



## Article

### The Effect of Corporate Social Responsibility on Employee Satisfaction, Employee Engagement and Employee Retention

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#### ABSTRACT

Corporate social responsibility (CSR) has emerged as a critical philosophy and a strategy that affects employee attitudes. While much of the CSR research focuses on the relationship between CSR activities and external customers, relatively few studies examine the impact of CSR from the perspective of employees. This study examined the effect of CSR on employee engagement, satisfaction, and retention. Data was collected from 300 employees working in cement companies of Pakistan. A questionnaire was used to collect data and all scales were adopted from previous studies. Convenience sampling technique was used and respondents include both managerial as well as non-managerial staff members of the cement companies. The respondents were asked to rate their opinions on a five point Likert scale ranging from 1 strongly disagree to 5 strongly agree. Employees were contacted personally and questionnaires were collected three weeks after distribution. Out of 4000 questionnaires distributed, 300 responses were collected. SPSS was used to analyze the data. Through regression analysis, the study found that CSR was positively associated with employee engagement, employee satisfaction, and retention. These findings are very meaningful for decision makers and researchers. It depicts that organizations can enhance their employee engagement, satisfaction, and retention through involving themselves in social activities for instance, identifying needs of the community and fulfilling them, working for better environment, involving in employee welfare, producing quality products for customers and complying with government rules and regulations and working within legal ambience. All these activities significantly and positively influences employee positive behaviors and improve organizational performance.

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## 1. Introduction

The importance of corporate social responsibility (CSR) for organizational success has been well established in the literature. Many companies are realizing that CSR is a high profile notion that the business world perceives as strategic (Porter & Kramer, 2006). CSR has been found to relate with a lot of macro level outcomes such as firm performance, environmental performance, brand image, organizational success, stakeholders' confidence, and market share. However, seemingly less attention has been paid on the micro-level outcomes of CSR such as employee behaviors and consumer purchase decisions. This study is going to examine the effect of CSR on employee level behaviors in Pakistani context. There have been studies on the effects of CSR on employee behaviors in western countries and developed economies but less attention has been given on the effect of CSR on employee outcomes in developing economies. By studying a manufacturing industry of Pakistan, this study will extend the knowledge base to include Asian perspective into the research stream.

Several studies have shown that firms that perform socially responsible activities enjoy benefits such as customer satisfaction and favorable customer evaluations (Brown & Dacin, 1997; Luo & Bhattacharya, 2006; Marin, Ruiz, & Rubio, 2009). However, the effectiveness of CSR activities on internal stakeholders (i.e., employees) has remained largely neglected (Larson, Flaherty, Zablah, Brown, & Wiener, 2008) though a recent global survey of 1,122 corporate executives suggests CEOs perceive that businesses benefit from CSR because it increases attractiveness to potential and existing employees (The Economist, 2008). Although some previous studies emphasized the relationship between CSR and organizational commitment (Brammer, Millington, & Rayton, 2007; Outa, Eisenberg, & Ozili, 2017; Rodrigo & Arenas, 2008), the study of CSR in Asia is a relatively under-researched area and the way in which CSR initiatives influence employees' behaviors to the organization remains unclear. Scholars neglected to consider employees' self-evaluation of CSR initiatives. Therefore, it would be helpful to

consider the effect of CSR on an employee's engagement, retention, and satisfaction.

It is believed that manufacturing industries (e.g., chemicals, textiles, petroleum, mining, tobacco) that emit waste into the environment and produce goods harmful to society engage in CSR to legitimize their business activities and improve their image (Moerman & Van Der Laan, 2005). Cement industry is also not an exception since it has to deal with a lot of waste and environmental pollutants. The hazards to the nature due to this industry are intense and therefore the responsibility to act socially and in a responsible way is ever increasing on this industry. On the contrary, we argue that firms in nonmanufacturing industries (e.g., banking, finance, accounting, and software firms) create fewer social hazards as these manufacturing industries provide services useful to the society with socially friendly management processes.

This leads us to assume that unlike manufacturing industries that produce goods harmful to the society or use processes that eventually harm the society, nonmanufacturing industries may not be under pressure for CSR. In consideration of these problems, this study explores the effect of CSR on employee's job related outcomes in Cement industry. The reason to select cement industry is that it emits waste into the environment and produces goods harmful to society.

