



RESEARCH PAPER

**Corporate Social Responsibility and Employee Engagement:
Evidence from Textile Industry**

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ABSTRACT

The aim of this study is to check impact of corporate social responsibility on employee engagement in textile industry of Sindh, Pakistan. Primary data gathered on printed questionnaire, total 230 questionnaire distributed out of them only 200 used for hypothesis testing after data cleaning process. Structural equation modelling is applied on gathered data in Smart PLS version 3. Findings, suggested two hypothesis the legal CSR and ethical CSR are found to have positive and significant impact on employee engagement in textile industry of Sindh, Pakistan. However, ethical CSR has more significant impact due to higher beta value in research model 1. Philanthropic CSR has insignificant impact in this study. These results highly supported for both concepts the CSR and employee engagement in textile industry of Sindh, Pakistan and this is how we can save the environment and increase employee engagement in better way.

Keywords: Corporate Social Responsibility, Employee Engagement, Ethical CSR, Legal CSR, Philanthropic CSR

Introduction

Today's business environment is dynamic in nature and great competition has been observed in corporate work (Chaudhary, 2017). In this regard, for achieving firm's goals and objectives are important to survive in this situation. Therefore, the employee engagement cannot be ignored because to do so the job performance and overall firm's reputation will be increased (Patro, 2013; Tsourvakas & Yfantidou, 2018). This is how a pressure is developed on employees and employee engaged in better manner within firms. In this connection, an individual employee wants to give his best in order to be recognized. Moreover, the government top authorities and pressure groups within the society also developed pressure on the firm for to be social and responsible in all respects. For addressing this serious issue firms have developed a concept of corporate social responsibility (CSR) initiatives including philanthropic, legal and ethical CSR through employee engagement within firm (Chaudhary, 2017). Furthermore, the sustainability within firm's business operations also can be seen with huge investment from firm's side (Galbreath, 2010).

Moreover, the CSR initiatives as stated above in the discussion, the CSR is the most important drivers in this regard and employee engagement cannot be ignored from top management. However, sometime their occurred certainly uncontrolled issues may create problem for implementing CSR successfully due to country's economic conditions so on (Anitha, 2014). The concept of employee engagement is in the need to be explored in better way in developing countries, such as Pakistan. However, the in past many research scholars have explored the employee engagement in various aspects including safety, meaningful work, professional development and reputations and so on (Millar, 2012; Anitha, 2014, Chaudhary, 2017). In past most of studies are conducted in developed countries in context

of CSR and employee engagement (Galvas, 2016; Albdour & Altarawneh, 2012). This study attempts to fill this research gap, through conducting research in developing country, like Pakistan and corporate social responsibility and employee engagement is studied together in order to find unique findings. Lastly, these two variables CSR and employee engagement will be changed due cultural context and industries aspects. Therefore, the present study explored the Asian culture (Pakistan) and Textile industry employees are considered as a sample of the current study.

Theoretical Framework

The well-known theory namely Social identify theory (SIT), “which referred to ones’ perception regarding their organization where he or she described their identity in terms of time period and generations that they belong to (Mousiolisa & Bourlet, 2015)”. Another familiar and matching to above theory is the social exchange theory (SET) sated that the, “if employees perceive that their organization is focusing on fulfilling their socio-economic needs through business activities to ensure their well-being, then they may feel more responsible and, consequently show a higher level of engagement as their repayment (Aktar & Pangil, 2017; Saks & Rotman, 2006)”.

In past few studies conducted on CSR and employee engagement and they found to have positive and significant impact between the CSR and employee engagement in their respective countries and industries. These studies included such as Galvas and Piderit, (2009), found to have positive and significant impact of CSR on employee engagement in their studies. Similarly, Caligiuri et al., (2013) also got the same results. CSR actually develop a positive enforcement of self-regulation among employees and also engage more to the employees for their best performance (Jones et al., 2014). A study experienced by Rosso et al., (2010), also confirmed that the CSR as a result of meaningful work and considered as the positive path and way among employees with acceptable performances. A study by Grant et al., (2008), suggested the CSR develop the self-concept among employees in terms of philanthropic, legal and ethical aspects. In past studies (Glavas and Kelley, 2014; Valentine and Fleischman, 2008), conducted their research findings CSR as job satisfaction and intrinsic motivation among the employees of the firm (Grant, 2008).

