

# The Impact of Corporate Social Responsibility on Employees' Organizational Commitment: A Case Study of a Multinational Enterprise in Myanmar

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## ABSTRACT

This paper aimed to investigate the impact of four corporate social responsibility (CSR) dimensions: social responsibility towards the employees, the customers, the government and the society on employees' organizational commitment from the perspective of the employees in Myanmar. The notion of social identity theory and social exchange theory was used to examine CSR-EOC relationship model. The quantitative questionnaires were conducted and 423 sets of data were collected from the employees who are working in a multinational enterprise with simple random sampling technique. The regression analysis was used to confirm the results. The results indicated that three dimensions of CSR positively influence employees' commitment to their organization except CSR to society dimension. Further, there was no evidence that position, education and income level were the important determinants of employees' CSR perception and commitment level while the work tenure was found to be significant.

**KEYWORDS:** Corporate Social Responsibility, Social Identity Theory, Social Exchange Theory, Organizational Commitment, Myanmar

## Introduction

Even though CSR can be considered as a Western philosophy and has grown significantly in the developed countries during the past decades, there is also increasing attention to CSR among the Asia developing countries, including in Myanmar

business community as well both local and international companies (Lall, 2012). Currently, in Myanmar, the systematic and effective implementation of CSR and sustainability practices in business operations are led by multinational enterprises as they possess the international connections, supports,

guidelines, and pressure from their parent company (Oo, 2016). Under the Pyidaungsu Hluttaw Law No. 21/2012 - Foreign Investment Law (Burmese and English) (2012) and Myanmar Citizens Investment Law (2013), the CSR separate plan was requested as a requirement of MIC permit application in some sectors (DICA, 2016).

In Myanmar, the US companies with higher CSR standard, along with other NGO groups, civil society, and local government were the main push to comply with CSR and responsible business conduct. Businesses themselves increasingly recognize that their future profitability and sustainability with a good reputation depend upon their willingness to take the responsibility for the social and environmental consequences of their global footprint (Kiron et al., 2017).

The impacts of CSR on employees' organizational commitment have been studied in various geographical contexts, including USA (Peterson, 2004), UK (Brammer, Millington, & Rayton, 2007), Turkey (Turker, 2009b), Iran (Nejati & Ghasemi, 2013), and Bangladesh (Rahman, Haski-Leventhal, & Pournader, 2016). The employees' knowledge and the attitude towards employer's CSR practices are likely to adopt distinctively according to different situation of the economic and social environment, including culture, business system between developed and developing countries (Prutina, 2016). There is no significant research on the impact of CSR practices on

employee organizational commitments and their intention to work with the current organization in Myanmar business environment.

This research focused on the Myanmar employees of a multinational enterprise, identifying the influence of employer's CSR activities on their organizational commitment. It is believed that their understanding of this relationship would help the firms in the development of CSR strategies in any organization in Myanmar.

### **Research Objectives**

The main research objective is to investigate the impacts of corporate social responsibility on employees' organizational commitment from the employees' perspectives of a multinational enterprise in Myanmar context.

### **Research Hypotheses**

This research tested the model proposed by Turker (2009b) omitting moderation effect of ICSR. The following four hypotheses were developed;

**H1:** Employees CSR has a significant positive influence on employees' organizational commitment in Myanmar.

**H2:** Customers CSR has a significant positive influence on employees' organizational commitment in Myanmar.

**H3:** Government CSR has a significant positive influence on employees' organizational commitment in Myanmar.

**H4:** Society CSR has a significant positive influence on employees' organizational commitment in Myanmar.

### Scope of Research

This study focused on the impacts of CSR on employees' organizational commitment. It excluded the consequences of employees' organizational commitment such as job turnover, job satisfaction, job performance, and other workforce behaviors. In addition, it focused only on the four CSR dimensions targeted at four stakeholders: employees, customers, government, and society, but other stakeholders as well as suppliers, competitors are excluded.

### Literature review

#### The Corporate Social Responsibility

Corporate Social Responsibility can be defined as "a company's positive impact on society and environment through its operations, products, and services and interaction with key stakeholders" (Katsoulakos & Katsoulakos, 2006). Carroll (1979) suggested that CSR is ensuring four components such as economic, legal, ethical and discretionary responsibilities. From the perspective of the stakeholder theory (Freeman, 2010), the CSR is closely tied with all relevant stakeholders which include any group or individual who affects or are affected by the firm's goals. CSR still lack a commonly accepted definition although it has developed different perspectives. Consequently, in this study, the researcher relies on Turker's (2009b)

definition that is well-known and the most cited: CSR stakeholder framework that categorizes CSR actions into four main categories for this study.

