerting greater influence on the global economy. Considering Malaysia’s vibrant and important status in the 21st century global economy, there are good reasons to explore the effect of employees’ perceptions of CSR on organizational commitment and role behavior in the Malaysia context.

In sum, there is cultural distinction between Malaysia and U.S or other Western countries in employee perceived CSR implementation on the subsequent individual performance. In view of the distinctive culture and background, this study will provide a better realization of the outcome of employees’ behavioral reaction through the impact of employees’ perceived CSR on organizational commitment in Malaysia context.

3. Significance of the Study

This study provides a conceptual framework of the relationship between employee’s perception of CSR and employee behaviors mediated by organizational commitment to enrich the research on CSR in SME in Malaysia. The main concern is whether employees’ perceptions of CSR lead to positive responsible behaviors to organizational commitment.

According to Peterson (2004), the success or failure of the organization is dependent on the employees because they can impact the organization’s activities. This study on SME and employees shows contribution regarding negative and positive influences of strategy on employee behaviors and assists SMEs to clarify, evaluate and even change the situation in a suitable way.

According to Christopher & Linda (2012), a lot of studies concentrate only on external stakeholders, for example customers, while less attention is paid to the internal stakeholders like employees although CSR has attracted growing attention. Thus, it is necessary to study the influence of CSR on employees.

Past studies are basically lacking regarding the relationship between in-role behavior (IRB), extra-role behavior (ERB) and organization commitment, reporting positive and no relations according to Naoki & Satoshi (2010).

In sum, researcher is target to investigate the impact of CSR practices on employees’ attitudes and behaviors; as well as investigates the possible mediating effect of organizational commitment on employee perception of CSR practices and role behaviors relationship.

4. Research Objectives

There are four main objectives of this research, namely:

1. To investigate employee perception of CSR practices and organization commitment relationship within the SME industry in Penang.
2. To investigate organizational commitment and employee IRB and ERB relationship within the SME industry in Penang.
3. To investigate employee perception of CSR practices and employee IRB and ERB relationship within the SME industry in Penang.

4. To investigate the mediating role of organizational commitment in the employee perception of CSR practices and employee IRB and ERB relationship within SME industry Penang.

5. Literature Review

5.1 CSR Practices in Malaysia

In his 2006 speech, Malaysian Prime Minister emphasized that all the PLCs are required to relate their CSR activities. This message encourages Malaysian PLCs to be more involved in being socially responsible and create the approach to implement the CSR. Bursa Malaysia, in 2006, provided a CSR framework with 4 dimensions, namely marketplace, environment, community and workplace, in no order of priority. This CSR framework used to be a set of guidelines for Malaysian PLCs to help them to practice the CSR.

- Community: Employee Volunteerism, Education (Schools Adoption Scheme), Youth Development, Underprivileged, Graduate Employment and Children.
- Environment: Weather Variation, Waste Management.

5.2 Malaysian SMEs

According to Siti and Zulkifli (2010), Malaysian economy has been geared by the rapid development of small and medium enterprises (SMEs) since the 1970s. It represents an important fragment of the economic growth and has become a significant role to the whole production network, producing high-value-added parts and components and improving itself as a downstream supplier and/or service provider to larger and developed economies. In the 1990s, Malaysia started to transform its economy from a commodity-based producing nation to a manufacturer of industrial products which focused on the export market.

Daisy & Azura (2011) stated that SMEs can be defined and interpreted in many ways based on their characteristics. Commonly in Malaysia, SMEs are defined according to fixed quantitative criteria such as annual sales turnover and full time employees. It is important to understand the definition of SMEs especially in helping the government in formulating effective development policies, support programs, provision of technical and financial assistance.
According to the circular on new definition of SMEs (2013), the manufacturing sector refers to physical or chemical transformation of materials or components into new products. The service sector refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing-related services such as research and development (R&D), logistics, warehouse, engineering etc. The other sector refers to the remaining 3 key economic activities, namely primary agriculture, construction and mining & quarrying.

