

Csr Initiatives And Corporate Image: Mediating Effect Of Employee Trust

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ABSTRACT

The stakeholder approach to CSR is very useful in identifying the right kind of initiatives to address the prevailing needs amongst them. HR Managers play a pivotal role in framing the CSR policy of an organization. They act as catalyst in deploying the resources of the organization towards the CSR initiatives. They are also responsible to evaluate the impact of the CSR programs in many organisation. This paper focuses attention on trust which has been seen as an essential element for organisations to operate efficiently and for establishing their image. In the present context, the research also becomes important as the Indian Companies Act (2013) requires organisations to invest 2% of their income on CSR initiatives.

Keywords: *CSR initiatives, employee trust, corporate image*

INTRODUCTION

Corporate Social Responsibility (CSR) is perceived by different stake holders in different ways. The CSR activities in many organisations are under the purview of HR managers. HR Managers play a pivotal role in framing the CSR policy of an organization. They act as catalyst in deploying the resources of the organization towards the CSR initiatives. They are also responsible to evaluate the impact of the CSR programs in many organisation.

The concept of stakeholder was originally discussed by Ian Mitroff (1983), which was followed by Freeman and other scholars in the CSR arena. The stakeholder approach to CSR is very useful in identifying the right kind of initiatives to address the prevailing needs amongst them. The dimensions focused in this study namely Community, Government, Customer, Vendor, Employee, Shareholders, Environment are grounded on the Stake holder theory of CSR. This research will identify the CSR dimensions of an organisation through the lens of HR managers. It will also bring out the barriers of CSR in the selected organisation.

NEED FOR THE STUDY

Employee trust plays a significant part in recruiting and retaining talent. This attractiveness and skill acquisition is a significant asset in a knowledge-driven market, where companies considered to be highly competitive are best positioned to hire and retain skill. The findings indicated a better image among the less-educated workers in the goal company. The likely reason behind this phenomenon is enhanced awareness and understanding among senior employees about other philanthropic organizations and their CSR initiatives.

This research focuses on trust as rather than an affective concept as a cognitive framework. Trust has been seen as an essential element for organisations to operate efficiently and for establishing their image. Integrity, fairness, and benevolence were found to be the ingredients necessary for building trust. Trust is developed based on the assessment of the principles and values of organisations. Signalizing theory

and the theory of social exchange help to link perceptions of CSR to trust. CSR practices create favorable expectations by giving positive messages to workers about the principles and beliefs of the company.

REVIEW OF LITERATURE

Chris Groves, Robert Lee, Lori Frater and Gavin Harper (2010) in their working paper on CSR in the Nano Technology Industry have done a content analysis of CSR reporting from the published codes of conduct, annual reports and policy statements of nearly 78 companies. The study has identified that most companies engage in CSR with an intention of doing no harm to society in the first place and to reduce risk and operational cost in the second place. The authors have recommended for industry code of conduct and sharing of CSR expertise within existing supply chain as the way to move forward.

Cynthia A. Williams and Ruth V. Aguilera (2008) have made a comparative study on attitude of managers and consumers on Corporate Social Responsibility. They have examined the studies done by Hay and Gray (1974) Hemingway and Maclagan (2004), Hemingway (2005) and highlighted that individual and organizational values are predictors of top level management's attitude towards CSR. It was also found that individual integrity, individual ethical perspectives and organizational culture greatly influences decision making relating to CSR. The research works done by several authors have been quoted to conclude that top management teams (TMTs), vary to a large extent across nations in their behaviour towards CSR due to the differences in norms of work, culture etc.

Dan F. Ofori and Robert E. Hinson (2007), have made a comparison of internationally-connected Ghanaian firms and SMEs in Ghana. It was found that the former think CSR should be major component of a company's strategy formulation while that kind of realization is not there in the latter. Environmental damage, Consumer protection, Education, Healthcare and Safety are the major areas of CSR initiatives done by Ghanaian firms.