The demand of CSR also increased in society due to various reasons such as environmental, social and financial challenges in their areas of business operations. Therefore, this is now considered as the ethical and legal act from firm’s side as a small contribution among society (Moktadir et al., 2018). Moreover, the various dimensions of CSR such as Philanthropic, legal and ethical day by day become necessary to accept for successful business operations (Lau et al., 2018). Therefore, these dimensions are important in order to develop a positive relationship between businesses and society as whole (Markovic et al., 2020). The importance of CSR has been increased and firm’s structure is also changed due to many concerns such as political, economic and social (Carroll, 2010). Those firms which as successful implemented a CSR in their firms benefited in long term and reputation of firm is also noticed (Whait et al., 2018). Thus, based on above theoretical foundations and existing literature review following alternatives hypothesis and conceptual framework are suggested for this study:

- H1: Philanthropic CSR positively related to employee engagement in textile industry of Sindh, Pakistan.
- H2: Legal CSR positively related to employee engagement in textile industry of Sindh, Pakistan.
- H3: Ethical CSR positively related to employee engagement in textile industry of Sindh, Pakistan.

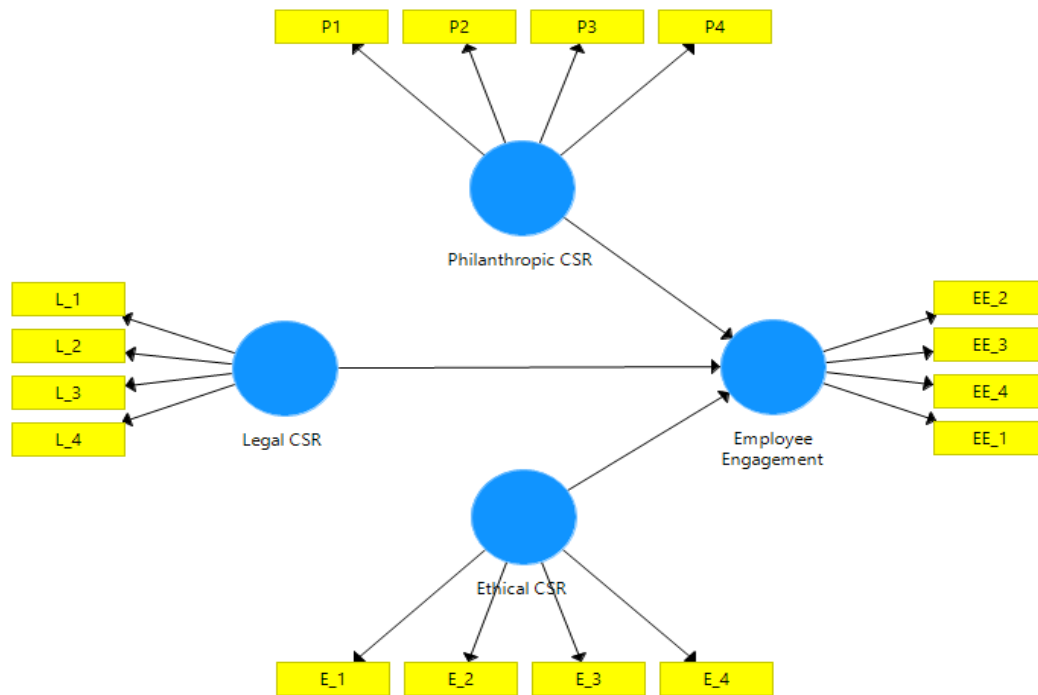


Figure 1: Conceptual Framework

Material and Methods

Sample and Procedure

The primary data collected with help of an adopted questionnaire from textile industry of Sindh, Pakistan. The printed questionnaire distributed among employees worked in textile companies of Sindh, Pakistan including two cities of Hyderabad and Karachi. Initially, the formal permission was requested to HR department concern department than with permission of competent authority a formal meeting was fixed. Total 230 printed questionnaire were distributed among employee, out of them only 200 were carried for necessary analysis due to missing data in printed questionnaires. Due to legal issues the demographic details of respondents profile and name of companies are not disclosed in this study.