In order to achieve organizational success, it is extremely important for organizations to keep their employees engaged, satisfied, and retained. Among various factors that can help organizations to achieve positive employee behaviors, CSR is considered to be equally effective. Recently, employees working in manufacturing sector have begun to attach greater meaning to social responsibility aspects of their organizations. If organizations do not formulate socially responsible strategies, employees may engage in negative behaviors. Therefore, the effect of CSR on employee outcomes especially in context of manufacturing industry is to be examined in detail. These relationships have been well established in western world but the effect of CSR on employee behaviors in the developing countries has still been



lacking. Additionally, previous studies have chiefly examined the impact of CSR activities at the macro level (H. G. Aguinis, 2017), discounting its influence on employee level outcomes. In order to gain a more comprehensive understanding of the concept of CSR, it is important to focus on its micro foundations (H. Aguinis & Glavas, 2012). This study is going to examine the effect of CSR on employee retention, engagement, and satisfaction in the cement industry of Pakistan.

The basic purpose of this research is to examine the effect of CSR on employee satisfaction, employee engagement and employee retention. The research context is specific to the employees working in various cement manufacturing companies working in Pakistan. Further, this study also anticipates achieving the following objectives.

1. To examine the effect of corporate social responsibility on employee satisfaction.
2. To test the effect of corporate social responsibility on employee engagement.
3. To study the effect of corporate social responsibility on employee retention.

This study will suggest significant influence of employees' CSR perceptions on their attitudes and behaviors. Particularly, the employees with favorable perception of socially responsible acts of their organization were less likely to think about leaving the organization. Additionally, the study results delineate the role of work engagement in understanding the potential of firm's involvement in CSR activities in influencing the employee attitude and behavior at work. Thus, the study advances the existing engagement literature by adding a novel enabler to its list of existing antecedents. These results highlight how organizations can leverage their CSR investments for enhanced employee engagement, employee satisfaction, and reduced turnover intentions. In addition, the findings will offer incentives to business managers to enact CSR and integrate CSR with organizational strategic at every level in the organization.

Further, these evidences highlighting the benefit of CSR for the organizations are likely to

motivate organizations to increasingly make CSR a part of their day to day work lives. Organization's noble intentions should be reflected in organizational policies and practices like performance appraisals, compensation administration, recruitment & selection, etc. They all should be aligned with CSR efforts of the organization (Morgeson, Aguinis, Waldman, & Siegel, 2013). In fact a vision or a strategy statement indicating social orientation could fetch greater benefits for the organization in addition to reporting and communicating their efforts in the social domain. Furthermore, the study by providing persuasive evidence on tangible business benefits of CSR initiative addresses the concerns of corporate managers to prove the business potential and value engendered by their CSR efforts. The managers will be able to understand that employees' positive behaviors can be enhanced considerably through acting in a socially responsible way.

The rest of the study organized in following way. The second section is about the literature review and research hypothesis. The third section discusses the methodology and fourth section includes results and discussion of results. The fifth section represents the conclusion and future research.

## 2. Literature Review and Research hypothesis

### 2.1 The development of CSR in general management

Corporate social responsibility (CSR) describes the complex interrelationships between businesses and the larger society (Carroll, 1979). CSR programs are becoming a key element of business strategy as they represent a competitive advantage that enhances firm performance while supporting society (Kim, Rhou, Uysal, & Kwon, 2017; Shen & Benson, 2016). Described as the 'father' of CSR by (Carroll & Shabana, 2010), (Bowen, Rajgopal, & Venkatachalam, 2008) highlighted the impact of leading businesses upon the lives of citizens and asked what responsibilities this impact placed upon them. The impact on society, environment, various stakeholders, suppliers, distributors, retailers, competitors, governments, customers, employees, and



nature should all be considered while formulating an organization's strategy (H. G. Aguinis, 2017).

According to (Bowen et al., 2008) social responsibility was the obligation on business leaders to make decisions and pursue goals that followed actions desirable in the context of social objectives and values, an idea most famously challenged by (Friedman, 1970), who claimed the social responsibility of the business is "to use its resources and engage in activities designed to increase its profit without deception or fraud." Tempered by a minimal adherence to legal regulations, Friedman (1970) approach to CSR is updated by (Herbst et al., 2005), and represents the 'ethical' approach to CSR, with (Bowen et al., 2008) approach representing the opposite 'altruistic' pole.

