

**THE RELATIONSHIP BETWEEN CORPORATE SOCIAL  
RESPONSIBILITY AND ORGANIZATIONAL COMMITMENT:  
THE ROLE OF CORPORATE IMAGE AS THE MEDIATOR**

**by**

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**WE ALL HAVE AN IMAGE**

**LETS MAKE IT UNIQUE, INTERESTING, FUN AND TRUSTWORTHY**

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## **ABSTRACT**

Kajian ini bertujuan untuk mengenalpasti kesan pengantaraan Imej Syarikat dari segi perasaan pekerja di antara CSR yang dilancarkan oleh syarikat dan Penglibatan Pekerja dengan syarikat tersebut. Sampel dipungut terutamanya dari pekerja syarikat yang berkerja dengan syarikat yang mengutamakan CSR supaya mereka memahami unsure-unsur CSR. Kajian ini mendapati pekerja sekarang mengelompokkan unsur-unsur CSR kepada dimensi baru iaitu tanggungjawab ke atas Ekonomi, Perlaksanaan Perniagaan, Tempat Kerja dan Sekehendak Hati berbanding dengan dimensi asal yang dicadangkan oleh Carroll (1979). Keputusan regresi mewahyukan Imej Syarikat tiada pengantaraan dengan semua unsur-unsur CSR dan Penglibatan Pekerja. Pengantaraan hanya didapati antara Tanggungjawab Sekehendak Hati dan Penglibatan Pekerja (dari segi Penglibatan Affective, Penglibatan Continuance dan Penglibatan Normative) dan juga antara Tanggungjawab Perlaksanaan Perniagaan dan Penglibatan Normative. Rumusannya, hasil kajian ini mendapati penukaran perasaan perkerja ke atas CSR. Ia juga memberi maklumat kepada pengurus mengenai kepentingan unsur-unsur CSR yang tertentu supaya mereka tahu unsur-unsur CSR yang mana mereka perlu memberi tupuan untuk menambahkan perasaan positif pekerja ke atas imej syarikat yang akhirnya menambahkan Penglibatan Pekerja pada syarikat mereka.

## **ABSTRACT**

This study aims to investigate the mediating effect of the employees' perceived corporate image on the relationship between the organization's CSR practices and the employee's organizational commitment. Samples were collected mainly from CSR and award winning organizations to ensure that respondents have sufficient understanding on CSR elements. This study discovered that the respondents grouped the CSR dimensions into Economic, Business Compliance, Workplace and Discretionary Responsibility instead of following the frequently referred CSR dimensions proposed by Carroll (1979). The regression results also revealed that Corporate Image does not mediate between all the CSR variables and organizational commitment. It only mediates between CSR effort in Discretionary Responsibility and Organizational Commitment (Affective Commitment, Continuance Commitment and Normative Commitment) and also Business Compliance Responsibility and Normative Commitment. As such, this study revealed the changes in employees' perception on CSR and also enables managers to understand which CSR components they need to focus on to improve their employees' perception of their organization as this perception (or image) will lead the employees' into deciding their commitment to the organization.

## **Chapter 1 INTRODUCTION**

### **1.0 Introduction**

This chapter introduces the background of the study on corporate image as a mediator between corporate social responsibility and organizational commitment of employees. A detailed research on the background of the study, research objectives, research questions and the significance of the study to the society is covered in this chapter.

### **1.1 Background of the Study**

Employees' organizational commitment in an organization is important because it leads to retention, attendance, and job productivity. If an employee is committed to an organization, the likelihood of retention, consistent attendance and productivity increases (Zangaro, 2001). This will therefore lead to improved organization's profitability. Southwest Airlines for example continues to garner accolades in the areas of customer service, workforce management and profitability, thanks to their employees' organizational commitment or 'loyalty' to their customers, their employer, and their work translates into millions of dollars of revenue. Because of this, Southwest Airlines boasts the fewest customer complaints of any major airline for 18 years in a row, has been profitable for 31 consecutive years, employees turnover averages less than 10%, and is consistently named one of the best companies to work for (D'Aurizio, 2008).

It is therefore important for organization to develop a system that is able to encourage their employees into putting more commitment to assist the organization in achieving the organizational goal. One of the methods is by having a good corporate image. Corporate image is a perceived mental picture about the organization. Employees developed their perception of their organization by encoding information

relating to both factual company practices and imaginary or attributed qualities. These information can come from personal experience, interpersonal communication or mass media communication (Dowling, 1986).