- CSR to employees: Human Resources practices of the corporate fulfilling the interest, expectation, and well-being of the employees
- CSR to customers: The corporate marketing behavior treating the customers in the fair and ethical practice ways beyond the law
- CSR to government: The corporate's responsibility complying with the government rules and regulations
- CSR to society: The effort of corporate practices on the local community, the future generation, and natural environment

CSR efforts to internal stakeholders are measured through the employees' own experiences of current organizational CSR effort to them. In addition, CSR efforts to other external stakeholders; customers, government, and society are measured through the employees' perception of their current organization CSR efforts targeted at those external stakeholders.

Brammer et al., (2007) recommended that CSR should be measured directly toward employees which may motivate them and foster their commitment toward the organization. Turker's (2009b) empirical results show that the organization CSR activities which aim to reflect various stakeholders have an impact on employees' organizational commitment. The organizational commitment

is tied closely to the organizational interests and depends upon the organizational citizenship behavior and their CSR efforts (Alshbiel & Al-Awawdeh, 2011).

### **Organizational Commitment**

Other related studies argued that the organizational commitment concept is quite outdated in the 21st century business environment with the continuous changing nature of organizations and work due to globalization and the development of information technology. However, it is actually more important for organization to understand the workforce diversity behaviors in the global era. The global organizations are becoming increasingly interested in studying the ways of committing diverse employees in different countries all over the world. Meyer and Allen (1997) extensively studied employees' organizational commitment in the workplace. The organizational commitment can be classified into three types; affective commitment (positive emotional attachment), normative commitment (moral obligations) and continuous commitment (perceived high leaving costs) (Allen & Meyer, 1990).

According to Porter, Steers, Mowday, and Boulian (1974), the definition of employees' commitment is their enthusiasm to exert a great effort on behalf of the organization and their willingness to stay with the organization. Without employees' commitment, the organization would not be successful and sustainable. The employees' commitment

has a strong link with their job performance, job autonomy, loyalty, and turnover rate which all affect the organizational bottom-line outcomes.

Most of the previous studies focus on the impact of CSR on the core essence of organizational commitment: Affective Commitment. But this research relies on all the combination of these three components.

### **CSR and Organizational Commitment**

Both Social Identity Theory (SIT) (Tajfel and Turner (1979) and Social Exchange Theory (SET) (Blau, 1964) were widely applied to explain CSR and organizational commitment relationship. According to the SET, the social behavioral outcomes have happened as the result of an exchange process which concentrates on the reciprocal exchange of extrinsic benefits and the sense of obligation that arises when one receives benefits from others. If the employees are satisfied with economic, socio-emotional resources through the employer's CSR practices, the reciprocal relationship can be built between CSR practices and employees' positive attitude and behavior (Ali, Nasruddin, & Lin, 2010).

Further, SIT revealed that the corporate citizenship behavior targeting to fulfill the expectation of various stakeholders can stimulate the employees' positive feeling and emotion towards the organization. The employees feel proud of being a member of this organization and it can also strengthen the level of organizational commitment

(Brammer et al., 2007). The positive perceptions of employees in organizational CSR efforts have resulted in numerous positive outcomes in the long term such as increase engagement, organizational identification, and organizational commitment. When the employees are satisfied and identified with their organization, they become consider and treat their customers, other stakeholders and the natural environment willingly.

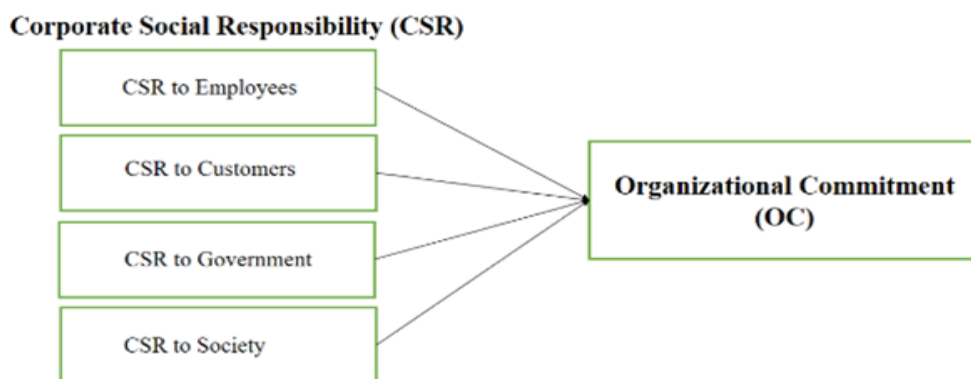
The CSR program is likely to affect the employees (Peterson, 2004) and they perceive differently as the different individual factors; gender, age, education, income, work experiences, position and educational level, etc. Meyer, Stanley, Herscovitch, and Topolnytsky (2002) stated that the relationship between each aspect of CSR and the organizational commitment level distinguishes between individuals. Brammer et al. (2007) found that female workers are stronger in external CSR and procedural justice while the male workers are stronger in the provision of Training. Hatch and Stephen (2015) found that women are the higher level of individual internalized

