

Socially Inclined Engagement and Its Effect on CSR Perception Observed In Manufacturing Companies



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Abstract: *The manufacturing industry majorly constitutes electrical, electronics, telecommunication, mechanical engineering, and textile companies. This sector provides more employment for the skilled level employee than that of service and information technology sectors. Besides, the manufacturing industry significantly contributes to the economy. Hence, the employees working in such companies are expected to be engaged with the goals of the company. A high level of engagement leads to productivity. This study aims to understand the level of socially inclined employee engagement and its impact on the perceived image of the company's CSR activities. The study uses Partial Least Square – Structural Equation Model (PLS-SEM) to determine the association between employee engagement and CSR activity. The results indicate that there exists a positive association between engagement level and positive perception of CSR activity. The instrument to measure this association is developed and supported with the evidence from reliability tests and validity test.*

Keywords: (PLS-SEM), CSR activities.

I. INTRODUCTION

Engaged employees are an asset for every organisation; such employees go beyond their responsibility to deliver the results. They walk extra-mile required to excel. Various studies emphasized the relationship on how engagement contributes to commitment, productivity and satisfaction. In this research work, the concept of employee engagement is related to the perception of CSR. The association of employee engagement and CSR has gathered the interest of many researchers, the reason for this association is increased alienation of employee from the work. As quoted by Gross, (2019) a Conference Board Survey, found the two-third do not feel identified or motivated to drive organisations business goal, 40% are disconnected and 25% are coming just for the salary. This work provides a holistic framework and captures two concepts in one frame. In spite of good research work on EE-CSR, little attention is paid to the link between socially inclined engagement and CSR. Know-how of this combination enables managers and academicians to ensure successful implantation of CSR. Employee engagement consists of physical,

behavioural and cognitive association of employee with his job and organisation, it's a triad that connects work, organisation and employee (Viloria, 2018). Davies and Crane (2010) opined that socialization programs with social, environmental and financial philosophy help organisation to inculcate employee engagement. Presently, the concept of employee volunteering is becoming a tool for enhancing employee engagement (Tuffrey, 1997). Employee engagement and disengagement are the mindful actions of an employee, some precursors are, (i) meaningful job, (ii) trust in management, (iii) inclusive work environment, (iv) growth, (v) salary (Viloria, 2018). Due to the popularity of volunteering, many companies are joining the movement (Geroy *et al.*, 2000). Jones (2010) in his study, stated that employee perception of volunteering is associated with identification, and this pride decides employee intention to remain in the organisation. Indeed, commitment is not one-way; it is mutual (Molm *et al.*, 1999). Findings of Kataria *et al.*, (2013) indicated that employee engagement drives organisational commitment behaviour (OCB), employee can add value to their organisation with high level of OCB, employees are capable of building positive workplace behavior and enhance organisation performance. Aaron (2018) opined that companies use survey for the annual assessment of employee engagement which may not be sufficient, if it is to be more effective the engagement must align to everyday work culture. Social engagement can be adopted as a key ingredient for employee engagement.

II. REVIEW OF LITERATURE

Socially inclined engagement

Socially responsible management practices directed towards employees, customers and to a lesser extent to society have a positive impact on the firm and its performance. As such, values can create additional value (Hamman *et al.*, 2008). Social engagement enables employee to engage with the company at social level, the association goes beyond contractual relationship, it generates sense of belongingness to society, the social interactions translate an individual professional development (Aaron, 2018). Socially inclined employee engagement is the emotional bond that employees exhibit for organisation; this engagement is the result of social initiative opportunities provided to an employee. The scarcity of resources led organizations to think of reducing costs and increasing productivity and efficiency. While lowering costs companies may not jeopardize the efforts of engaging its employees,