5.3 Employees’ Perceived CSR Practices and Organizational Commitment

The relationship between perceived CSR and organizational commitment could be explained from social identity perspective. Social identity theory (SIT) emphasizes strongly incorporated self-esteem as a motivator for outcomes. While it has not always been empirically clear that self-esteem is important, it has been shown that group memberships are often a source of self-esteem. This is particularly true for those who not only classify themselves as members, but who are also accepted by others as members according to Brown & Lohr (1987) and Ellison (1993). Based on social identity theory (SIT), individuals categorize and identify themselves within a social group. According to Tajfel & Turner (1985), Dutton et al. (1994), and Pratt (1998), the identification is derived from the organization in which the employees define themselves in terms of what they believe the organization represents. It provides individuals with the context for a comparison and helps them to shape self-concepts.

5.4 Employee Perception of CSR and Role Behavior

Parker et al. (2003) have stated that employee perception of CSR and their behavioral relationship outcomes has not been recognized, adequately. Given that employee perceptions will have a significant effect on individual behaviors, employees’ perception of CSR is assumed to predict individual level outcome such as organizational commitment, and in-role behavior (IRB) and extra-role behavior (ERB).

According to Weick (1995), employee perception is subjective because it represents employees’ interpretation of organizational activities and sense making process. Such a perception will, in turn, lead to employees’ attitudinal and behavioral reaction as observed by Rodrigo & Arenas (2008).

5.5 The Role of Organizational Commitment as a Mediator

There are three dimensions of organization commitment, namely AC, CC and NC which indicate personal commitments to the organization according to William & Anderson (1991). According to Yongrok & Yanni (2014), employee’s perceived CSR practices have significant impact on both the employee’s organizational commitment and extra-role behavior (ERB). Based on the results, the authors recommend that the firm should induce employee towards citizenship behavior by encouraging them to be more involved actively in practicing CSR.
An organization’s involvement in CSR as perceived by employees would have effect on their organizational commitment. Meanwhile, given the influence of organizational commitment on employee in-role behavior (IRB), there is a link between employees’ perception of CSR and their in-role behavior (IRB), through one job attitude - organizational commitment.

As a result, it is proposed that the mediating role of organizational commitment will influence the CSR perception of individual performance. Specifically, organizational commitment will mediate the relationship between CSR perception, and in-role behavior (IRB) and extra-role behavior (ERB).

5.6 Organizational Commitment Model and Its Link with Role Behavior

Affective commitment (AC) refers to employee involvement in an organization, employee identification and employee emotional attachment according to Allen & Meyer (1990). Many studies proved that there is a positive correlation between AC and intro-role performance according to Allen & Meyer (1996) and Mathieu & Zajac (1990). According to Wiener (1982), there were few studies such as McFarlane & Wayne (1993) and Wiener (1982) found out that AC could be significant in predicting ERB. Nevertheless, few studies indicated that AC and NC have no significance with ERB as indicated by William & Anderson (1991). Also, Shore & Wayne (1993) ascertained that AC had no significance with ERB. In summary, previous studies did not exactly conclude the relationship, but most of the studies showed that AC is significant to ERB.

Continuance commitment (CC) refers to commitment according the costs that an employee will not stay in the organization according to Allen & Meyer (1990). It has been recommended that CC is possibly negatively related to certain work behaviors as stated by Meyer & Allen (1997). One of the clarifications is that employees with strong CC believe they are “trapped” in a “no choice” situation, that is, they have to retain their services with the organization although they do not want to; as such, they react with anger to the situation and, consequently, behave negatively. Hence, employees with stronger CC may be more reluctant to execute in-role behavior (IRB) and extra-role behavior (ERB) because both behaviors are related to employee work behaviors.

According to Meyer & Allen (1997), NC is an employee feeling of commitment to the organization with certain benefits. The feeling of commitment is possible until the employee feel that they have returned their obligation according to Scholl (1981). In the study of O’Reilly & Chatman (1986), NC affected the employees’ extra-role behavior (ERB). In summary, NC is significant with IRB and ERB.
6. Conceptual Framework and Research Hypotheses

6.1 Conceptual Framework

Figure 1 shows the proposed conceptual framework that will describe and explain the relationship between employee perception of CSR practices, organizational commitment, and role behavior. The independent variable of this study is employee perception of CSR practices which contains four components, namely workplace, community, environment, and marketplace. The mediating variable is organization commitment which includes three components, namely AC, CC, and NC. The dependent variable is the role behavior which contains two components, namely in-role behavior (IRB) and extra-role behavior (ERB).