When employees hold their organization's image in high regards, they will be more prepared to promote their company. Alternatively, when employees hold their organization's image in poor regard, it can poison the atmosphere at work and demoralize staff and affect the service delivery. Employees' perceptions can have a direct impact on how outsiders perceive their organization. For example, surveys have shown that people who know (and like) someone who works for an organization tend to regard that organization more highly than similar people who do not know anyone working there (Dowling, 2001).

External stakeholders (such as customers, societies and suppliers) perception can also influence the employees' attitude and behavior. Research on employee behavior found that employees' behavior is driven by whether or not they believe that the images and reputation of their organization held by outsiders are favorable. When they believe that outsiders see their organization in a positive light, they bask in its glory. This in turn can translate into greater self-confidence, cooperation, and citizenship behavior (Dowling, 2001). When they perceive that outsiders view their organization negatively (as found by Dutton and Dukerich (1991) research on Port Authority of New York and New Jersey in addressing the rising number of homeless people seeking shelter in its transportation facilities), the employees became depressed and stressed. This indicates the importance of corporate image to an organization.

For these reasons, it is important for organization to build a desired employees corporate image by presenting itself as a concerned, honest, trustworthy and reliable

organization. Developing a good corporate image need to start from inside out because employees represent the organization. Employees interact with the other stakeholders to convey organizational messages. Therefore, organization needs employees to promote positive messages to portray a positive corporate image. To achieve this, employees must first of all view their own organization's corporate image positively.

A qualitative studies conducted by Mattila (2009) discovered that employees develop a positive image of their organization when their organization focuses on both internal and external Corporate Social Responsibility (CSR) effort because when organization shows concern for the wellbeing of their employees, the organization implanted a positive image in the mind of the employees. If the organization focuses purely on external CSR, employees feel that the organization's CSR effort was a pretence developed in order to fulfill external stakeholders' pressure and expectation. Therefore, organization's CSR practices need to be executed with the mindset of which stakeholder they wish to influence.

CSR practices today is lacking in satisfying the internal stakeholder (ie. employees) (Fenwick & Bierema, 2008; Mattila, 2009) although the notion of CSR for business is gaining recognition with initial association of 50 founding companies in 1992 to more than 250 member companies in 2007. Where the current members include top-tier international global companies such as American Express, BP, Coca-Cola, Exxon Mobil, Hewlett-Packard, Microsoft, Wal-Mart and the Walt Disney Company (Sons, 2007).

Studies on organization that practices CSR effectively has constantly reports benefits to their triple-bottom-line, among them are (Sons, 2007):

- Improved financial performance

- Increased ability to attract and retain employees
- Enhanced brand image
- Increased sales and customer loyalty
- Increased productivity and quality.

In view of these benefits, it is unavoidable that organizations need to review their CSR practices. As explained by Dowling (2001) above, employees' perceptions can have a direct impact on how outsiders perceive an organization. Therefore, organization should start with an internal focused CSR to build the right employees' perceived corporate image that is able to harness employees' organizational commitment.

## **1.2 Problem Statement**

Prior studies acknowledged that in order to improve employees' organizational commitment, organization can use CSR to help them achieve this objective (Brammer, Millington, & Rayton, 2007; Collier & Esteban, 2007; Peterson, 2004; Rodrigo & Arenas, 2008). For example, First Tennessee National Corp. (Tennessee's largest bank and a member of the S&P 500 index) during 1996, formally declared that employees come first, followed by customers, and then shareholders. Their employees focus programs include childcare subsidies, a sick-child center, health and fitness programs, and resources for all kinds of family issues (an example of Discretionary CSR) became the foundation of its profit chain, from which employee productivity and retention follows (Faleye & Trahan, 2011). This indicates that organization realizes the importance of CSR in managing their employees' perception in order to get the best out of them.

However, the issue is which CSR elements are able to give greater impact to the employees' perceived corporate image is uncertain. One of the reasons is the

wide scope of CSR. Carroll (1979) described CSR to encompass the economic, legal, ethical and philanthropic expectations placed on organizations, whereas the later development of CSR as defined by Bursa Malaysia encompasses the environment, workplace, community and marketplace (BURSA, 2006) that is very different from the early CSR scope.

