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The Role of Corporate Social Responsibility on Employees Organizational Commitment: A Case of Gondar City Bank Sectors, Ethiopia

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Abstract:

Success of a business heavily depends on the quality of its human resource. Hence, high quality human resource base is essential for all types of organizations. The idea of social responsibility of business is based upon the concept that business is something more than a purely economic institution. That is why an important issue facing today's organizations are whether corporate sector has some responsibility to improve the society or only to improve their earnings.

This study investigates the role of corporate social responsibility on employee's organizational commitment. The study population was Bank sectors employees operating at Gondar city. The data was collected with the help of structured questionnaire from 153 employees, the study were used proportional stratified sampling and simple random sampling method as sample design.

The instrument to measure employee's perceptions towards CSR actions of corporation was adopted from Turker (2006). The scale contains 17 and incorporates four dimensions of CSR including such as economical, legal, ethical and discretionary responsibility. Meye, Allen and Smith (1993) revised Organizational Commitment Scales were used to measure the dependant variable organizational commitment. The Pearson's correlation and Regression were used to analyze the data.

The major findings of the study were, employee's organizational commitment has significant relationship with Legal, Ethical and Discretionary responsibilities. In addition jointly corporate social responsibility factors significantly predict organizational commitments.

Keywords: Commitment, corporate social responsibility, discretionary, ethical and legal

1. Introduction

Every business organizations are primarily established to create value by producing goods and services which society demands. Corporate Social Responsibility is mostly expressed as an implicit contract between business and society, where organizations work toward creating positive impression for stakeholders to achieve potential benefits (Kanji & Chopra, 2010).

There are different stakeholders who have interests on the organization. Thus organizations should maintain a balance between their own and their stakeholders' interests and achieve optimal levels of satisfaction for all parties. Stakeholders provide organizations with vital resources, and organizations therefore adopt practices to satisfy their expectations (liao, 2010 et al; Hill & Jones, 1992).

Organizations should identify their important stakeholders, since the more important the stakeholder, the more the organization wishes to provide services to maximize that stakeholder's interests. In addition to be survive organizations should have the sustained commitment of a group of primary stakeholders, such as shareholders, customers, employees and suppliers interests (liao, 2010 et al; Clarkson, 1995).

Here among them, employees are considered as the most important source of competitiveness, but employees will decide on the basis of their perception of the organization whether they wish to work (Greening & Turban, 2000). Likewise human resource is one of main stakeholders and forms a source for realizing competitive advantage (Collins & Clark, 2003); where company roles are to attract highly qualified labor and maintain it. Since in Bank industries there is stave competition employees should considered as valuable assets to win the competition. This study therefore focused on the impacts of perceived Corporate Social Responsibility on Employees commitment for their organization.

1.1. Statements of the Problem

Success of a business heavily depends on the quality of its human resource. Hence, high quality human resource base is essential for all types of organizations. To build superior quality human resource base, on the other hand, organizations should have attractive environment and workers must be managed and handled well. According to Greening and Turban (2000) employee's perceptions regarding the attractiveness of particular organizations will be affected and shaped by firm's ethics, values, and social responsiveness.

The idea of social responsibility of business is based upon the concept that business is something more than a purely economic institution (Liao, 2010 et al; Bell 1999). That is why an important issue facing today's organizations are whether corporate sector has some responsibility to improve the society or only to improve their earnings. But in developing countries in general, Ethiopia in particular mostly, a firm was generally viewed, as an economic institution to provide wanted goods and services for public consumption and a profit for the owners. This means other primary stakeholders, like supplier, employees and customers' interests are giving fewer attentions. While different researchers addressed that, employees, too, often assess their companies CSR performance to examine whether their personal values clash with those of the businesses at which they work. And firms may benefit from socially responsible actions in terms of employee confidence and productivity (Soloman & Hansen, 2005).

As a result business organizations, including bank sectors should give attention and have positive image related with social responsibility to attract and retain qualified employees, which are key resources in the competitive environment.

Although, there are literatures contains empirical evidence regarding relations ship between CSR and organizational measures such as reputation, customer loyalty, competitiveness, and sustainability (Porter & Kramer, 2002). However, only a limited number of investigations have examined how corporate social activities affect employees. Pivato et al. (2008) says that, although the considerable research in the area of CSR, literature arising out of it is limited to address an important issues related with, impact of CSR on the employees.