moral identity and higher believe in CSR than men. Hamid and Zubair (2016) found that insignificant group differences were found in relation to gender. But, employees with extended job tenure and working in senior job positions showed more favorable perceptions of corporate social responsibility and the higher level of organizational commitment than others.

Recently, a number of scholars conducted their research in different contexts which aimed to investigate the relationship between employees' perceptions of CSR and organizational commitment. All of their findings proved that positive and significant relationship between these variables (Huang, 2016; Mensah, 2017; Nejati & Ghasemi, 2013). The current study focused only on the direct effect of CSR on EOC and omitted the moderating effect of ICSR.

**Framework:**

The conceptual framework of this research was constructed as following.



**Figure 1:** The Research Framework

## Research Methodology

The quantitative questionnaire method was carried out in this study. The targeted population of this study was the employees who are working in a multinational enterprise which opens 55 branches: Upper Myanmar- 27 Branches and Lower Myanmar- 28 Branches; operating with 1,450 employees in Myanmar. Simple random sampling technique was used to collect to get the targeted sample size 313 samples which was calculated with Yamane Taro sample size calculation formula (Yamane, 1967). But, 423 usable data were collected and used for further study.

## Questionnaire Development

The questionnaire contained two parts, which were demographic information section, and research framework section. Necessary modifications were made to make it suitable for the studied company. Organizational commitment was measured with eight items obtained from Jaros (2007) and seven items obtained from Allen and Meyer (1990).

CSR measurement scale is adapted from Turker (2009a); which was slightly modified and used six-items (CSR to employees), four-items (CSR to customers), four-items (CSR to government) and five-items (CSR to society). All of the research questionnaires were formed with closed-ended questions and constructed with a five-point Likert-type scales (1- strongly disagree to 5- strongly agree). In order to avoid language barriers, the questionnaires were translated into Myanmar language before distribution.

The pilot test was conducted among 30 employees from this organization in order to test the validity of the scales. Cronbach's alpha values of pilot-test shown in the table 1, were from 0.753 to 0.886 for all variables. The actual Cronbach's alphas of all variables were from 0.823 to 0.894 which indicated that all the 34 items were considered to have very good reliability for 423 respondents (Zikmund, Babin, Carr, & Griffin, 2010). Thus, all constructs of this study were accepted.

**Table 1** Cronbach's Alpha Scale Reliability Results

Variables	Item no.	Cronbach's Alpha N=30	Cronbach's Alpha N=423
CSR- Employees	6	0.780	0.843
CSR- Customers	5	0.886	0.823
CSR- Government	4	0.799	0.844
CSR- Society	5	0.753	0.884
Organizational Commitment	15	0.813	0.894

## Results of the Study

The collected sample consists of 64.5% males and 35.5% females. The majority of the respondents' age 46.30% were between 21 and 30 years old, 34.5% were in the range of 31 to 40 years old, 17.3% were in the range of 41 to 50 years old, 1.2% were over 50 years old and 0.7% were below 20 years old. 38.3% of the respondents had working experiences between 11-20 years, 2-5 years (27%), 6-10 years (22.9%), less than 2 years

(9.5%) and over 20 years (2.4%) of the total respondents. More than 90% of the respondents held a Bachelor's degree and 3.8% got a master degree. Most of the respondents fell under the monthly income range between 200,000 Ks – 500,000 Ks (37.6%), followed by 500,000 Ks – 1000,000 Ks (30.3%), 1,000,000 Ks – 1,500,000 Ks (19.1%), above 1,500,000 Ks (12.1%) and less than 200,000 Ks (0.9%) respectively.