This study attempts to understand which CSR elements have the ability to influence the employees' perceived corporate image to enhance their organizational commitment.

Secondly, employees' perception on their organization's corporate image affects their behavior as well as how they promote their organization to the other stakeholders. But only limited studies were conducted on corporate image viewed from the employees' perspectives (eg., Riordan, Gatewood, & Bill, 1997). Most researches were carried out in the area of corporate image viewed from branding, marketing and financial purposes (eg., Gatewood, Gowan, & Lautenschlager, 1993; Marken, 1990; Schwaiger, Sarstedt, & Taylor, 2010; Wei-Chi & Wen-Fen Yang, 2010). This study attempts to study corporate image viewed from the employees' perspective to stress the importance of managing employees' view on their organization's corporate image.

Thirdly, previous literature indicated certain elements of CSR (such as organizational ethics) as having impact on employees' perceived corporate image that can affect their commitment to their organization (eg., Dowling, 2001; Dutton & Dukerich, 1991; Dutton, Dukerich, & Harquail, 1994; Riordan, et al., 1997). This study is conducted with empirical backing in mind to address this gap and show the mediating effect of corporate image between a more comprehensive CSR practices and organizational commitment viewed from the employees' perspective.



### **1.3 Research Objectives**

This study is carried out in an attempt to accomplish three main objectives as follows:

- (1) To examine the effect of corporate social responsibility practices on employees' perceived corporate image.
- (2) To examine employees' perceived corporate image in influencing their attitudes and behavior measured by organizational commitment scale.
- (3) To examine the mediating effect of employees' perceived corporate image between corporate social responsibility and organizational commitment.

### **1.4 Research Questions**

To achieve the above objectives, the following research questions are formulated in order to achieve the research objectives:

- Does corporate social responsibility has any relationship with employees' perceived corporate image?
- Does employees' perceived corporate image have any relationship with employees' organizational commitment?
- Does employees' perceived corporate image act as mediating variable between corporate social responsibility and organizational commitment?

### **1.5 Significance of Study**

One of the main reasons this study is being conducted is because society's expectation on organizational CSR effort is gaining momentum and fast becoming a standard business practice. Many organizations have started implementing CSR as part of their organization practices as well as to fulfill their legal obligation (BURSA, 2006; SC: Embrace CR to prosper," 2010). However, in order for CSR to be effective to bring value to the organization (such as improving the corporate image and employees

commitment), organization and employees' need to have a deeper insight to the benefit of investing in CSR prior to embarking on this time consuming, resources demanding and costly project.

In addressing the above objective, the study described herein expects to make five specific theoretical and three practical significances to this study. The significance contributions are as follows:

**Theoretically:**

First, the results of this study will extend the knowledge of the mediating variables used in the present model viewed specifically from the internal stakeholder perspective (the employees). Previous research did not specifically focus on how CSR as able to influence employees' perception on corporate image to encourage them to be more committed to their organization. The closest model was the study done by Riordan, et al. (1997) on how management leadership has the ability to influence employees' perceived corporate image to provide them job satisfaction and reduce turnover.

Second, this study's findings provide an empirically based evidence to support the posited mediating effect of employees' corporate image between CSR and organizational commitment. Previous research (such as those by Sons (2007), Dutton & Dukerich (1991), Dutton, Dukerich & Harquail (1994), Treadwell & Harrison (1994) and Stawiski, et al. (2010)) gave indicative mention that CSR affect corporate image and subsequently shape employees' behaviour. But detailed quantitative study was not carried out to ascertain these relationships strength.

Third, according to Cho and Mor Barak (2008), employees' perception of their overall work environment will affect their organizational commitment and eventually their performance. The findings suggested that when individual workers feel their

values and norms are supported and that they are treated fairly (one of the aim of implementing CSR) with inclusion in various organizational processes, their sense of commitment increases and their job performance improves. This study goes into individual elements levels to understand more specifically the mediating effect of corporate image on each CSR elements and each organizational commitment elements. This information is important to assist practical execution of CSR in organization to be effective with the available resources.

Fourth, the results of this study will add to the extended concepts of Stakeholder Theory (Oruc & Sarikaya, 2011) by confirming that organization's CSR practices as able to predict the employees' organizational commitment.