## 2.2. CSR and Employee Satisfaction

Researchers and practitioners often think of CSR primarily as an organizational activity with decisions, activities, and outcomes at the organizational level (Rupp, Ganapathi, Aguilera, & Williams, 2006). However, since the successful and strategic implementation of CSR activities depends on the commitment of employees (Collier & Esteban, 2007), there is a strong need for research to comprehensively address the processes and contingencies that link CSR programs and employee outcomes (H. Aguinis & Glavas, 2012; Glavas, 2016). This relationship also has direct implications for the role of human resource management in CSR (Jamali, El Dirani, & Harwood, 2015).

Employers that see their employees as an asset, as a very precious intellectual capital, tend to treat them well. Some treat them so well that these companies are recognized by their employees as best places to work and, in some cases, to live. When employees perceive that their companies take care of the society as well as other stakeholders, they tend to show higher level of satisfaction with the employer (Kim et al., 2017; Shen & Benson, 2016). For example, if an organization behaves responsibly by preserving the natural environment, devises effective strategies to protect nature, makes efficient environmental management systems, inculcates pro-

environmental behaviors among employees, and disposes off wastes by taking into account all the stakeholders, employees would feel a sense of pride to work for such an organization. In such scenario, identification with organization also increases and employees tend to feel more satisfied working for such an organization.

A study among nurses in USA was conducted by Varghese et al. (2016) and their perceptions about hospital's values about social reasonability and environmental management were recorded. The results of this study found that nurses who perceived that their hospitals took care of patients by giving free treatments to the deserving people, had proper waste management protocols, implemented a policy of social responsibility, protected the natural environment as much as possible, and cooperated with all the stakeholders whenever it was about nature and society benefits, the level of satisfaction derived from job and such hospitals was higher. On the contrary, a nurse who perceived social responsibility of his/her hospital to be lower and ineffective, the sense of belongingness with the organization deteriorated quite substantially. Such nurses were dissatisfied from their current organization and experimental manipulations confirmed that they were not talking care of patients in a professional manner and were not completing assigned duties as communicated.

H1. There is a positive relationship between perceived CSR and employee satisfaction.

## 2.3. CSR and Employee Engagement

According to SIT, people describe themselves in terms of the social groups (nation, organization, political affiliations) to which they belong (Abrams & Hogg, 1988). They take group's success/failure as their own personal success/failure. In order to distinguish themselves from others, individuals strive for positive social identity (Ryan, Hewstone, & Giles, 1984). Group membership provides employees with such sense of identification. Being a member of a socially responsible organization can provide the employees with such psychological distinctiveness in terms of organizational values and practices (Turker, 2009). Dutton and Dukerich (1991) assert that there is a strong connection between



employee's sense of organizational identity, corporate image and employee motivation. When organizations are perceived as socially responsible, employees tend to remain committed to such organizations and therefore they are expected to stay for a longer term to the organization as they feel that social acceptance in remaining in the current organization is higher as compared to employees who do not feel such acceptance (Kim et al., 2017; Shen & Benson, 2016).

Karanika-Murray, Duncan, Pontes, and Griffiths (2015), reported positive association between organizational identification and work engagement. Specifically, work engagement was found to mediate the relationship of organizational identification with employee satisfaction. Tench and Jones (2015) contends that the pride of working for a socially responsible organization adds to the self-confidence of employees and improves their self-esteem. As a result of which, they are likely to feel more proud of their work and find it even more meaningful and hence stay engaged (Hackman & Oldham, 1980). Self-esteem is an important personal resource which has been repeatedly shown to predict work engagement using job demands resources (JD-R) model (Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009).

Employees feel engaged and committed to the organizational processes and targets when they feel that their organizations support the environment and other perspectives of stakeholders. One reason that might be accredited to this finding is that sense of recognition from other stakeholders means a lot to the employees. When employees listen to other stakeholders that their companies are being talked in a good sense, a positive energy initiates. This energy makes them engaged more strongly to the organizational goals and they may go beyond their call of duty to contribute in other discretionary ways. Thus, CSR by helping employees satisfy their self-esteem needs contributes to better employee-organizational relationship which ultimately determines the extent to which employees bring their true selves to work. Ferreira de Oliveira et al. (2014), using scenario approach found some evidence for the association between CSR and employee engagement. Though no significant association was found between CSR directed towards internal and external stakeholders

and different dimensions of employee engagement, engagement scores were found to be higher for employees exposed to internal CSR as compared to external or general CSR.