**Table 2** Summary of Testing Hypotheses

	Model	Standardized Coefficients Beta ( $\beta$ )	t-value	p-value
1	(Constant)		6.121	0.000
	Employee	0.331**	6.081	0.000
	Customer	0.254**	4.374	0.000
	Government	0.122*	2.059	0.040
	Society	0.042	0.718	0.473
	Tenure	0.158**	3.394	0.001
	Position	-0.055	-0.885	0.376
	Education	-0.028	-0.802	0.423
	Income	-0.065	-1.187	0.236

Dependent Variable: OC \*Significant Level at  $p < 0.01$ , \*\* Significant Level at  $p < 0.05$   $R^2 = 0.467$

The multiple regression was performed to test the major construct of this study. Based on the research findings shown in Table 2, CSR to employees, CSR to customers and CSR to government had a positive

significant impact on organizational commitment whereas CSR to society was insignificant. Among all the four independent variables, CSR towards employees had the strongest influence on OC ( $\beta = 0.331$ ,  $p < 0.01$ ),



followed by CSR to customers ( $\beta = 0.254$ ,  $p < 0.01$ ), CSR to government ( $\beta = 0.122$ ,  $p < 0.05$ ). Moreover, the organizational commitment level increased with work tenure, but there was no evidence that gender, position, education and income were the important determinants of employees' commitment level. This implies that the employees who have higher work tenure have more favorable perceptions of CSR practices of the organization and higher level of the organizational commitment compared to the employees with lower job tenure.

### Conclusion and Discussion

The main purpose of the study is to investigate the impacts of corporate social responsibility on employees' organizational commitment from the Myanmar employees' perspectives. The findings are consistent with Turker (2009b) model and proved the model in Myanmar context, except research hypothesis no.3 which was not supported in Turker's study and research hypothesis no.4 which was not supported in this study. This study found CSR to society variable not to be the predictor of organizational commitment variable while their firms operate in multi-CSR dimensions. The respondents' perceptions of their organization being responsive and responsible are more favorable to the needs of customers, employees, and government than those of the environment or community.

Based on the results of this study, it is convincing that CSR is positively related to

OC. The findings are also consistent with previous findings (Brammer et al., 2007; Huang, 2016; Nejati & Ghasemi, 2013; Turker, 2009b). The study also showed that deeper understanding of CSR can be achieved by examining the employees' perceptions, and the research findings could be helpful in addressing the areas perceived for improvement.

### Research Contribution & Recommendation

The research findings encourage the companies in Myanmar business environment to adopt corporate social responsibility practices for the progression of workplace outcomes. The firms in Myanmar should make shifting the paradigm of the traditional understanding of CSR as philanthropy and charity and see CSR as a mutually beneficial business strategy. Additionally, in Myanmar contexts, like other context; i.e. the US, Ireland and Ghana, the results show the most significant effect of CSR towards employees on their organizational commitment was compared to the other three CSR mechanisms. The research findings proved that the practicing of sustainability management tools can be developed through promoting CSR towards employee mechanisms to improve their commitment to the organization. Corporate social responsibility towards customers was the second highest mechanisms of employees' organizational commitment, so the management system should concentrate more on the various attributes of this CSR dimension.



Multinational enterprises should employ their internal CSR marketing strategy in every country and put an emphasis on their employee's relationship via the social media platform. It is needed to note that the employees are the representatives of the organization. By raising their awareness level of the corporate actions, they will be able to clearly communicate CSR related messages to the community and other stakeholders and able to defend the company's reputation and image in the community. Furthermore, business enterprises need a regular CSR related meeting with the employees because there are many hidden touching CSR aspects which could possibly meet customers' expectation and satisfaction.

According to the significant result of work tenure effect on the CSR-EOC relationship, the higher work tenure employees are valuable to be assigned as CSR initiators, CSR volunteers or CSR managers. They could inspire and lead other employees, business partners and other stakeholders to be a part of business ongoing commitment towards a sustainable mission. This study partially supports "Western" concepts and constructs of CSR which are applicable among Myanmar employees as well as other developing countries.

## Limitations and Future Research

This study focuses only on the employees from one industry and one company on the direct effect of CSR on EOC. Thus, it could not reflect the comprehensiveness in this field. Besides, the findings from this study were based on the perception of the employees, so there might be differences between the actual CSR practices and the employees' perception of it.

According to the research limitations, future research might consider enlarging the scope of different business industries and/or Myanmar-local SMEs. This research can be extended adding on other additional organizational outcomes and additional mechanisms into the proposed model such as job satisfaction, employees' productivity, employee turnover. The study also should be extended with the mediators (and/or the moderators) effects between CSR and various organizational outcomes in Myanmar context.

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