Fifth, the results of this study will add to the Social Identity Theory by confirming that a positive employees' perceived corporate image has the ability to encourage and improve their organizational commitment.

**Practically:**

First, most CSR program is external focused emphasizing on community relations effort. What is often being overlooked is that a positive perception of an organization's social responsibility can actually have an even greater impact on the organization's own employees compared to that than on the outside world (Sons, 2007). This study emphasized the importance of internally focused CSR programs as organizational CSR can affect employees' perception of the image of their organization which leads to their decision of organizational commitment. In other words, the organization's management can use CSR as a tool to manage their employees' perception.

Second, the concept of CSR is very broad. For practical CSR implementation, organization management needs to understand which CSR elements are able to give

impact to the employees' perception of their corporate image. This study will enable organization management to focus its resources more effectively.

Third, senior managements, scholars, consultants as well as regulators can use the finding of this study to chart their course of action in their push for more impactful internal focused CSR implementation once they understand how employees view their organization's CSR practices and how CSR affects employees view on corporate image as it create a chain reaction towards employees' organizational commitment.

### **1.6 Definition of Key Terms**

This study will use the following key terms and variables to assist understanding.

*CSR* – is defined as corporate social responsibility referring to employees' perspective of CSR implementation within their organization, focusing on the following four categories: economic, legal, ethical and discretionary responsibility.

*Corporate image* – is defined as employees' perceived mental pictures about their organization's reputations, working environment, activities and accomplishment. In this study, corporate refers to profit making organization.

*Employees' commitment* – In this study employees' commitment and employees' organizational commitment carries the same meaning. The employees' commitment to the organization is defined following Meyer and Allen's (1991) three components model of commitment known as organizational commitment.

*Organizational commitment* – is defined as the "mind sets" or psychological state (ie. feelings and/or beliefs) concerning an employee's commitment to

the organization. These commitments can be divided into three components as follows:

- *Affective commitment* – employees’ emotional attachment, identification and involvement with the organization.
- *Continuance commitment* – awareness of the tangible and intangible costs associated with leaving the organization
- *Normative commitment* – a feeling of obligation to continue employment with the organization

*Employees* – in this study refer to employees from a profit making organization.

## **Chapter 2            LITERATURE REVIEW**

### **2.0      Introduction**

This chapter begins with discussing the underlying theories and comprehensive literature reviews pertaining to corporate social responsibility, corporate image and organizational commitment. Subsequently, it discusses the various relationships of CSR and corporate image and organizational commitment.

### **2.1      Theoretical Background**

This study operates on the assumption that the employees perception (or image) of their organization is developed through the organization's activities (such as CSR) that are related to the employees directly or indirectly. For example, for an organization to achieve its goal, it is required to take care of their employees (such as providing employment, extra bonuses, safe working environment, training and so forth) as proposed by stakeholder theory. Through this action, employees will generate their perception (or image) about their organization. This perception (or image) is important to the employees because the employees' self image is linked to the image of the organization as posit by social identity theory. For example, when someone asked, "where do you work?" If the employee perceives their organization's corporate image positively, they will be very proud to be associated to it. Hence, the employees will be more willing to commit themselves to the organization.

As such stakeholder theory and social identity theory are used to explain the framework of this study. This is inline with previous research (eg., Jacopin & Fontrodona, 2009; Maignan & Ferrell, 2000; Peterson, 2004) that uses stakeholder theory when dealing with CSR related studies and social identity theory when dealing with image related studies (eg., Dutton & Dukerich, 1991; Gatewood, Gowan, & Lautenschlager, 1993; Riordan, et al., 1997).

### **2.1.1 Stakeholder Theory**

The concept of stakeholder first appeared in the publication of Stanford Research Institute in 1963 to include shareowners, employees, customers, suppliers, lenders and society (Lepineux, 2005). This concept was further expanded by R. Edward Freeman in his book titled *Strategic Management: A Stakeholder Approach* published in 1984 into Stakeholder Theory (Oruc & Sarikaya, 2011) to address the "Principle of Who or What Really Counts". Since then many research were conducted in relation to stakeholder in the finance, manufacturing, agriculture, facility and utility industry, communication and leadership related areas and so forth (Littau, Jujagiri, & Adlbrecht, 2010).