Also, even though employees' perceptions and attitudes about an organization's ethics and service to community play an important role in shaping their behavior with regard to the organization and the management, but this significant aspect of CSR has callously been ignored by the researchers of this area, (Balmer and Greyser, 2002). Furthermore Aguilera et al., (2007) legitimate this view saying that employees as a unit of analysis have received limited attention in past CSR literature.

Since, employees' perceptions of an organization's ethics and social responsibility may influence their attitudes and performance, which in turn will have an effect on their organizations; research on the effect of CSR on employees deserves careful consideration. Hence, this study explored the effect of employees CSR perception on organizational commitment with a particular references of bank industry in Gondar, Ethiopia.

1.2. Objectives of the study

1.2.1. General Objectives

The main objective of the study is to assess the impacts of Corporate Social Responsibility on Organizational commitments of the employees in the particular references of Bank industries in Gondar city.

1.3. Specific Objective

Specifically the study was addressed the following objectives:

- To investigate, the relation between legal responsibility and organizational commitments
- To examine the relation between ethical responsibility with organizational commitment
- To explore the relation between discretionary responsibility with organizational commitment
- To investigate the role of Corporate social responsibility on employees organizational commitment

1.4. Significance of the Study

Since employees are the most valued assets for all business organization in general for Bank industry in particular from practical perspective this study result is important to create awareness and direct the intentions of leaders and owners about the roles of Corporate Social Responsibility on commitment level of their employees to the organization. And also, it provides a lot to those policy makers at regional as well as national levels and to different politicians in particular to reform new guidelines, rules, regulations, and laws to solve such problems that affect employee organizational commitment in the business as well as public organization.

2. Literature Review / Theoretical Framework

2.1. Corporate Social Responsibility

Corporate social responsibility (CSR) has been largely discussed since it was estimated about half a century ago. Topics of CSR in research history comprise theories, concepts, models, and relevant themes. Although researchers are not reach consensus on the definition and dimension of CSR, according to Kanji and Chopra (2010) CSR is described as an implicit contract between business and society, where organizations work towards creating positive impression for stakeholders to achieve potential benefits.

Similarly CSR represents a multi-dimensional structure (Mishra, and Suar, 2010), and several standards are emerged to measure companies CSR practices, even if these standards reflect worldwide no-agreement in dimensions of CSR. Hence, this indicates that changes will take place in time to time, and also there are differences in cultures and industry (Simpson and Kohers, 2002).

According to theory of stakeholders, companies' objectives are not any more confined only to maximize profits and it also was extended toward realizing sort of non-economical objectives of CSR (Pirsch, et al., 2007). And Pirsch, arranging CSR practices into four dimensions, which reflected economical, legal, ethical and charitable aspects.

In addition a study conducted by Carroll (1991) suggests that the foundations of CSR are laid when an organization accepts that 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.

Here when we say the organization needs to be legally responsible, it should ensure that the economic responsibility motive is achieved without violate or undermine the statutory and legal framework of the country.

And ethical responsibilities refer to actions that can be termed as fair and just to most stakeholder groups. Furthermore when we say the organization needs to engage in philanthropic or charitable activities it should contribution to community welfare, improving the overall quality of life of people around, promoting human welfare and goodwill called discretionary responsibility.

Since this study stressed on employees perception regarding CSR to have commitment for the organization, legal, ethical and charitable aspects of CSR dimensions are considered used to measure CSR.

As, Collins and Clark, (2003) expressed human resource is one of main stakeholders and forms a source for realizing competitive advantage, so, company roles should be to attract highly qualified labor and maintain it.

2.2. Organizational Commitment

Organizational commitment can be considered to be attitudes which link or attach an employee to the organization. Allen and Mayer defined OC as a "psychological state that binds the employees to organization" (Allen and Mayer, 1990: 1-18). Here when we say employees commitment is most often considered as employees strong desire to remain a member of a particular organization, a willingness to exert high levels of effort on behalf of the organization and a de finite belief in and acceptance of the values and goals of the organization.