![Figure 1: The Proposed Conceptual Framework](image)

6.2 Research Hypotheses

The purpose of the conceptual framework is to explain how employees possibly tailor their commitment to the organization when rewarding CSR practices and how their behaviors manifest. Based on the proposed conceptual framework, several hypotheses were developed in order to investigate the relationship between employee perception of CSR practices and organizational commitment. Specific hypotheses were developed to test the mediating role of organizational commitment on the relationship between employee perception of CSR practices and behavior.

Hypothesis 1 (H1): Employee perception of CSR practices and role behavior is a positive relationship.

Hypothesis 2 (H2): Employee perception of CSR practices and organizational commitment is a positive relationship.

Hypothesis 3 (H3): Organizational commitment and role behavior is a positive relationship.
Hypothesis 4 (H4): Organizational Commitment mediates the employee perception of CSR practices and role behavior relationship.

7. Research Methodology

7.1 Research Design

The nature of this study is to validate the theoretical model and proposed hypotheses. Accordingly, the employee perception of CSR practices and role behavior relationship are assessed and described through a quantitative research design. This study is non-experimental in nature. The design fulfills further exploration of the proposed mediating role of organizational commitment through related research questions. Sekaran (2000) stated that quantitative method is a measurement process where standard deviations, frequencies or mean are the data required for descriptive studies. Creswell (2002) argues that the quantitative method is a proper method for measuring attitudes. The advantage of this method is that it has the capability of measuring the opinions, reactions, and the behaviors in a big sample using a questionnaire. Sekaran (2000) posited that this statistical aggregation facilitates comparison of data. Moreover, according to Byrne (2002), quantitative analysis can be obtainable in a communicable way to other which assist in raising objectivity in reading data, legality and constancy measures, and it is used in analyzing huge amounts of data briefly. Reasons for using the quantitative approach for this study include insufficient resources like period and cost, to obtaining the reliability result of the collected data, reducing the bias of judgment, and ratifying the research objective.

7.2 Sample and Location

220 sets of questionnaires were distributed to obtain employee responses in Penang SMEs sector. From the 220 sets of questionnaires distributed, 200 sets of questionnaires were distributed to SMEs in Penang to conduct the web survey and targeted 2 to 6 respondents of each SME to respond to the questionnaire. Another 20 sets of questionnaires were distributed personally by the researcher to SME in Penang. From the questionnaire distributed response rate of 115 or 52.3% was the feedback. However, 108 or 49.1% were properly accomplished and finally collected for the study. 30 to 500 sample size would be adequate according to Roscoe (1975) and as agreed by Sekaran (2000).

The respondents included 108 employees in Penang SME sector. With this, 83.3% operated in manufacturing related services, 14.8% in R&D and engineering and 1.9% in business & professional. 51.9% of males and 48.1 of females constituted the Penang SME sector. Moreover, the ages of less than 25 years were 7.4%, 26-30 years were 34.3%, 31-40 years were 33.3, 41-50 years were 12.0%, and 51 years or above were 13.0%.

From the respondents, 72.2% were Chinese, 16.7% were Malay, 8.3% were India, and another 2.8% were other. For the religion, 16.7% were Moslems, 60.2 were Buddhist, 9.3%
were Christians, and 8.3% were Hindus, and another 5.6% were others. Of the study subjects, five years or less 43.5% operated in their SME, 6 and 10 years were 16.7%, 11 and 15 years were 10.2%, 16 and 20 years were 8.3% and 20 years and above were 21.3% in the organizational tenures. On the number of employees, 6-19 employees were 5.6%, 20-50 employees were 16.7%, and more than 150 employees were 77.8%. High school level were 8 employees, college affiliated were 2 employees, bachelor degree holders were 81 employees, high diploma were 8 employees, and masters’ degree and above were 9 employees.

7.3 Instrumentation and Method of Collection

7.3.1 Instrument

The survey questionnaire was divided into four parts namely sections A, B, C and D. Questions included in section A are about the respondents’ democracy, gender, age, industry of the organization and education level in the organization. Moreover, section B was divided into four parts which include the questions about marketplace, environment, community and workplace which the organization has committed in CSR. Section C was divided into three parts which include the question about the affective commitment, normative commitment and continuance commitment. Section D was divided into two parts which include the question about the extra-role behavior (ERB) and in-role behavior (IRB).