Freeman define stakeholder as any group or individual who can affect or is affected by the achievements of the organization's objectives. These stakeholders are linked to an organization in many different ways while some linkages will be more important than others. Nonetheless, customers and employees represent the two most important stakeholders (Dowling, 2001) because work is the central part of the social, cultural and economic life to most people. Employment provides income to sustain a person's lifestyle and this income was generated from the customers. Therefore, managing the expectation of these two groups is the central of any organization.

Stakeholder Theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. Morality and values form the basic characteristics of organizational management. In other words, Stakeholder Theory is used as a strategic management method based on ethical principles to fulfill stakeholder expectation (ie. employees and customers) and avoid possible pressures from the stakeholder to create a better society. The fact that enterprise stakeholder relationships are getting more and more complex leads to the

acknowledgement of Stakeholder Theory as a management model to a great extent (Oruc & Sarikaya, 2011).

Littau, Jujagiri and Adlbrecht (2010) in the “25 Years of Stakeholder Theory Literature Review”, found that Stakeholder Theory is becoming more significant in management and proved to improve organizations operations because it emphasizes on closing the gap of “what do we need from our stakeholders and what do we need to give them in return?”

Stakeholder theory therefore posits that in order to encourage the employees to be committed to their work, organization need to address the employees’ expectation. And when these expectations are met, the employees will have a positive perception (or image) about the organization and be committed to their organization.

### **2.1.2 Social Identity Theory**

Social identity theory is a social psychological cognition of individual developed principally from the work of Henri Tajfel in 1970s (Knippenberg & Hogg, 2001). The theory posits that people define their self-concepts by their connections with social groups or organizations (Lam, Ahearne, Hu, & Schillewaert, 2010). Using social identity theory, researcher developed greater understanding of group processes and intergroup relations in the areas of organizational identification (Ashforth & Mael, 1989), need satisfaction (Badea, Jetten, Czukor, & Askevis-Leherpeux, 2010), diversity management (Reynolds, Turner, & Haslam, 2003) and affiliation (Lam, et al., 2010).

Ashforth and Mael (1989) research on social identity theory on organization in particular, is very important in explaining the causes to organizational commitment. Ashforth and Meal social identity theory on organization predict that:

- Social identification is a perception of oneness with a group of persons.



- Social identification stems from the categorization of individuals, distinctiveness and prestige of the group.
- Social identification leads to activities that are congruent with the identity, stereotypical perceptions of self and others, and outcomes that traditionally are associated with group formation and it reinforces the antecedents of identification.

Therefore, an organization that possessed characteristic that the employees perceive to fulfill their needs (such as a positive corporate image to reflect the employees' identity), the employees will be more inclined to be associated to it (whereby their commitment to the organization became stronger). Hence, when organization is able to manage and portray a positive corporate image, they will be able to attract affiliation from the employees and form sustainable employees' organizational commitment.

## **2.2 Literature Review**

### **2.2.1 Corporate Social Responsibility Conceptualization**

CSR took centre stage in many organizations as it becomes an integral part of the organization's business structure. These organizations choose to be actively involved in the responsibility for the social and environmental activities because they recognize that their profitability and 'license to operate' is related to their CSR efforts. In addition, regulators and auditors also placed high expectation on these organization's CSR implementation and reporting as a means to manage their business risk (Collier & Esteban, 2007). The recent BP Deepwater Horizon oil catastrophe in the Gulf of Mexico in 2010 incident is an example of business risk that led to marketing, management scholars, government, non-government and so forth questioning BP's CSR / ethics practices. And these incidents led to million of dollars compensation and damages to BP's image and reputation (Balmer, Powell, & Greyser, 2011).

In Malaysia, Malaysian companies introduced the idea of a “Malaysian Code on Corporate Governance” in March 2000, jointly developed by public officials and private participants such as those from the Securities Commission and Bursa Malaysia. The code establishes the principles of good governance and describes the structures and processes that companies should strive to achieve. Listed companies are required by the Bursa Malaysia to submit reports detailing their compliance with the code, allowing shareholders and the general public to judge for themselves the conduct of these companies.