Allen and Mayer (1990) proposed three dimensions of organizational commitment which support the above statements such as; Affective, Continuance and Normative. This research used the three variables to measure organizational commitment.

According to Allen and Mayer (1990) affective commitment refers to employees' emotional attachment to, identification with, enjoying membership in and involvement in the organization. Continuance commitment refers to employees' perception of costs that employees have when they leave the organization. Normative commitment refers to employees' feelings of obligation to remain with the organization.

2.3. CSR and Organizational Commitment

It is generally recognized that intellectual and human capital is the foundation of competitive advantage in the modern economy. Accordingly, the contest among employers to attract and retain talented workers takes place in a world where technological advances and global competition are driving widespread change in employment patterns (Osborn & Jones 2001). Thus, committed employees' will helps to be competent in the competitive environment.

Due consideration the above statement this study stressed the role of CSR on employees organizational commitment. Turkers (2009) research results depicts a positive relationship between CSR and organizational commitment., Lee and Kim (2010) empirical results suggested that employee's perceptions that outsiders viewed the company favorably enhanced their sense of belonging, thereby indirectly increasing organizational commitment.

In general, rammer et al. (2007), Turker (2009), and Kim et al. (2010) all report empirical results supporting a positive relationship between employee perceptions of CSR and employees" organizational commitment. Yet, all three suggest limitations to their own studies and the need for additional work.

As consequence it can be stated that employees perceive their organization as more socially responsible are more likely to be committed for their organization. Based on these the following null hypotheses and theoretical framework are proposed.

- H1a: Legal responsibility has positive relation with organizational commitment
- H1b: Ethical responsibility and organizational commitment are positively related
- H1c: Discretionary responsibility has positive relation with organizational commitment
- H2: Corporate social responsibility dimensions positively affect employees' organizational commitment

2.3.1 Theoretical Framework

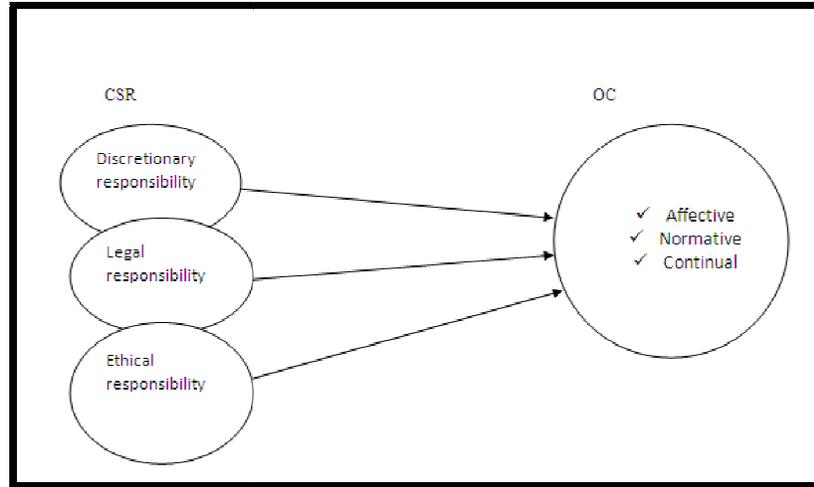


Figure 1

Source: Adopted from Literature

3. Research Methodologies

The study is designed as the cross-sectional survey for the quantitative study which is used to investigate the role of CSR on employee organizational commitment. Thus, this study is classified as survey research. Participants for this research were obtained from banks operated in Gondar city. These banks employ 250 people and operate in different activities. From 250 employees, sample size is determined by using a formula set by Yemene (1967). Thus the study sample size was 153. A combination of purposive stratified and simple random sampling techniques are used to select respondents from the sample.

3.1. Sources and Types of Data

As this study is basically empirical in nature; primary data has been gathered from employees and their leaders/supervisors. Structural questionnaires are designed on a scale of measurement basis to collect primary data, so that the variables could be ranked to measure the degree of their strength or the agreement or the disagreement of the respondents with the variables. And the questionnaire was tested before the actual data collection was made.