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reduced variation in processes can reduce cost over time as it relates to process improvement (Emrouznejad *et al.*, 2010); However, an organization must continue to incorporate processes that enhance employee engagement. With complexities and stringent regulations in many organizations, employee engagement will continue to be a challenging topic for research. A diversity of engagement is observed in the organisation, ranging from employ

ees who exhibited detachment from the CSR activities within the company, to those who were fully engaged with the CSR activities, and to others who were happy with their own personal, but not organisational, engagement with CSR. (Slack *et al.*, 2013). Torugsa *et al.*, (2012) indicated the need for managers of small firms, who wish to boost financial competitiveness through proactive CSR, to adopt responsible HRM practices that avoid a directive approach and which foster employee participation and engagement. When CSR is extra-role (i.e., not embedded in one's job design such as volunteering), it weakens the relationship between CSR and employee engagement (Ante Glavas, 2016).

Perception of CSR

Flammer and Luo, (2015) found that CSR can be used as an instrument to govern employee, it helps corporates to encourage and engage their employees. Many academic survey findings are consistent with their conclusion in proving the attitude of CSR impacting employee attrition, retention and engagement, further the perception of CSR shapes consequent attitude and behaviour for their company (Gross, 2019). Pérez and Bosque, (2012) introduced a scale to measure customer perception regarding CSR performance of a service providing company, the scale includes various responsibility of company for its stakeholder, the scales is ratified with reliability and validity test followed by structural equation model. Lee, *et al.*, (2013) explored employee perspective of CSR, this perception plays vital role in employee attachment to the company and the performance. This empirical study suggest that cultural fit and CSR capability impacts CSR perception and employee attachment (Lee, *et al.*, 2013). Alniacik *et al.*, (2010) demonstrated that Positive CSR information about a firm enhances consumers' intentions to purchase products from, potential employees' intentions to seek employment with, and potential investors' intentions to invest in the company. Melo and Garrido-Morgado, (2012) embodied the multidimensional concept of CSR, presenting a five dimensional construct – employee relations, diversity issues, product issues, community relations, and environmental issues – and indicated that the five dimensions of CSR have a significant impact on corporate reputation and this impact is moderated by the industry of the firm. Shin and You (2011) verified the direct and indirect effects between organizational trust and Labor-Management Relations which are important factors of companies' social responsibility and organizational results which were not treated in the precedent studies. The adoption of practices in each CSR dimension by SMEs is influenced slightly differently by each capability, and affects financial performance differentially (Torugsa *et al.*, 2012). Bae and Park, (2016) found a mediating role of proactive CSR on the associa-

tion between capabilities and performance as well as a moderating role of perceived uncertainty between capabilities and performance.

III. OBJECTIVE OF THE STUDY

This study aims to know various factors of employee engagement concerning social responsibility and their effect on the perception of corporate social activities. The underlying assumption of the paper is that every employee holds a certain perception about the company's CSR activities. Further, this perception is developed from the level of exposure, visibility, and frequent interactions to the information on the company's CSR activities.

IV. RESEARCH GAP AND PROBLEM STATEMENT

Few research works are noteworthy to discuss in this section because perception studies are widely used across the world. Barker *et al.*, (2013) focused their study on the perception of CSR and its impact on work experience and the decision-making role of employees. Richa Chaudhary (2017) examined the effect of employee perception of CSR and its influence on level of employee engagement; the study did not give convincing pieces of evidence in establishing a positive association. A study carried out by Ante Glavas (2016) attempted to explore the association between CSR and engagement, whereas this resulted in a positive impact. The association is studied from the perspective of the transactional, relational and developmental approach. In the work of Philip Mirvis (2012), the importance of CSR as a tool to engage employees is studied and the research proposed a theory. R E Slack *et al.*, (2015) discussed social exchange theory as a choice that individual propensity to engage in CSR activity, whereas this contradicts explicit economic contract and this work was a case study that provided conceptual understanding. Viloría, (2018) studied on identifying socially constructed meaning and prerequisite for employee engagement from the perspective of HR leaders, the study attended on psychological status of engagement, identify internal and external drivers of engagement, it provides ample insights for researcher to carry out empirical surveys.