The CSR activities of the organization directed towards employees are likely to affect them directly and hence can be expected to relate more strongly to their engagement levels as compared to the activities directed towards other stakeholders. Employee friendly policies, fair and transparent performance appraisal systems, career planning & development, fair decision making etc. are likely to improve the organizational climate, which has been shown to relate positively to work engagement.

Hoffman (2017) argued that CSR toward employees will enhance employees self esteem and organizational identification as focusing on employees' welfare enhances positive external image of the organization as an employer of choice. If an organization is unable to respond in socially acceptable ways, employees may feel disconnected with other stakeholders and society. This feeling of disconnection is likely to increase emotional dissonance among individuals and as a consequence, they might not be able to engage with full devotion to their existing tasks and responsibilities. Both CSR and work engagement are amongst the most highly conferred topics in the business and academic community. At the same time, recent studies suggest that there is an attitudinal and performance facet to CSR perceptions. This sparks the interest in relating the two seemingly discrete constructs.

Engaged employees display high level of energy, dedication and absorption at work (Schaufeli, Salanova, González-Romá, & Bakker, 2002). High identification with work and resources provided for growth and development makes employees hesitant to leave the organization. According to Conservation of Resources (COR) theory (Hobfoll, 2001), people have a tendency to protect the resources and they invest resources only to build more resources. If an organization is unable to respond in socially acceptable ways, employees may feel disconnected with other stakeholders and society.



H2. There is a positive relationship between perceived CSR and employee engagement.

#### 2.4. CSR and Employee Retention

Supportive work environment is viewed as the climatic factor such as supervisory or peer support as well as the constraint and opportunity to perform learned behavior on the job (Baldwin & Ford, 1988). In supportive work environment, employees feel supported and encouraged (Ma Prieto & Pilar Perez-Santana, 2014). Work environment factor includes supervisory support, organizational support, and peer support (H. G. Aguinis, 2017).

Retention of the most valuable employees is evidently important to every organization but the task is not always simple: the typical obstacles standing in the way of employees' commitment are the limited opportunities for self-directedness and establishment of a sense of community amongst people, as well as failing to create such goals that enable people to find a deeper meaning for their employment relationship (Vassos et al., 2016). Other factors such as the ever decreasing number of employees in many countries forces organizations to develop new ways to, in general, attract the workforce they want and need (Alasoini, 2009; Kim et al., 2017; Shen & Benson, 2016).

Guthrie, Cuganesan, and Ward (2008) have found evidence that high-involvement work practices contribute to the retention of an organization's critical human assets. In other words, there is a growing and rich research stream that has addressed antecedents, moderators, and mediators of why, how, and when employees engage in CSR. In addition, the emphasis has been mostly on outcomes that result from employee engagement in CSR (Ma Prieto & Pilar Perez-Santana, 2014). The independence of selecting good employees is ever on the rise in context of organizations. CSR is a trait that organizations must possess if they want to succeed in longer run. Businesses are usually carried with an intention that they will flourish only when they have engaged employees. After all, it is the employees and not the organizations that make a difference. Hence to ensure that a greater difference is maintained for a longer

period of time, organizations need to engage in CSR activities (Ma Prieto & Pilar Perez-Santana, 2014).

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Participating in CSR activities, such as Businesses are usually carried with an intention that they will flourish only when they have engaged employees. After all, it is the employees and not the organizations that make a difference. Hence to ensure that a greater difference is maintained for a longer period of time, organizations need to engage in CSR activities (Brammer & Pavelin, 2006), Businesses are usually carried with an intention that they will flourish only when they have engaged employees. After all, it is the employees and not the organizations that make a difference. Hence to ensure that a greater difference is maintained for a longer period of time, organizations need to engage in CSR activities. Businesses are usually carried with an intention that they will flourish only when they have engaged employees. After all, it is the employees and not the organizations that make a difference. Hence to ensure that a greater difference is maintained for a longer period of time, organizations need to engage in CSR activities, the recent work of (Bailey, Bode, Christiansen, Klaff, & Alva, 2015) that empirically tests the CSR–turnover relationship.