3.2. Collection Instruments

The instrument to measure employee's perceptions towards CSR actions of corporation was adopted from Turker (2006). The scale contains 17 items and incorporates four dimensions of CSR including such as economical, legal, ethical and discretionary responsibility. Since economical responsibility is more emphasized on shareholder interest, this study used the three responsibilities (legal, ethical and discretionary).

The Allen & Meyer's (1990) organizational commitment questionnaire (OCQ) were used to measure the employees' organizational commitment in three dimensions: affective, continuance and normative. This was also used by Turker (2008). The revised instrument contains 9 items addressing various aspects of organizational commitment. Both instruments are measured on a 5-point Likert scale (1 Strongly Disagree and 5 for Strongly Agree).

3.3. Data Analysis Method Plan

For the purposes of determining whether a statistically significant relationship exists between CSR dimensions and employees' commitment, the study used the Pearson Correlation Coefficient, while to explore the effects of CSR on employees' organizational commitment the study used regression analysis.

4. Result and Discussion

Under this section, data collected from the employees are presented and the analysis is made based on the information obtained from those respondents. In this manner, questionnaires were distributed to a total of 153 respondents and 120 (77.9%) respondents' questionnaires were returned back and found usable for the study. As a result, the study tested hypothetically, and revealed the following results. The results of this study were analyzed by using the SPSS 16.0 software.

Correlations					
		Legal Responsibility	Ethical Responsibility	Discretionary responsibility	Organizational commitment
Legal responsibility	Pearson Correlation	1	.796**	.680**	.684**
	Sig. (2-tailed)		.000	.000	.000
	N	120	120	120	120
Ethical responsibility	Pearson Correlation	.796**	1	.699**	.782**
	Sig. (2-tailed)	.000		.000	.000
	N	120	120	120	120
Discretionary responsibility	Pearson Correlation	.680**	.699**	1	.594**
	Sig. (2-tailed)	.000	.000		.000
	N	120	120	120	120
Organizational commitment	Pearson Correlation	.684**	.782**	.594**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	120	120	120	120

Table 1: Pearson Correlation Table between CSR Dimensions and Organizational Commitment

Source: Survey Conducted 2016

** Correlation Is Significant at the 0.01 Level (2-Tailed)

- H1a: legal responsibility has positive relation with organizational commitment

The first hypothesis of our study stated that a positive association exists between legal responsibility and organizational commitment. From the correlation table1, it indicates clearly that there is a positive significant relationship between legal responsibility and organizational commitment with correlation at R= 0.684. This was shown from the table based on the two tailed test result with P = 0.00 the result is significant and hence we accept the hypothesis.

- H1b: Ethical responsibility and organizational commitment are positively related

The second hypothesis of our study stated that a positive association exists between ethical responsibility and organizational commitment. From the correlation table1, it indicates clearly that there is a positive significant relationship between ethical responsibility and organizational commitment with correlation at R= 0.782. This was shown from the table based on the two tailed test result with P = 0.00 the result is significant and hence we accept the hypothesis.

- H1c: Discretionary responsibility has positive relation with organizational commitment

The third hypothesis of our study stated that a positive association exists between discretionary responsibility and organizational commitment. From the correlation table1, it indicates clearly that there is a positive significant relationship between discretionary responsibility and organizational commitment with correlation at R= 0.594. This was shown from the table based on the two tailed test result with P = 0.00 the result is significant and hence we accept the hypothesis.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.653 ^a	.426	.412	5.02345

Table 2: Regression Analysis Regarding the Impacts of CSR Dimension on Organizational Commitment

a. Predictors: (Constant), Legal, Ethical and Discretionary Responsibility

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2175.728	3	725.243	28.740	.000 ^a
	Residual	2927.264	116	25.235		
	Total	5102.992	119			

Table 3

a. Predictors: (Constant), Legal, Ethical and Discretionary Responsibility

b. Dependent Variable: Organizational Commitment

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.212	1.805		7.318	.000
	Legal responsibility	.438	.195	.255	2.250	.026
	Ethical responsibility	.502	.163	.306	3.082	.003
	Discretionary response	.302	.160	.183	1.885	.042

Table 4

a. Dependent Variable: Organizational Commitment

- H2: Corporate Social Responsibility Dimensions Positively Affect Employees' Organizational Commitment

The result in table2 depicted that Corporate social responsibility dimensions (legal, ethical and discretionary responsibilities) were joint predictors of organizational commitment with ($R^2 = 0.426$; $p < 0.05$). From the result we can conclude the predictor jointly explained 42.6% of the variance of organizational commitment while the remaining 57.4% could be due to the effects of other variables.