Problem statement

The disengaged employee develops a negative attitude towards the company's effort for CSR activities; they devalue the contributions the company given to its stakeholders. Whereas the socially engaged employee holds a positive perception about their job and the efforts of the employer on CSR. This research examines the perspective of socially inclined employee engagement initiatives from the point of internal stakeholders (employees) which is immensely helpful for the management to improve their actions. Considering this view, the hypothesis is formulated to test the positive association between socially inclined engagement initiative and perception of CSR.

V. HYPOTHESIS FOR THE STUDY

The study is based on the backdrop of the employee working in Manufacturing companies, where the nature of work is rigid compared to the service and IT sectors. The employees work on intensive production targets. In this context, the perception of socially inclined engagement and CSR efforts help Managers to improve the quality of results. Most of the time the employee perception is not based on factual information such as money spent, benefits provided and CSR initiatives taken up. Instead, the impression goes by the positive association and the treatment they receive from the company. "If the company cares for the employee, the company also cares for society." It's a treatment they receive from immediate supervisor, Human Resource policies and other supporting culture. Martin *et al.*, (2009) observe three components of engagement, specifically psychological state that enables the feeling of involvement and commitment, behaviour-based deliberated efforts and finally, the trait based on a positive individual mindset. Further to this, three more engagement types such as physical, emotional and cognitive, are observed by Kahn (1990). Few concepts such as flexibility, networking, exploring new avenues, and challenging work related to CSR leads to employee engagement (Kissida Michael, 2007). Previous studies established this association and served as a strong basis for this hypothesis formulation. These studies provide the impression that employee with positive engagement has an optimistic opinion about the CSR activities. Considering this, the following hypothesis is formulated.

Hypothesis 1: The perception of socially inclined employee engagement is having a positive impact on the observation of CSR Outcomes.

Proposed model

For the study, twenty-one questions were developed. These questions were sorted as (1) Having Social concern, (2) Commitment, (3) Developmental opportunity. We have proposed these three factors as independent variables and together constitute the socially inclined employee engagement part. On the other hand, the dependent variable that leads to an opinion about the effort a company exerts on CSR activities. The dependent variable questions are fifteen and sorted as per the perception of company-related benefit and stakeholder related benefit.

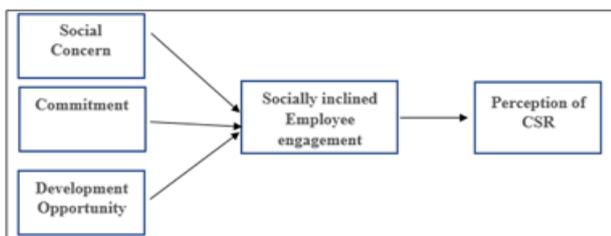


Figure 1: Proposed model for the study

VI. RESEARCH METHODOLOGY

A descriptive research design is used in this study with the questionnaire as a primary tool for data collection. The question uses a five-point Likert scale, whereas, 5- point measure strongly agree and 1 measure strongly disagree. The questionnaire is prepared out of the literature review

discussed above. Also, the inputs of stakeholders are considered during the pilot study. The study measures socially inclined engagement using the modified version of the Utrecht work engagement scale (UWES). The motivation for the questionnaire comes from the work of Houghton *et al.*, (2008) that assessed the connection between employee volunteerism on organization external CSR. The respondents are mainly the employees who are having knowledge of the CSR activities of the company. Human Resources, Corporate Social Responsibility department and the mid-level management employees are considered as the respondents. Responses are collected in the form of hardcopy as well as in Google form. Totally 295 responses are collected during the research work, out of that 280 responses considered for the analysis. A questionnaire is an excellent way to acquire the information, it is a cheap, quick, and effective way (Saul McLeod 2014). We had a quality interaction with few respondents on various aspects of engagement and CSR during the data collection. The secondary data is gathered through published journals, government reports, web information, and company websites. A pilot study is performed for fifteen responses before floating the questionnaire, the suggestions were incorporated and few shortcomings were addressed. The language and appropriateness of the questions are enhanced after the pilot study. Statistical tools such as the KMO test helped to measure sample adequacy and Bartlett's test for sphericity to check the normality distribution of data, this suggests the suitability of data to proceed for Exploratory Factor Analysis.