The importance of CSR was further emphasized by the Deputy Prime Minister of Malaysia (Dato’ Seri Najib Tun Razak), in his keynote address during the Corporate Social Responsibility Conference on 21st June 2004 where CSR helps to improve financial performance, enhance brand image and increases the ability to attract and retain the best workplace, contributing to the market value of the company (Said, Zainuddin, & Haron, 2009).

A framework was created to guide Malaysian Organization to publish their CSR effort in their annual reporting ("SC: Embrace CR to prosper," 2010) and an international standard for CSR (ISO 26000) is currently being drafted to guide organization in their CSR effort. According to ACCA Malaysia, 28 companies have published sustainability reports in 2009 (Stiftung, 2009).

Nonetheless, each organization uses CSR differently with some engages in special activities that benefit the customers, employees, suppliers and society, while others uses it as a promoting tool to improve the public image (Mattila, 2009). For CSR activities affecting the employees, a survey conducted by Sirota Survey Intelligence on 1.6 million employees working for more than 70 different organizations, 70 percent of respondents are positive about their employer’s

commitment to corporate social responsibility (Sons, 2007). This indicates that employees are also very concerned about their organization's CSR practices.

#### **2.2.1.1 Definition and Dimensions of Corporate Social Responsibility**

CSR concept is very broad as it covers concerns ranges from poverty, civil rights, psychological well-being of workers, gender, legal to environment and the list is still growing as the nation progresses (Gavin & Maynard, 1975). Because of this, there is no single fixed definition of CSR (Fenwick & Bierema, 2008; Turker, 2009).

One of the reasons to the variation of CSR meaning is due to employees miss interpretation of the organization's intention therefore misinterpret the good intention of CSR for the employees, the society and the environment. As what Jacopin and Fontrodona (2009) puts it, CSR carries various meanings to different people, different people interpreted CSR differently. Some think that CSR is all about donation and financial contribution to the society, while others think that CSR is about energy and environmental conservation.

In this study, Carroll (1979) CSR definition will be used as this is one of the more commonly referenced CSR definition (Maignan & Ferrell, 2000; Mattila, 2009; Pomeroy & Johnson, 2009; Turker, 2009). Carroll defines CSR as "the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time". As such, CSR dimensions in this study will follow Carroll's Three-Dimensional Conceptual Model of Corporate Performance (1979) to include: (1) economic responsibility, (2) legal responsibility, (3) ethical responsibility and (4) discretionary responsibility, to gauge employees views on their organization's CSR practices.

#### **2.2.1.1.1 Economic Responsibility**

The first responsibility of business is to be a properly functioning economic unit and stay in business (Mattila, 2009). Profitability is key to the organization functions and sustainability. That's why many economic theories dwelled around the topic of profit maximization (Galbreath, 2006).

Profitable organization is important to employees because profit is what pays for the employees' salary and bonuses. Profit will also determine the employees' employment. When organization fail to sustain their income, retrenchment and cost cutting measures will be implemented. This can affect the employees' emotion, moral, motivation, commitment, perception of the organization and so forth.

Therefore, organization has the responsibility to monitor their financial wellbeing so that they are able to pay for the employees' salary.

#### **2.2.1.1.2 Legal Responsibility**

Legal responsibilities are the expectation of the society on organization to abide by the law and 'play by the rules of the game' although this can mean additional cost to organization (Mattila, 2009). For example, the organization will incur additional cost to fulfill its responsibility in ensuring the safety of their employees from exposure to hazardous material by providing them appropriate personnel protective equipment.

Organization must fulfill their legal responsibility because any legal actions on the organization can force a financially healthy firms such as Texaco Incorporated and the Manville Corporation into bankruptcy (Barney, Edwards, & Ringleb, 1992). When this occurs, the employees' will be affected due to lost of employment, bad employer publicity and so forth. Hence, organizations need to ensure legal compliance for business sustainability.

#### **2.2.1.1.3 Ethical Responsibility**

Ethical responsibility is where organization need to do what is right, just and fair even when they are not compelled to by the legal framework (Mattila, 2009). Research findings suggest that, in the long run, ethical organizations financially outperform unethical organizations. Some of the reasons are quite obvious. Assume you are a job applicant, customer, supplier, or investor and two organizations met your general requirements in terms of adequate wages, product quality and price, or business plan implementation. One organization has an ethical reputation and the other an unethical reputation. Which of the two organizations would you rather be part of, or do business with: the ethical organization, or the unethical organization? Researchers have found that organizations with a strong ethical culture not only attract high quality employees, customers, suppliers, and investors, but also retain their loyalty as well (Collins, 2010).