In addition when we see the independent results legal, ethical and discretionary both are a significant predictors of organizational commitment with ($B = .255, .306$ and $.183$; $P < 0.05$) respectively. This indicated that corporate social responsibility has a positive significant effect on employees commitment, thus CSR practice induce employees committed in the bank sectors.

4.2. Discussion

Both for profitable as well as non profitable organizations Employees are a company's most valued asset. Because of this organizations should provide attention to attract and retain qualified employees. In this perspective company image in terms of external as well as internal practices have influence on employees company choice.

The results of this study confirms that the importance of company social responsibility for internal stakeholder mainly for employees. Since social responsibility activities of the company like legally, ethically and philanthropy/discretionary have a positive significant association with employees commitment.

As we can see from correlation table2 legal, ethical and discretionary responsibility have a positive relationship with organizational commitment with the results of $R = .684, .782$ and $.594$ and $P = 0.00$ respectively.

There are researchers' supports this study results, Bammer, Millington & Rayton (2007), examined the relationship between employee perceptions of CSR with organizational commitments based on the theoretical foundations of social identity theory. They found that perceptions of CSR dimensions were positively correlated with employee commitment.

Also, Brammer et al. (2007) revealed a positive link between employees' perceptions of external CSR and organizational commitment. Here discretionary responsibility considered as external CSR.

Moreover, Tsai and Huang (2008) examine the relationship between ethical climate in an organization, job satisfaction and organizational commitment. They found the positive significant relationship between ethical climate in the organization with job satisfaction and organization commitment.

In addition as the regression analysis result of this study shows corporate social responsibility dimensions (legal, ethical and discretionary responsibilities) have impact on organizational commitments, from the table the three responsibilities jointly predictors of organizational commitment with ($R^2 = 0.426$; $p < 0.05$). And independently predicts organizational commitment with ($B = .255, .306$ and $.183$; $P < 0.05$) respectively. This means CSR practices significantly affect organizational commitment.

The results of this study supported by other researchers, according to Egan (2006) stated that a research survey was conducted by IRS Employment Review to study the employee ethical occupation practices and benefits of strategies in 58 organizations performed. The result of their survey revealed 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 organizational commitment.

Greening & Turban (2000) also, 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.

Bashir, Hassan and Farooq (2012) states that employees' satisfaction and commitment improved when they are linked to corporate social responsibility activities. They have positive feeling when they connected with the ethics and social values of the organization. As a result their motivation and commitment level increased.

5. Conclusion and recommendation

5.1. Conclusion

In our country Ethiopia Currently bank business have a major contribution for employments, also have attractive salary. However we should know that, social responsibility to employees extends beyond terms and conditions of the formal contract of employment. Therefore Companies owners and leaders need to come up with wider expectations that today's employees have for the quality of their working life.

As the results of the study shows, to have committed employees and retain them with the organization, the companies should be socially responsible for stakeholders, like employees, customers and the community at all. Here

when we say socially responsible for employees, there should be secured a just treatment and equal opportunities for all its employees, regardless of gender, age, race, or religion.

In addition the companies should take care of the personnel's welfare and safety at work and upholding their skills and motivation for the work. Generally socially responsible company will have good relation with the community as well as the employees.

5.2. Recommendation

It's clear that every business companies need to have sustainable performance and competent enough in the competitive environments. To maintain it companies should have those employees have high psychological attachment to the organization.

Since the research result revealed a positive relationship between employee's commitment and social responsibilities of the company, the premise of a company's obligation to this key stakeholder group with regard to CSR compliance. Thus companies should establishing fair hiring practices and promoting a non-discriminatory workplace. Also treating employees with respect and offering fair working conditions and they should build positive image in the community. In turn employees' moral within the organization will improve and encourages teamwork, which leads increments of organization performance.

For future study it would be important to assess the impacts of CSR practice on companies' performance, besides assessing the role of CSR practice on customers' satisfaction and other stakeholders.

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