7.3.2 Method of Collection

Data collection is simply a technique that is used to collect empirical research data according to Sekaran (2003). The data were collected over quantitative means and two methods were used to collect the data in this study. First, the researcher personally administered the questionnaires on the SMEs sector in Malaysia (Penang). Second, the researcher conducted the web survey and emailed the web survey address to the SMEs sector in Malaysia (Penang). The web survey design was used a page-by-page construction so that each of the sector questions appeared on its own screen page where a colored background was used to contrast with black and white answer spaces.

The procedure for collecting the data restricted only to Penang SMEs sector is as follows: In the first stage, the researcher contacted the SMEs as management requesting to carry out the survey with their employees and for academic purposes and obtain their employee’s responses on the questionnaires distributed. Questionnaires were distributed to SMEs and later retrieved from them. In the second stage, the researcher created a web-based survey via Google and documents were emailed from the web survey address to the SMEs to obtain their responses.

7.4 Data Analysis Procedures

This study employed several statistical methods to analyze the data collected and to respond to the hypotheses. The Statistical Package for Social Science (SPSS) version 22.0 was used to analyze the data. Factor analysis was used to check the validity. Reliability
performed using Cronbach's alpha coefficient of a scale should be above 0.70 to reflect consistency according to George & Mallery (2003). Descriptive Analysis, Mediation Regression Analysis and Hierarchical Regression Analysis were applied as analysis method of statistics.

8. Discussion of the Findings

Hypothesis 1 assumes that employee perception of CSR practice dimensions will have a positive correlation with the role behaviors. The results of testing this hypothesis revealed that marketplace and environment dimensions have positive and significant relationships with the in-role behavior dimension. Community dimension was not supported with the in-role behavior dimension because it has both negative and significant relationship. Workplace dimension was not supported as well with the in-role behavior dimension because it has positive and insignificant relationship. On the relationship between employee perception of CSR practice and extra-role behavior, only workplace dimension has positive and significant relationship with the extra-role behavior dimension. Marketplace and environment dimensions have positive and insignificant relationship with the extra-role behavior dimension. Community dimension has negative and insignificant relationship with the extra-role behavior dimension.

Hypothesis 2 predicts that there is positive relationship between employee perception of CSR practice and organizational commitment. The results show that workplace dimension has positive and significant relationship with the AC and CC dimensions, but has positive and insignificant relationship with the NC. Marketplace has positive and significant relationship with the CC dimension, but has negative and insignificant relationship with AC and NC dimensions. Community dimension has positive and significant relationship with the NC dimension, but has positive and insignificant relationship with CC dimension and also has negative and insignificant relationship with AC dimension. Environment dimension has positive and insignificant relationship with the AC dimension, and has negative and insignificant relationship with CC and NC dimensions.

Hypothesis 3 assumes that organizational commitment will have positive correlation with role behaviors. In general, the result of regression analysis demonstrated that relationships between the AC dimension and the two dimensions of role behaviors (in-role behavior and extra-role behavior) are positive and significant. On the contrary, the results indicate that the CC and NC have positive and insignificant relationship with the in-role behavior and extra-role behavior dimensions respectively. The in-role behavior and extra-role behavior dimensions have insignificant and negative relationship with CC and NC dimensions.

Hypothesis 4 predicts that organizational commitment mediates the relationship between employee perception of CSR practice and role behaviors. The results of the study revealed
that AC partially mediates the relationship between environment and in-role behavior. AC has no mediation relationship between marketplace, workplace, and community and in-role behavior. CC and NC has no mediation relationship between all the CSR practice dimensions and in-role behavior. AC, CC and NC have no mediation relationship between all the CSR practice dimensions and extra-role behavior.

9. Implications of the Study

The findings of this study have several theoretical and practical implications. This section will present the theoretical implications followed by some practical implications for the SME employees in Penang.

9.1 Theoretical Implications

Previous literature revealed that the impact of CSR on employees work behaviors was conducted in very little empirical studies according to Turker (2009), Aguilera et al. (2007), and Peterson (2004). One of the reasons behind this as mentioned by Peterson (2004), is the lack of theoretical reasons to link an organization's social performance with employees' work behaviors.