Exploratory Factor Analysis (EFA) is performed on the twenty-one questions of independent variables and fifteen questions of dependent variables separately. Subsequently, the confirmatory factor analysis is carried out and the Partial Least square – structural equation model is created to test the hypothesis.

VII. DATA ANALYSIS & INTERPRETATION

The factor analysis data is presented in Annexure 1; the items are clubbed as per their three factors as proposed in the beginning. Separate exploratory factor analysis is performed for the independent and dependent variable, subsequently internal consistency reliability of clubbed items measured with the help of Cronbach's alpha. Reliability is the degree of consistency in the results; it tells whether the instrument is giving the same results on repeated measures (Andrews, P S *et al.*, 2011). Cronbach's alpha is used to assess the reliability of the data and most of the value indicated in Annexure 1 is above 0.5 and they are acceptable for subsequent analysis. For independent variables, the KMO measure of sample adequacy is 0.886 and Bartlett's test is significant with a p-value less than 0.05. For the dependent variable, the KMO value is 0.901 and Bartlett's test is significant.

Validity and Reliability

Validity measures the precision of the instrument used in the research; the instrument must measure what it is intended for. Three popular validity measures are content, criterion and construct validity (Andrew *et al.*, 2011).

Further, construct validity is divided into divergent validity (discriminant validity), convergent validity and the researcher can test the validity for both or any one (Cambell and Fiske, 1959). Discriminant validity measures that factors should have no relationship, it means that the two different factors can be easily differentiated (Domino and Domio, 2006). Thong (2001) defines it as “the degree to which items differentiate between variables”. Discriminant Validity uses Average Variance Explained values (AVE). The two criteria are used to measure discriminant validity are correlation among the constructs and the square root of AVE among the construct’s correlation. The values of discriminant validity are said to be acceptable when the corresponding correlation coefficient value of factors are less than the square root of AVE values (Leong *et al.*, 2011). Highlighted values mentioned in Table-I are the square root values of AVE, the values are presented diagonally. From the correlation Table-I start from the highlighted values and move downward and then move left side, all the value shouldn’t be more than square root values of AVE. Most of the correlation coefficient

values among factors are lower than the square root of AVE, only Socially inclined employee engagement and commitment correlation is more than the square root of AVE. Thus, discriminant validity concerns were moderately addressed. On the other hand, composite reliability value (construct reliability) will help to find in case an item with a high proportion of variance is shared to their specific factor or not, it uses AVE and composite reliability value (Raykov, 1997). For considering the model it is essential to get the value of composite reliability (CR) higher than 0.7 and Average variance explained (Tuffrey, 1997) (AVE) value to be higher than 0.5. If this condition is fulfilled then it is acknowledged that there is a convergent validity of items with their factors (Bagozzi and Yi 1988). As indicated in Table-I, both CR value and AVE values are in the above-prescribed limit. Garver and Mentzer (1999) also support the values of Alpha, CR and AVE as 0.7, 0.7 and 0.5 respectively for substantial reliability. Only the AVE value of socially inclined employee engagement is less than 0.5; rest of the values are more than the prescribed limit.