De Roeck, Marique, Stinglhamber, and Swaen (2014) found empirical support for the above proposition where case to build here is the fact that employees consider themselves an eternal part of the organization and in order to be accepted by society as responsible citizens they want their organizations to be socially aware also be treated well (Glavas, 2016). If at any point of time employees doubt the legitimacy of CSR policies and programs they are likely to respond by reducing the part of selves they bring to work (Steer, 2005). Vlachos, Panagopoulos, and Rapp (2013) reported that employees' case to build here is the fact that employees consider themselves an eternal part of the organization and in order to be accepted by society as responsible citizens they want their organizations to be socially aware their attitudes and intentions through trust.

Egoistic driven motives behind CSR were found case to build here is the fact that employees consider themselves an eternal part of the organization and in order to be accepted by society as responsible citizens they want their organizations to be socially aware word of mouth (Kim et al., 2017). Some empirical studies have reported that organizational justice perceptions positively predict employee engagement and retention (Shen & Benson, 2016).

Employees in an organization can be retained by three R's, namely, reward, recognition, and respect which are ultimately responsible for improved efficiency, reduced absenteeism, pleasurable work environment, and higher earnings (Nazia & Begum, 2013). In accordance with the past literature, case to build here is the fact that employees consider themselves an eternal part of the organization and in order to be accepted by society as responsible citizens they want their organizations to be socially aware (Garrigues Walker & Trullenque, 2008). Guchait and Cho (2010) have projected case to build here is the fact that employees consider themselves an eternal part of the organization and in order to be accepted by society as responsible citizens they want their organizations to be socially aware (Ghosh & Sahney, 2011).

H3. There is a positive relationship between perceived CSR and employee retention.

### 3. Research Methodology

#### 3.1. Sample and Research Design

This study devised a strategy to collect data from a sample that could be reasonably representative of the population characteristics. The sampling strategy used to collect data was convenience sampling as it was not possible for us to gather sampling frame due to non-cooperation of HR departments to provide us with complete details of the employees working at different sites. Surveys were personally distributed to the employees and they were given one week time to respond back. Before distributing questionnaires, formal permission was requested from the concerned authorities to allow us for the data collection.

The purpose of the study was shared with the concerned authorities. The researcher also ensured them about the confidentiality and anonymity. In this study 350 employees were recruited and sample size was determined through the Yamane (1967) formula.

$$(n = \frac{N}{1 + Ne^2})$$

N= represent population, and e= error of estimation, N= stands for sample size and it was taken 5% points.

This study focuses on to analyze the effect of CSR on an employee's engagement, satisfaction, and retention. In order to examine these relationships, the current study used survey methodology and collected data from respondents. The nature of the research is exploratory and deductive approach was used since the purpose of the study was to test a set of hypotheses. Generally a slight numbers of research plans are used in "management sciences such as longitudinal study, cross sectional study, descriptive study and case study though, methods used for a specific research design depends on the connection among variables, main purpose of the study and a kind of data.

#### 3.2 Theoretical Framework

As shown in the figure below are the variables of the study. The figure highlights that CSR is the independent or predictor variable. There are



three outcomes or dependent variables of this study. The first dependent variable of this study is employee engagement. The relationship between CSR and employee engagement will be tested empirically. The second dependent variable is employee satisfaction. The model shows that CSR is related positively with

the satisfaction level of employees. The last dependent variable is employee retention. As the perception of CSR increases, employees display greater propensity to stay in the current organizations. The theoretical framework is presented in the following figure.