In another study Dan F. Ofori (2010), has examined the managerial attitudes towards CSR among selected CLUB 100 member companies in Ghana. Ethical Standards has been identified as the most influential factor determining managers' attitude towards CSR which was followed by Industry practices, Traditional beliefs, Family upbringing and Educational training in that order. Md Zabid Abdul Rashid, Ibrahim Saadiatul, (2002) have examined the executives and management attitudes towards CSR in Malaysia and are in contrast with study of Dan F. Ofori (2010) in Ghana. While family upbringing was the most influential factor of manager's decisions on CSR it was not so in the case of Ghana. The Malaysian managers have felt that involvement in CSR activities enhances the public image of a company and its long term profitability.

Paolao Maccorrone (2009) has examined the Italian managers attitude towards CSR covering an array of industries such as Energy, Food Apparel, Chemical and Pharmaceutical. The Italian managers have said that their organisations primarily focused on four important dimensions of CSR namely Human Resources, Supply Chain and Competitive Context, Community and Environment. The managers were surveyed on how firms are coping with the increasing pressures to do good to the society. The study revealed that most companies concentrate more on environment dimension by collaborating and partnering with any of the environmental associations. Corporate DNA is an important variable spelt out by most managers to have an impact on attention to CSR issues.

Shen Hongtao & Yand Yi have conducted a study on manager's attitude towards CSR in china. The results of the study revealed that management has a positive attitude towards CSR. Shareholders are regarded as the important object of CSR activities but there prevails a confusion on the purpose of CSR among managers. The study highlighted that younger managers have positive attitude towards CSR and personal background has a significant influence. Rajan Sharma and Megha Sharma (2011) have attempted

to find out the attitude of youth regarding CSR. They have employed factor analysis to identify 12 important areas in which companies are expected to get involved in the form of CSR from the opinion of Youth. These areas include Global standards, labour welfare, transparency, fair dealing, environmental protection among others.

Oliver Salzmann et al. (2005), have done an in-depth study on the Business Case for Corporate Sustainability (BCS) and suggest future research options in BCS. Complexity of the BCS and concept and difficulty in ascertaining materiality are the two major stumbling blocks for research in this area. In order to overcome these hurdles future research should focus on manager's key economic arguments in favour of BCS. So it is evident that there lies a gap in the form of eliciting manager's attitudes towards the CSR activities of an organisation.

CONCEPTUAL MODEL

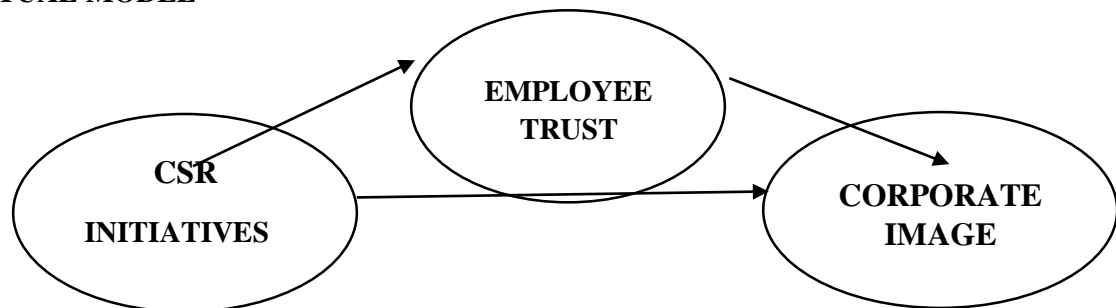


FIGURE 1 : conceptual model for CSR Initiatives influencing corporate Image

Trust applies to both a relationship and an outcome, and is described as a relationship in which one party has confidence in the reliability and honesty of an exchange partner. It is also described as the feeling that 'those we relate to will fulfill our aspirations and not harm us

According to the signaling theory, the positive signals could lead to a reinforcement of employee trust as companies perceived to be engaged in CSR are likely to be identified as 'trustees' acting in the interests of all stakeholders, including employees. Empirical research that have found positive correlations between the understanding of CSR activities and the creation of confidence among employees also support this argument.

On the other hand, the theory of social exchange predicts that reciprocity norms govern the reactions of the employees. This indicates that a favorable view of CSR is likely to improve employee trust in their managers as the workers believe that the organisations represent the needs of all stakeholders and are thus more worthy of their faith.