In short, organization that practices ethical responsibility makes good business sense.

#### **2.2.1.1.4 Discretionary Responsibility**

Discretionary responsibility is voluntary activities that are not mandated, not required by law and not even generally expected of businesses in an ethical sense (for example, providing day care centre for working mothers and committing to philanthropic donation) (Carroll, 1979). It focuses more on issues within the corporation's discretion to improve the quality of life of employees, local communities and ultimately society in general (Mattila, 2009).

Studies have shown that organization that practices discretionary behavior relates to employees' job satisfaction, organizational justice, performance, and organizational commitment. Organizational achievement increases correspondingly

when discretionary behaviors are increased (Basim, ŞEŞEn, SÖZen, & Hazir, 2009). Therefore, it makes sense for organization to focus some of their effort into executing their discretionary responsibility.

#### **2.2.1.2 Relationship between Corporate Social Responsibility and Corporate Image**

Most employees would agree that a company that is known for its corporate social responsibility would have a better image than the one that is not (Dowling, 2001). An example of the importance of CSR to the employees can be found in the research conducted by Rodrigo and Arenas (2008). One of the respondents described the reasons he applied for the job in the company is because of the company's reputation in the market. After joining the company, he realized that the reason behind such reputation is due to CSR commitment of the organization. The company view honesty, quality and responsibility to society and environment as the company trademarks that became the way they do business.

Employees' perception of the organization is developed through their personal experience, interpersonal communication or mass media communication with the organization. The organization's CSR practices will convey its organizational values (such as honesty, integrity, responsibility and diversity) to its employees. These practices will influence the employees' perception about their organization. This perception of their organization became the mental image of the employees known as corporate image.

How employees perceive their corporate image is important because the employees work in the organization and their organization's corporate image represent them as they are part of the organization. If they perceive their organization image as good, this will mean that they are as good as the organization. If they

perceive their organization's corporate image as poor, the employees might choose to disassociate themselves.

### **2.2.2 Corporate Image Conceptualization**

Corporate image is a representation of a perception of what the person perceive about the organization and therefore varies from person to person (Bagg, 2010; Dowling, 1986; Polat, Abat, & Tezyurek, 2010; Treadwell & Harrison, 1994). Many organizations are interested in portraying a good image because of its impact on the behavior of people (Dowling, 1986).

Corporate image is important because it is linked to an individual's identity that is important for self-esteem and social confidence. Being 'in-work' and doing a particular type of job for a respected organization can be extremely important for many people. Many employers forget the importance of these psychological aspects of work, despite the fact that they can affect the culture of the organization (Dowling, 2001). Therefore, organization must know how to ensure that their employees retain a positive image of their organization.

#### **2.2.2.1 Definition of Corporate Image**

In order to understand the impact of corporate image on organization, it is important to first understand the various views of corporate image. Pomeroy and Johnson (2009) describe corporate image as "the totality of a stakeholder's perceptions of the way an organization presents itself, either deliberately or accidentally". While Treadwell and Harrison (1994) define corporate image as a set of cognitions, including beliefs, attitudes, as well as impressions about organizationally relevant behaviors, that a person holds with respect to an organization.

Bagg (2010) describe corporate image as the sum of the impressions that stakeholders (like customers, vendors, employees and the public) hold about your company – in other words, your reputation. The ideal corporate image should be managed to become “congruent”. When your corporate image is congruent (meaning, “what they see is what you are”), this create the most authentic position a company can hold. The sum of all impressions known as corporate image is also called a company’s “brand equity,” created by the process of branding. The result is a more loyal customer base, a more productive work force and more profitability.

Dutton & Dukerich (1991) and Dutton, Dukerich & Harquail (1994) described that employee derive image on their organization from (a) perceived organizational identity (what the member believes is distinctive, central and enduring about the organization) and (b) construed external image (what member believes outsiders think about the organization).

Riordan, et al. (1997) characterized corporate image as an individual’s perceptions about the actions, activities and accomplishment of an organization. It subsequently becomes the stakeholder’s overall perception of the organization, at least partially based on its ability to meet or provide for his/her particular needs and interests.