Therefore, this study attempts to fill this theoretical gap by first anchoring on the established social identity theory (SIT). SIT studies the impact of individual perception, social categorization and group distinctiveness on individuals’ attitudes and behavior according to Cinnirella (1998). Based on SIT, individuals are inclined to emphasize their self-confidence and strengthen their social commitment and responsibility. SIT suggests that individuals categorize themselves as members of certain social groups. Tajfel (1982) has stated that the individuals will achieve positive self-esteem when they sense an in-group identity that differentiates themselves from the out-groups. By doing so, their behaviors will conform to the group. Turner (2001) also argued that individuals see themselves more as similar representatives of their in-group.

Riordan et al. (1997) stated that employee perception of corporate image through establishment employee identification with the organization can negatively impact turnover and positively impact organization commitment. As suggested by Ashforth & Mael (1989), CSR initiatives help to develop employee identification with the organizations, through creating position to their SIT.

9.2 Practical Implications

From practical perspectives, SME sector in Penang has provided a wealth of practical consideration based on the findings of this study. The current study results indicate that employee perception of CSR practices are significantly related to OC and role behaviors and even the main hypotheses were partially supported. Therefore, high employees' commitment may result from good CSR. In order to get greater levels of commitment, SME employers
should focus more on CSR practices in marketplace, workplace, environment and community to create a sense of obligation that is most desired by employees. Consequently, the result that AC partially mediates the relationship between environment and in-role behavior would benefit SME employer in the sense that they should bear in mind that good environment practices lead to improving the level of OC and in turn enhancing the level of AC. The results are important as it gives pointers to SME employer to adopt and to search for environment practices to sustain employees’ commitment.

As a result, the management should pay attention to all aspects of CSR cultural characteristics should be considered. In addition, Malaysia's cultural orientation is characterized by collectivism. The relationships between Malaysia employees’ CSR perception and work outcomes in such a culture deserve special attention. The culture, be it the social culture or corporate culture, might influence an organization's CSR programs. Thus, it is necessary for researcher and managers to take account of the cultural influence.

10. Recommendations for Future Research

The limitations outlined above could be addressed in future research. Future research is needed to extend the study to distinct states in Malaysia because this study only focuses on Penang SME sector employees. Future studies can also be made to study the impact of employee perception of CSR practice on organizational commitment and role behaviors using multiple respondents in a given organization. This can assist to realizing awareness on how CSR practices impact on employees’ attitudes and behavior. Future research, on huge population can be generalized as an outcome from the huge sample size for the conceptual model utilized in the study.

For other possible purposes, it would be interesting to replicate this study in a longitudinal design, so that it could be determined if employee perception of CSR practice, organizational commitment and role behaviors are conditions and relationship that are likely to be sustained. Another future direction is to investigate other factors that might influence the level of organizational commitment and role behaviors to SMEs like belief and apparent organizational support. Finally, it is necessary to examine CSR practices impact such as acceptance to innovation, quality management, organizational commitment, and employee role behaviors to the SMEs potentials for future study.

11. Conclusion

The study has made a unique contribution to literature on the effect of employee perception of CSR practice on employees’ attitude and behaviors in Penang SME sector of the employee population. Guided with empirical evidence it links employee perception of CSR practice with organizational commitment, employee perception of CSR practice with the
role behaviors, organizational commitment with the role behaviors, and also link employee perception of CSR practices, organizational commitment and role behaviors.

The current results have also indicated that AC partially mediates the relationship between environment and in-role behavior. On the contrary, the results indicate that the AC has no mediation relationship between marketplace, workplace, and community and in-role behavior. CC and NC have no mediation relationship between marketplace, environment, workplace, environment and community and in-role behavior. Unexpectedly, the results indicated that AC, CC and NC have no mediation relationship between marketplace, environment, workplace, environment and community and extra-role behavior.

Generally, it can be summarized that employee perception of CSR practices in SMEs will not exactly indication an advanced level of role behavior through organizational commitment effects. However, good environment dimension of CSR practice will be able to increase the employee in-role behavior through the effects of affective commitment.

References