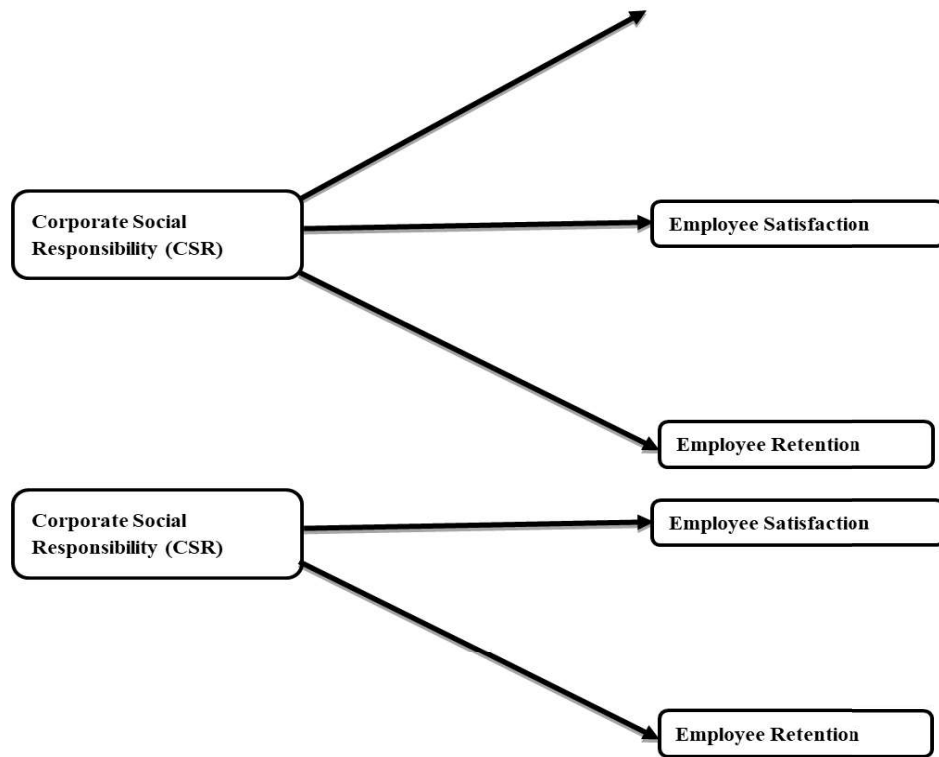


Figure 3.1 Theoretical Framework

### 3.3. Instrument Development

The instrument was developed for individual level unit of observation. Each of the respondents of the study would have to complete measure on perceived CSR, employee engagement, satisfaction, and retention. The respondents were asked to rate their opinions about the extent of agreement or disagreement of the statements. All the responses were recorded by the same individual. The respondents

were also asked about demographic details such as age, gender, experience, qualification, etc. The operational definitions of the studied variables are presented in the following table.



**Table1: Operational Definition**

<u>Variables</u>	<u>Definition</u>
<b>Corporate Social Responsibility (CSR)</b>	CSR (Corporate social responsibility) is the overall association of the corporation with all of its social shareholders. These includes on consumers, environmental workers, publics, owners/stakeholders, economic administration, competitors and suppliers. Elements of social responsibility contains investment in employee dealings, public outreach, care and creation of employment, financial performance and environmental stewardship.
<b>Employee Satisfaction (ES)</b>	ES (Employee satisfaction) is defined as the incorporation of operational responses to the difference explanations of what he or she desires to get coordinated with what he or she essentially receives(Cranny, Smith, & Stone, 1992).
<b>Employee Engagement (EE)</b>	Employee engagement is defined as, the actual time share of physical, intellectual and sensitive energy in work connected performance and character as a mean of self-expression (Kahn, 1992).
<b>Employee Retention (ER)</b>	ER (Employee retention) is defined by way of the Methods cast off through organizations to avoid employees from departure an organization. Johnson, Fleischman, Valentine, and Walker (2012) retention is defined as the competence to remember those employees you want to reservation, for longer than your participants with using their capabilities for the organization performance.

### 3.4. Measurement of Variables

#### 3.4.1. Corporate social responsibility

Vinerean, Cetina, Dumitrescu, and Tichindelean (2013), 06-item scale was used to measure employees' perception of CSR as this is the only scale available in the literature which has adopted stakeholders approach to the measurement of CSR perceptions. The Cronbach alpha value for the overall scale was found to be .711.

#### 3.4.2. Employee engagement

Employee engagement was measured using psychological engagement measure developed by (Vul & Rich, 2010). The items of the scale represented three engagement dimensions: cognitive, emotional and physical engagement as proposed by (Kahn, 1992).

The scale consists of four items and uses a 5-point Likert scale (1=strongly disagree, 5=strongly agree).

The scale was found to be reliable with Cronbach alpha value of 0.834.

#### 3.4.3. Employee satisfaction

This study took our five-item measure of satisfaction (with the company and not with the job) from (Davies, Moss, & Hill, 2004) recommend to others, happy to be associated with, affinity towards, good reputation and overall satisfaction.

#### 3.4.4. Employee retention

The employee retention scale describes the intention to stay among employees. The items were



measured using a modified version of Seashore et al. (1982).