All the above authors have a common agreement on corporate image, that is, corporate image is about the total stakeholder perception of the organization derived from their coming into contact with the organization. And their image of the organization will thus shape the employees’ attitudes and behaviors (Dutton & Dukerich, 1991; Peterson, 2004), that are crucial to this research.



#### **2.2.2.2 Relationship between Corporate Image and Organizational Commitment**

Riordan, et al. (1997) describe image perceptions as critical to both the stakeholders and the organization because they influence market transactions such as consumers' perceptions of price level for goods or services, job seekers decisions to apply for employment, decisions to invest in the firm and employee attitudes / behaviors toward their organization. A poor organizational image may have a detrimental impact on an employees' self concept and consequently, may result in lower organizational commitment (Peterson, 2004).

Corporate image has the following impacts to an organizational functionality (Treadwell & Harrison, 1994):

- Images are thought to be related to members' and non-member's affective and behavioral responses to the organization. Images provide information about the character of organizations and are thus likely to be important in eliciting and maintaining the allegiance of members, potential members and those who are partially involved.
- Similar images or the sharing of an image by organizational members can be important to organizational maintenance and functioning. What it means is that these shared images allow the group to coordinate or act with unified purposes.

Therefore, managing this image perception is important. Further literature review concurs with this argument. Sons (2007) found that employees who have positive views of their organization tends to also have positive view in the organization's integrity, direction, competitiveness in the market place and are proud of their organization. Koh & Boo (2004) found that, employee who perceives their organizations to be ethical are also likely to perceive their organization as being fair to them. Carmeli and Weisberg (2006) found that employees who construe the prestige

that the competitors and customers attribute to their organization as favorable, reported affective commitment that reflects a sense of happiness arising from the organization as a social category (job).

This finding signifies the importance of managing corporate image to ensure positive organizational commitment is achieved. This research try to understand how CSR and its various components can influence employees' perception on corporate image to create an impact to organizational commitment.

### **2.2.3 Organizational Commitment Conceptualization**

An organization is formed and operated by a group of people with majority of them are employees. The ability to ensure the well-beings of employees (physical and mental health) must be addressed so that they remain committed to the cause of the organization. Employees' organizational commitment helps produce the focus necessary to generate the resources and time to accomplish goals which will therefore leads to a sustained long term profitability (Boulter, 2008).

In order to understand employees' organizational commitment, numerous researches were conducted to enhance understanding, define and measure this commitment. And research reveal that employees' organizational commitment to be directly and positively influence employees retention, attendance and their job performance and negatively correlated to turnover (Schultz, 2011).

#### **2.2.3.1 Definition of Organizational Commitment**

Research on organizational commitment (OC) can be traced as far back as 1956 in the literature published by David R. Saunders (Zangaro, 2001). The definitions of organizational commitment are equally diversified (Meyer & Allen, 1991; (Allen & Meyer, 1990); Mowday, Steers, & Porter, 1979a).

Mowday, Steers and Porter (1979) defined OC as the relative strength of an individual's identification with the involvement in a particular organization which can be defined by three factors:

- A strong belief in and acceptance of the organization's goals and values,
- A willingness to exert considerable effort on behalf of the organization,
- A strong desire to maintain membership in the organization.

What it means is, an organizationally committed individual will tend to exhibit the three types of behavior identified above. However, their study focuses mainly on the attitudinal commitment in the area of organization's value and goal.

Meyer and Allen (1991) incorporated both attitudinal and behavioral commitment in their OC measurement to include desire, need and obligation to remain in the organization. They described attitudinal commitment as focuses on the process by which people come to think about their relationship with the organization. In many ways it can be thought of as a mind set in which individuals consider the extent to which their own values and goals are congruent with those of the organizations. Whereas behavioral commitment relates to the process by which individuals become locked into a certain organization and how they deal with this problem.

Meyer and Allen (1991) model is known as the three-component framework which is used frequently in the more recent research work (Carmeli, Gilat, & Weisberg, 2006(Smeenck, Teelken, Eisinga, & Doorewaard, 2009); Collier & Esteban, 2007; Rego, Leal, Cunha, Faria, & Pinho, 2010). Meyer and Allen (1991) described OC as a mind set or psychological state (ie feelings and/or beliefs concerning the employees' relationship with an organization) and it encompasses three general