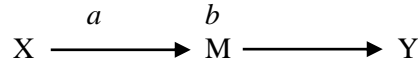
Corporate image also taken as its credibility is described as 'the ultimate impression that represents a collective stakeholder party' perception. It is the product of the cumulative views of the stakeholders about the capacity and purpose of the company to fulfill their demands and desires.

OBJECTIVES OF THE STUDY

- To study the explore the influence of CSR initiatives on corporate image with the mediating effect of employee trust
- To predict the direct effect, indirect effect and total effect of independent variable (X) on moderating variable (M)

METHODOLOGY

Mediation as a concept is viewed as a theorized underlying restraint wherein it is assumed that one variable could affect another variable such that it in turn could affect another variable which is the third variable. The dominant variable, considered as the mediator (M) helps in knowing the correlation that exists between the predictor variable namely the X and Y. The mediating effect has been depicted below.



In the above graphical representation given, a and b which form the paths with respect to the mediation are considered as exerting effect which are direct. The effect of the mediation which takes place in which X is seen leading to Y through the variable M, is referred to as the effect which is indirect. This effect which is indirect shows to what extent the relationship between the independent and dependent variables is mediated by the moderating variable.

In any simple model of mediation, it is necessary to identify the paths namely, 'a', 'b', and 'c' which are to be predicted. The paths given in the above representation are taken as exerting a direct effect. In short, the model is specified such that the X the independent variable has a direct effect on the mediating variable (M), with the mediator having an effect which is direct on the dependent variable or outcome namely Y. It is assumed that the independent variable X has an effect which is direct on Y. The effect of mediation is experienced when there is ample evidence to prove the effect which is indirect of the independent variable namely X on the dependent variable Y, is the flow through the mediating variable namely M. The effect of mediation by any variable in the model has been arrived at by computing the product of paths namely 'a' and 'b' which sums up to the indirect effect being taken as a multiplied by b .

Hence like in any mediation model, this study attempts to depict the effects both as direct and indirect together with total effect. Graphically the effect which is direct has been depicted with an arrow having a single head and the effect which is indirect has been expressed as the product of the paths which could be traced from moving from X to Y through the mediating variable.

In addition, the effect in totality of X on Y has also been calculated and is taken as the sum of the effect which is direct and the effect which is indirect from the independent variable X to the dependent variable Y. The same with respect to this simple model is seen to be the effect in totality of the independent variable on the dependent variable which is the effect which is direct + effect which is indirect = $c + a*b$

DATA ANALYSIS

Using the ordinary least squares (OLS) regression, the path coefficients in the mediation model is being broken down into two regression models:

- Simple regression with X predicting the mediator;
- Multiple regression with both X and the mediator predicting Y.

(a) Simple Regression with X predicting the Mediator – X is CSR initiatives

Dependent Variable : Employee trust (M)

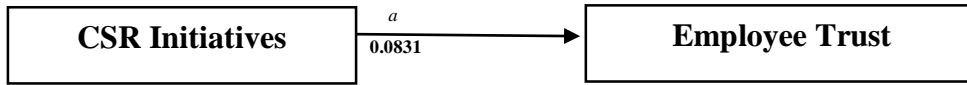
Independent Variable : CSR initiatives (X)

Table 1 : Model Summary

R	R-sq	MSE	F	Df1	Df2	P
0.0781	0.0064	1.6245	11.1313	1.0000	1853.0000	<0.001**

Table 2 : Model 1

	Coeff	Se	T	P	LLCI	ULCI
Constant	-0.0096	0.0292	-0.3361	0.7367	-0.0681	0.0484
CSR Initiatives	0.0831	0.0253	3.3364	0.0010	0.0344	0.1323



In the simple regression it can be seen that X is a significant and positive predictor of Y (b = 0.0831, se = 0.0253, p < 0.001). This coefficient reflects effect which is direct of X on Y which is within the path model.