Measurement

The dependent variable (Employee Engagement) and independent variables (Philanthropic, legal and ethical) measured with help research items. Each variable consisted of 4 items, therefore total $4 \times 4 = 16$ items taken in the present study. The employee engagement is taken from the research of Schaufeli et al., (2002). Items are "I can continue working for very long periods at a time, I am enthusiastic about my job, I am proud on the work that I do and I find the work that I do full of meaning and purpose".

Philanthropic CSR items are considered from the study of Carroll (1991). The research items measured are "It is important to perform in a manner consistent with the philanthropic and charitable expectations of society, It is important to assist the fine and performing arts, It is important that managers and employees participate in voluntary and charitable activities within their local communities and It is important to assist voluntarily those projects that enhance a community's quality of life".

Legal CSR is also from the study of Carroll, (1991). Items are "It is important to perform in a manner consistent with expectations of government and law, It is important to

comply with various federal, state, and local regulations, It is important to be a law-abiding corporate citizen and It is important that a successful firm be defined as one that fulfills its legal obligations”.

Lastly, Ethical CSR from same study of Carroll, (1991). Sample items are “It is important to perform in a manner consistent with expectations of societal mores and ethical norms, it is important to recognize and respect new or evolving ethical/moral norms adopted by society It is important to prevent ethical norms from being compromised in order to achieve corporate goals and It is important that good corporate citizenship be defined as doing what is expected morally or ethically”.

Statistical Test and Software

In order to test the suggested hypothesis with help of theoretical framework and literature review the gathered data is analyzed in Smart-PLS version 3 and Reliability analysis and multiple regression analysis (structural equation modelling) conducted with confidence interval of 95%. The direct effect of CSR dimensions (Philanthropic CSR, legal CSR and ethical CSR) on dependent variable employee engagement is checked as research model 1.

Results and Discussion

Reliability Analysis

The internal consistency of gathered data is checked before testing hypothesis. The decision criteria of internal consistency were the value of Cronbach’s alpha. It is recommended that the value of Cronbach’s alpha value should be at least or equal to 0.70 (Hair et al., 2012). It can be noticed in the Table 1 reliability analysis. All variables qualified the suggested value 0.70 and it is ranging from 0.805 to 0.734, the highest value of Cronbach alpha of legal CSR and lowest value of Cronbach alpha of employee engagement.

Table 1
Reliability Statistics

Name of variable	Cronbach's Alpha	No. of Items
Employee Engagement	0.734	4
Ethical CSR	0.797	4
Legal CSR	0.805	4
Philanthropic CSR	0.783	4

Hypothesis Testing

The objectives of this research to examine the impact of corporate social responsibility on employee engagement in textile industry of Sindh, Pakistan. Table 2 multiple regression analysis below showed two an important value, which are necessary to report in order accept or reject the suggested hypothesis. It can be seen that the Table 2, three alternative hypotheses were proposed namely H1, H2 and H3. In the present study two hypotheses H1 and H2 are accepted based on the value of significant value, which should be less than 0.05 with 95 percent of confidence interval. Therefore, both alternative hypotheses revealed beta value and significant value for ethical CSR and legal CSR (beta value=0.316, p-value=0.002) and (beta value= 0.194, p-value= 0.040) respectively. However, the in the present study H3 alternative hypothesis Philanthropic CSR is rejected due to higher p-value (more than 0.05) is 0.742. In addition to this, independent variables explain to dependent variable as combine 0.195 or 19.5 percent, which is acceptable in case of social science research context.

Table 2
Multiple Regression

Dependent variable	Independent variable	Value of Beta (Standard coefficient)	Significance Value	Remarks
Employee Engagement	Ethical CSR	0.316	0.002	Accepted
	Legal CSR	0.194	0.040	Accepted
	Philanthropic CSR	0.040	0.742	Rejected
R Square Adjusted	0.195			