Table-I: AVE, CR and Discriminant validity test for the measurement model in PLS

| | Cronbach's Alpha | Composite Reliability | Average Variance Extracted (AVE) | Commitment | Corporate related perception of CSR | Development Opportunity | Social Concern | Socially inclined employee engagement | lated perception of CSR |
|---------------------------------------|------------------|-----------------------|----------------------------------|--------------|-------------------------------------|-------------------------|----------------|---------------------------------------|-------------------------|
| Commitment | 0.905 | 0.925 | 0.639 | 0.799 | | | | | |
| Corporate related perception of CSR | 0.846 | 0.887 | 0.613 | 0.359 | 0.783 | | | | |
| Development Opportunity | 0.836 | 0.901 | 0.753 | 0.502 | 0.406 | 0.868 | | | |
| Social Concern | 0.591 | 0.83 | 0.71 | 0.458 | 0.446 | 0.355 | 0.842 | | |
| Socially inclined employee engagement | 0.877 | 0.901 | 0.415 | 0.937 | 0.467 | 0.73 | 0.618 | 0.645 | |
| Stakeholder related perception of CSR | 0.881 | 0.906 | 0.547 | 0.647 | 0.637 | 0.468 | 0.496 | 0.69 | 0.74 |

Tools used for statistical analysis.

The research adopted a Partial Least square – Structural equation (PLS-SEM) model to analyse–hypothesis. The causal relations of socially inclined employee engagement initiatives are presented in Table-II. The process recommended by Wetzels *et al.*, (2009) for PLS with second-order factors is used in this work to predict and test the hypothesis rather than to develop the model based on theory (Hair *et al.*, 2010). The statistical analysis is performed with the help of IBM-SPSS 21 and Smart PLS 3.0.

Structural Model Results

To test the hypothesis, resampling techniques like bootstrapping method is used for getting significant values of standard coefficient (path coefficient) and blindfolding method for model fit value. Bootstrapping creates large samples from the present observed sample and creates bootstrap distribution that comes close to the sample spread con-

cerning path coefficient in structural model Henseler *et al.*, (2012). In this study, bootstrapping is performed on 2000 numbers for the 280 observations.

As mentioned in Table-II the beta values are positive and significant at 0.01 level of significance, the values of indicating a strong impact. The p-value (probability value) for all the paths is less than 0.05 level of significance, indicating that the impact association is significant. Thus, socially inclined employee engagement is significant with the three factors such as commitment, development opportunity, and social concerns exhibited. The dependent variables, perception of company-related and stakeholder related initiative also significant on the independent variable of a socially inclined engagement initiative. Our proposed model fits the data that we collected during our research work.



From the path coefficient values in Table-I we can conclude that social engagement initiatives have a positive impact on the perception of CSR activity initiated by companies.

Table-II: Path coefficients for testing hypothesis

| Paths | Beta value | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics | | Relationship |
|--|------------|-----------------|----------------------------|--------------|----------|--------------|
| | | | | (O/STD EV) | P Values | |
| Socially inclined employee engagement -> Commitment | 0.937 | 0.937 | 0.01 | 96.065 | 0 | Significant |
| Socially inclined employee engagement -> Corporate related perception of CSR | 0.467 | 0.473 | 0.043 | 10.802 | 0 | Significant |
| Socially inclined employee engagement -> Development Opportunity | 0.73 | 0.727 | 0.04 | 18.298 | 0 | Significant |
| Socially inclined employee engagement -> Social Concern | 0.618 | 0.62 | 0.043 | 14.428 | 0 | Significant |
| Socially inclined employee engagement -> Stakeholder related perception of CSR | 0.69 | 0.692 | 0.04 | 17.445 | 0 | Significant |

Finding from the Structural Model

For proving the hypothesis a hypothetical model is proposed in the beginning; subsequently structural equation model is developed using PLS-SEM. Figure 2 indicates the variable factor and items (questions in the questionnaire). The model is developed based on the literature review and tested with the data gathered during this research work.

The PLS-SEM mentioned in Figure 2 indicates how socially inclined employee engagement initiatives can be implemented in the company. The values in factors (blue colored circles, also referred to as constructs) represent R². The coefficient of determination (R²) indicates that 38 percent of association is predicted by these two items combined. Remaining 62 percent is for other reasons. R² is key yield of regression calculation, it is understood as the proportion of variance in the dependent variable that is predicted from an independent variable.