(b) Simple Regression with X and M predicting Y

Dependent Variable : Corporate Image (Y)
 Independent Variables : i. CSR Initiatives (X)
 ii. Employee Trust (M)

Table 3 : Model Summary

R	R-sq	MSE	F	Df1	Df2	P
0.1522	0.0233	1.4864	21.8965	2.0000	1852.0000	<0.0001**

Table 4 : Model 2

	Coeff	Se	T	P	LLCI	ULCI
Constant	-0.0077	0.0284	-0.2691	0.7874	-0.0632	0.0478
CSR Initiatives	0.0781	0.0236	3.2585	0.0013	0.0313	0.1251
Employee Trust	0.1222	0.0221	5.4904	0.0010	0.0786	0.1654

The second regression results show that both X (b = 0.0781, se = 0.0284, p < 0.001) and M (b = 0.1222, se = 0.0221, p < 0.001) are significant, positive predictors of Y. These coefficients reflect the effects which are direct of both X and M on Y which is within the path model.

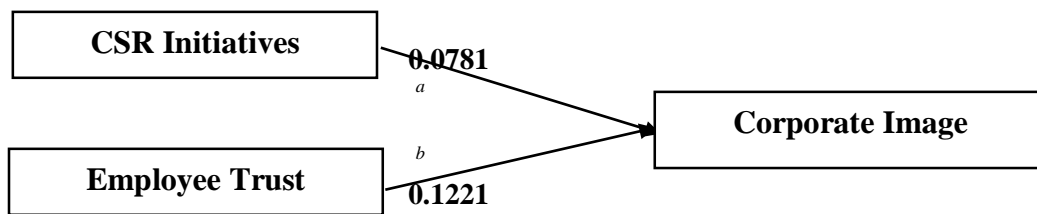


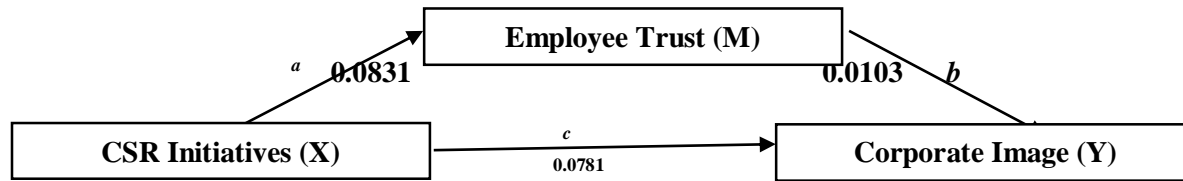
Table 5 : Direct effect of X on Y

Effect	Se	T	P	LLCI	ULCI
0.0781	0.0239	3.2589	0.0011	0.0311	0.1250

Table 6 : Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
Employee Trust	0.0103	0.0042	0.0029	0.0196

The unstandardized effect which is indirect shown above which is 0.0102 refers to Y calculated as a product of paths a (0.0833) and b (0.1220) from the previous regressions.

**Table 7 : Total effect of X on Y**

Effect	Se	T	p	LLCI	ULCI
0.0342	0.0212	2.2588	0.0001	0.0213	0.0454

The total effect of X on Y can be computed as direct effect (DE) and indirect (IE) = 0.00239 and 0.0103 = 0.0342. Because zero (null) does not lie between the lower limit and upper bounds of the 95% confidence interval, it can be inferred that the total effect of X on Y is significantly different from zero.

FINDINGS AND CONCLUSION

In the simple regression it can be seen that X is a significant and positive predictor of Y ($b = 0.0831$, $se = 0.0253$, $p < 0.001$). This coefficient reflects effect which is direct of X on Y which is within the path model.

The second regression results show that both X ($b = 0.0781$, $se = 0.0284$, $p < 0.001$) and M ($b = 0.1222$, $se = 0.0221$, $p < 0.001$) are significant, positive predictors of Y. These coefficients reflect the effects which are direct of both X and M on Y which is within the path model.

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It should however, be remembered that different groups of employees have different levels of trust and the employer's images indicate that employees assess their employer's CSR activities from different perspectives. Organizations therefore need to consider a bundle of CSR activities instead of focusing on a single initiative, which could hold minimal value for a majority of employees. In the present context, the research also becomes important as the Indian Companies Act (2013) requires organisations to invest 2% of their income on CSR initiatives.

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