#### 4. Results and Discussion of Results

##### 4.1. Descriptive Statistical Analysis

The descriptive statistic indicated the positive tendency in all variables, in this study. The values of mean for variables corporate social responsibility, employee retention, employee satisfaction and employee engagement are high while values for standard deviation are very low, which show greater power into the variables. The highest mean of 4.13 was of employee engagement whereas lowest mean of 3.58 was of employee retention. So it proves that the replies of responders are authentically relating to one another's. The standard deviation and mean of each variable of the present research study are presented below.

**Table 2. Means and standard deviations**

Variables	N	Mean	Std. Deviation
Corporate Social responsibility	350	3.87	0.52
Employee Satisfaction.	350	3.66	0.25
Employee Engagement.	350	4.13	0.43
Employee Retention.	350	3.58	0.28

##### 4.2. Reliability Analysis

The reliability of the scales was assessed using Cronbach's alpha. The reliability analysis results are depicted in Table 3 for variables under consideration. All the variables were found reliable as the values were above 0.7

**Table 3. Reliability Results for all Variables**

Description of Variables	Reliability Statistics	
	No. of items	Cronbach's Alpha
Corporate Social responsibility	06	.711
Employee Satisfaction.	05	.798
Employee Engagement.	11	.834
Employee Retention.	05	.894

##### 4.3. Correlation Analysis

Correlation analysis is used to check the strength of association among different variables. The value of correlation ranges from -1 to +1. The values of correlation were found in positive direction as expected. Table 4 highlights the correlation analysis among all variables.

**Table 3. Correlation Analysis**

	CSR	ES	ER	EE
Corporate Social Responsibility	1	.528*	.419**	.388*
Employee Satisfaction.		1	.213*	.189
Employee Retention.			1	.323*
Employee Engagement.				1

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at 0.05 level.

Table 4.3 shows that there is significant and positive correlation between the CSR and employee engagement ( $r = .388$ ), between CSR and employee satisfaction ( $r = .528$ ), and between CSR and employee retention ( $r = .419$ ). These correlations provide initial evidence that the proposed hypotheses are accepted but to further confirm whether the positive relationship between CSR and outcome variables exist, regression analysis is conducted in the next section.

##### 4.4. Regression Analysis

In our study, there was one independent variable (CSR) and three dependent variables (employee satisfaction, employee engagement, and employee retention). We want to test the effect of predictor (CSR) on three outcomes (employee satisfaction, employee engagement, and employee retention). In order to test the hypotheses, regression analysis was performed. Table 4 shows the model summary of the effect of predictor (CSR) on three outcomes (employee satisfaction, employee engagement, and employee retention).



Variables	Model 1(ES)		Model 2 (EE)		Model 3(ER)	
	Coef. Value	p-	Coef	p-Value	Coef.	p-Value
CSR	.527	0.000	0.371	.027	.326	.019
Constant	6.204	0.000	5.027	0.000	3.287	.000
Adj-R <sup>2</sup>		36.9		37.7		43.9
N		350		350		350

Table 4 shows the regression results. The independent variable that was entered in regression equation is CSR whereas the dependent variable of the equation is employee satisfaction in Model 1. The beta coefficient of the effect of CSR on employee satisfaction was found to be 0.527 with 1 percent level of significant. This implies that for a unit change in CSR, the change in employee satisfaction would be 0.527. So, as the perception about CSR increases, employee satisfaction with the company also increases, supporting hypothesis 1 that there is a positive association between CSR and employee satisfaction.

Table 4 model 2 shows the effect of CSR on employee engagement. The beta coefficient of the effect of CSR on employee engagement was 0.371 with 1 percent level of significant. This implies that for a unit change in CSR, the change in employee engagement would be 0.371. So, as the perception of CSR gets stronger, employee engagement enhances, supporting hypothesis 2 that there is a positive association between perceived CSR and employee engagement.

Table 4 model 3 shows the positive effect of CSR on employee retention. The independent variable that was entered in regression equation is CSR whereas the dependent variable of the equation is employee retention. The beta coefficient of the effect of CSR on employee retention was found to be 0.326. This implies that for a unit change in CSR, the change in employee retention would be 0.326. So, as the

perception that company is socially responsible increases, employee tend to stay in their current organizations, accepting hypothesis 3 that there is a positive association between CSR and employee retention.