All values indicated in Figure 2 are positive. Socially inclined employee engagement significantly impacts the perception of stakeholders related to CSR activity with the beta value of 0.690. On the other hand, socially inclined engagement impacts the associated corporate perception of CSR with a beta value of 0.467. The arrow from the blue circle to yellow boxes (Items) indicates factor loading. The factor loading values in Figure 2 is more 0.6.

Overall, Figure 2 gives an overview of socially inclined engagement activity on the perception of CSR activity initiated in the organisation. All the path co-efficient values are proved significant results. We have dropped a few questions with loading of less than 0.5. Hence, the finding indicates that the data collected fits the models proposed at the beginning of the study.

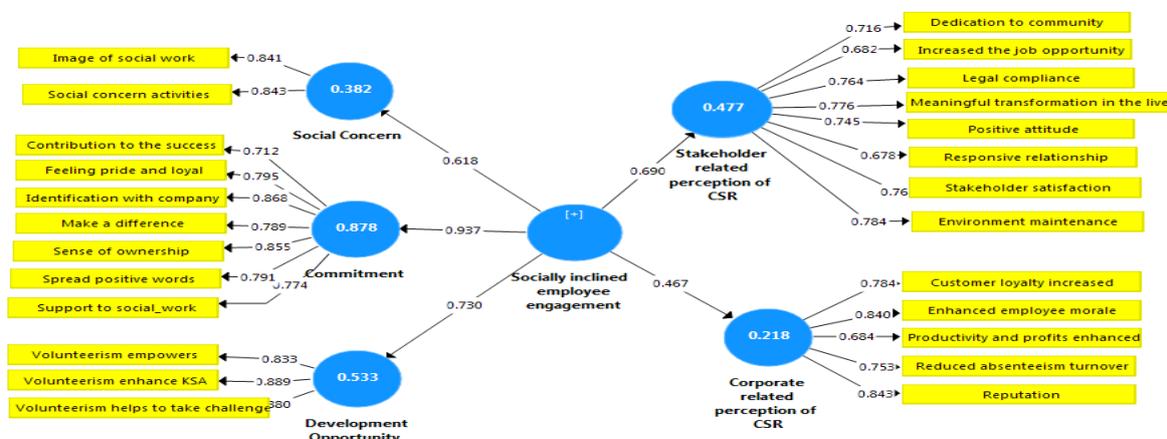


Figure 2: PLS-SEM model results

Result discussed in contrast with other researchers:

The researchers need to compare and contrast the result of the study with the different proven and accepted results with similar factors and variables. This section discusses the similarity and difference of this paper with other research work, the reason for this comparison to tell readers about the contribution of the study to the knowledge of theory.

Richa Chaudhary (2017) questioned whether CSR could fill the gaps of employee engagement as the findings did not support the interaction effects of CSR activities, surprisingly the gender is considered as the moderating variable on employee engagement. In another study Pallavi Jha (2017) focused on how CSR initiatives positively impact employee engagement; the work needs to provide more concrete evidence to establish the relation. Ante Glavas (2016) suggested how the employee can bring their full efforts at work, a case study was based on interview and observation from UK, the work studied the association between employee engagement and CSR, the comparative indices were used to measure the association, whereas in our study we have used PLS-SEM. During our literature review, we observed the conceptual research work of Philip Mirvis (2012) that resembles our work, but the variables considered are transactional, relational, and developmental factors. However, our study used a different set of factors with empirical evidence, established the relationship between Employee engagement with its components such as commitment, and social concern related to CSR activity.

VIII. CONCLUSION, SUGGESTION AND IMPLICATIONS

Conclusion

After the appropriate reliability and validity tests were performed on the data collected, the results indicated that employee engagement has a significant impact on CSR outcomes. The proposed model in the research work strengthened the influences of employee engagement on the perception of CSR efforts. For employee engagement, it is concluded that social inclined commitment, involvement and cognitive development of engagement effects impact CSR performance outcome perception. The results were empirically tested with positive factor loading for all the items. The value of PLS-SEM is positive for the proposed items and the fitness indicators provide good results.