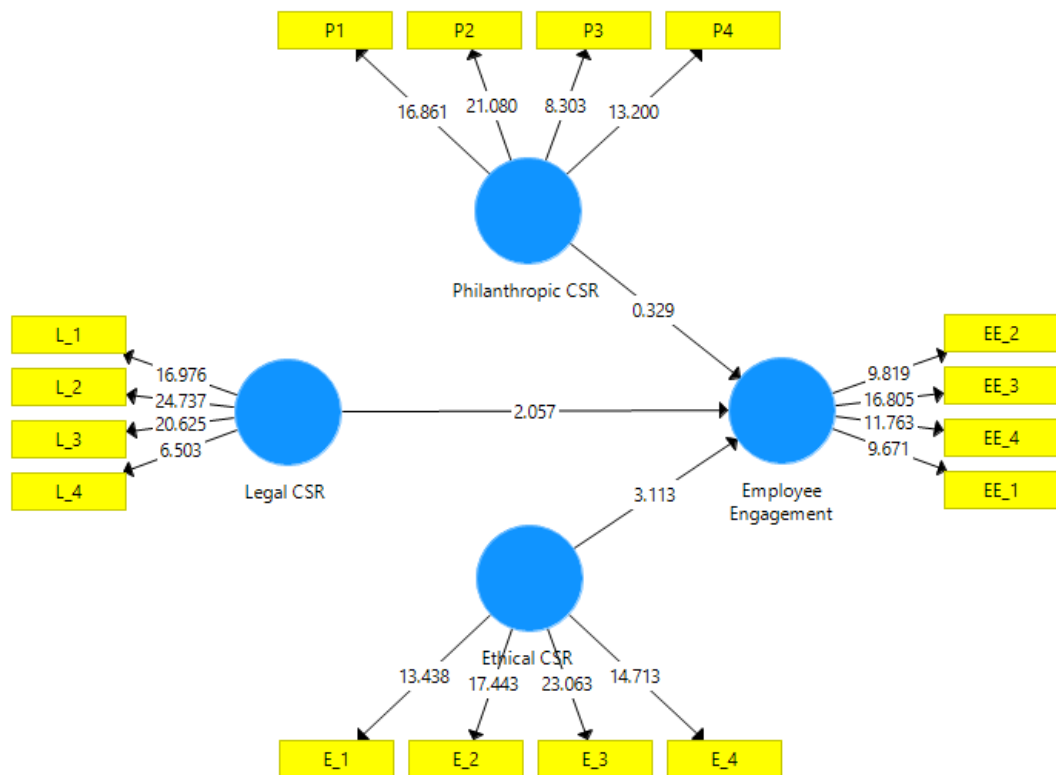


Figure 2: Multiple Regression (Hypothesis Testing)

Discussion and Theoretical contribution

The higher-level firm's commitment towards corporate social responsibility may engage the more employees within firm or this can be vice versa as well. Similarly, study conducted by Tariq (2015), also confirmed that the social responsibilities can play a vital role for both employee engagement and employee retention within firms. Another study by Ferreira and Oliveria, (2014), also suggested a positive impact of CSR on employee engagement in their study. Furthermore, researchers enforced that the internal CSR and external CSR should work together in order to get positive results for the firm. The present study's findings also aligned with past studies relevant with the same concept of CSR and employee engagement (Slack et al., 2014; Chaudhary, 2017). These results highly supported for both concepts the CSR and employee engagement in textile industry of Sindh, Pakistan and this is the way, we can save the environment and increase employee engagement in better way.

In context of both theories SET and SIT also supported this corporate social responsibility and employee engagement and also emotional and psychological contract also can be created through this concept (Alivi et al., 2014). Lastly, Farooq et al., (2013), also applied the theory of SIT in their study and they confirmed the CSR initiatives has direct and positive impact on employee engagement and they suggested the external CSR activities to be increased for obtaining more better results.

Conclusion

This study examined the impact of CSR dimensions on employee engagement in textile industry of Sindh, Pakistan. Adopted questionnaire used for collecting the primary data from employee of Textile Company who are working at key positions. Findings, suggested two hypothesis the legal CSR and ethical CSR are found to have positive and significant impact on employee engagement in textile industry of Sindh, Pakistan. However, ethical CSR has more significant impact due to higher beta value in research model 1. Philanthropic CSR has insignificant impact in this study, which is opposite to theory, this finding has created a research gap for the future researchers in order to verify existing results.

There a few limitations of this study. First, this study limited to textile industry only. In future more manufacturing firms should be considered in sample. Second, majority were male employees, therefore, gender biased findings cannot be generalized. Third, a mediation effect of important variables such as CSR training, age and gender can be applied in order to verify these findings.

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