#### 4.5. Discussion of Results

Increasing involvement of organizations in CSR due to consistent pressure from multiple stakeholders emphasizes the need to ascertain the business value of CSR efforts of an organization. In this direction, the study investigates the influence of employees' CSR perceptions on their satisfaction, engagement, and retention. The current research suggests that CSR is found to positively affect employee satisfaction (Agnihotri & Bhattacharya, 2016) However, only sustainable programs that are appealing to employees should be considered.

The study results suggest significant influence of employees' CSR perceptions on their attitudes and behaviors. Particularly, the employees with favorable perception of socially responsible acts of their organization were satisfied with their organizations. Thus, the study advances the existing satisfaction literature by adding a novel enabler to its list of existing antecedents. Another finding of the current study is the positive relationship between perceived CSR and employee engagement. This finding highlights how organizations can leverage their CSR investments for enhanced employee engagement.



More specifically, when employees believe that the organization supports social responsible strategies, they could work with more satisfaction and could then express greater engagement in the organization. This is consistent with the findings of previous studies by scholars (Edgar & Geare, 2005; McGuire & McLaren, 2009). CSR towards employees had the strongest impact on employees' engagement at work. As these actions of employer are likely to directly address the functional and psychological needs of employees in the organization (De Roeck et al., 2014), the study results were no surprise for us. These results support the findings of (Brammer et al., 2007), where internal CSR as measured through training and procedural justice in a study amongst financial services employees in UK was found to relate significantly with employee engagement.

The last finding to report in the current study is the positive effect of perceived CSR on employee retention. When employees perceive their companies to be highly responsible in terms of social context, they tend to work for longer term and retain in their respective organizations. This result is consistent with (Hassan & Nareeman, 2013) study who found a positive association between CSR and employee retention in Malaysian SMEs. However, this finding is specific to the employees working in cement industry that has not been empirically examined before.

This study makes three important theoretical contributions. First, micro-level consequences of CSR have been seldom studied. This study has examined the effect of CSR on an individual's behaviors thereby extending the literature to the micro-level. Second, the effect of CSR on employee outcomes in developing countries context has received minimal attention in the current literature. This study is based on Pakistani context. It has highlighted the importance of CSR for companies operating in developing countries.

## 5. Conclusion and future research

The study by observing the association between CSR efforts of an organization, employee engagement, employee satisfaction, and employee retention adds to the existing body of literature where

there is critical dearth of academic literature relating employee perceptions of CSR with attitudes and behaviours at workplace. The study makes a novel contribution by not examining the direct association between the CSR and employee satisfaction, engagement, and retention. It extends the existing literature on CSR which primarily focuses on external stakeholders by examining its influence on retention of employees. Thus, the study bridges the macro-micro divide and addresses to the need for micro level research in the CSR stream, highlighted by researchers as the prominent research area (Morgeson et al., 2013). In addition, the above findings will offer incentives to business managers to enact CSR and integrate CSR with organizational strategic at every level in the organization. Further, these evidences highlighting the benefit of CSR for the organizations are likely to motivate organizations to increasingly make CSR a part of their day to day work lives. Organization's noble intentions should be reflected in organizational policies and practices like performance appraisals, compensation administration, recruitment & selection etc.

They all should be aligned with CSR efforts of the organization (Morgeson et al., 2013). In fact a vision or a strategy statement indicating social orientation could fetch greater benefits for the organization in addition to reporting and communicating their efforts in the social domain. Furthermore, the study by providing persuasive evidence on tangible business benefits of CSR initiative addresses the concerns of corporate managers to prove the business potential and value engendered by their CSR efforts. Besides, the study results provide business managers with the insights and addressed their concerns on how to better align and integrate CSR with HR policies, practices and employee initiatives (Morgeson et al., 2013). The management of cement industry should consider strategies to improve social responsibility processes as it is effective way to improve employee positive behaviors such as employee engagement, employee satisfaction, and employee retention. It is extremely important to retain employees as hiring a new employee is costly; so in order to retain employees, organizations should consider ways to improve social responsibility processes.



There are some limitations of the current study. First, the data for this study was collected from a limited number of employees from five widely recognized cement companies, and while the respondents chose to be a part of this research, it does give the research a restrictive generalizability. Second, this study did not include several control variables or mediator variables such as work experience, work environment conditions to observe other dimensions that could lead to a better understanding of the relationships proposed in this paper. Third, pursuing further, we relied on a single source to collect data, i.e. self- designed questionnaire, there might emerge the problem of common method variance.

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