Suggestion

The research work provides a holistic perspective that can be implemented at a micro level to mark the positive perception of CSR activity. Beyond the analysis of the data few observations were proposed during data collection such as providing the jobs as per the capacity of the employee, providing sufficient training to keep up high morale to help employees being engaged with the job. Sometimes, too many expectations with few resources alienate employees. Ignoring such fact leads to negative responses for both dependent and independent variables proposed in this research work. It's needless to mention that when the company expects a high level of engagement, it needs to compensation accordingly. In spite of all the debates, compensation remains the major and vital source of engagement.

Managerial implications

The study provides specific items that need to be considered for socially inclined engagement and perception of CSR. Since the questionnaire is customised to the Indian context, the manager can use it to know how engagement impacts CSR perception. Even the research methodology followed in the study helps the manager to carry out such studies in-house.

Novel Contribution to Theory

This work contributes in three ways. First, it provides important factors for HR and top management leaders to consider. Second, the empirical evidence from the study provides the management, confidence to use particular variables for implementation. Third, the study protracted the concept of socially inclined EE and CSR, contributing to a holistic perspective of a new theoretical framework in studying the relationship between Employee engagement and CSR.

Future research

While applying the PLS-SEM model on overall employee engagement vis a vis CSR, there were few low-intensity associations were found, the future researchers can address this concern. The combined response is taken from the middle level to the top-level employees for the questionnaire. Future research can modify the sample respondents to get more accurate results and can focus on a specific view of the different management hierarchy. The limitation of the study is that the data collection is limited to the geographic region of Bangalore, Karnataka, India. There is a future scope to carry out the same study in different states with different sectors of business such as service, information technology etc. The research work emphasized a particular time span with a specific level of employee engagement belief. But the social belief of employees is predicted to change over a span of time (Kevin, 2011). The same research can be carried out after some time span to know the reliability of the result established here.

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Annexure 1

| Rotated Component Matrix ^a | | | |
|--|-------------------|--------------------|-----------------------|
| Items | Component | | |
| | FA 1 - Commitment | FA 2 - Development | FA 4 - Social Concern |
| Image of social work | | | 0.544 |
| Social concern activities | | | 0.594 |
| Awareness of social work | | | 0.728 |
| Contribution to the success | 0.683 | | |
| Feeling pride and loyal | 0.791 | | |
| Sense of ownership | 0.818 | | |
| Identification with company | 0.836 | | |
| support to social work | 0.702 | | |
| Spread positive words | 0.737 | | |
| Make a difference | 0.754 | | |
| Volunteerism empowers | | 0.812 | |
| Volunteerism enhance KSA | | 0.821 | |
| Volunteerism helps to take new challenge | | 0.820 | |

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a. Rotation converged in 5 iterations.

Source: Primary data collected through questionnaire.
 Extracted items of employee engagement with Cronbach's Alpha value

Annexure 2

Extracted factors from Rotated Component Matrix of social performance related items

| Items | FA 1 - Impact on Stakeholder | FA 2 - Impacts related to Company benefit |
|--|------------------------------|---|
| Stakeholder satisfaction | .773 | |
| Meaningful transformation in the lives | .717 | |
| Increased the job opportunity | .642 | |
| Legal compliance | .771 | |
| Responsive relationship | .668 | |
| environment maintenance | .784 | |
| Dedication to community | .632 | |
| Positive attitude | .644 | |
| Productivity and profits enhanced | | .786 |
| Reputation | | .694 |
| Customer loyalty increased | | .816 |
| Reduced absenteeism, turnover | | .733 |
| Enhanced employee morale | | .625 |

Extraction Method: Principal Component Analysis.
 a. Rotation converged in 5 iterations.

Source: Primary data collected through questionnaire.