

THESIS OF THE DOCTORAL (Ph.D.) DISSERTATION

THE IMPACT OF INTERNAL CORPORATE SOCIAL RESPONSIBILITY ON EMPLOYEE BEHAVIOR: EVIDENCE FROM LEADING BANKS IN PAKISTAN

Sehar Zulfiqar

Supervisor:

Dr. Szabados György Norbert

Associate Professor



UNIVERSITY OF DEBRECEN

Károly Ihrig Doctoral School of Management and Business

Debrecen

2019

Contents

Background of the Study	2
Aims of the Research	5
Research Objectives.....	5
Research Questions	5
Methodology	6
Scientific Findings	6
Document Analysis of Internal CSR Disclosure.....	6
Results of Interviews.....	8
The concept of Corporate Social Responsibility	8
Key Socially Responsible Initiatives	8
CSR and Culture.....	9
Internal CSR and Employee Behavior.....	10
Internal CSR and Organizational Identification	11
Internal CSR, Leadership and Work Behavior	11
Suggestions to Enhance the Well-Being of Employees and Related Outcomes	12
Results of the Survey.....	13
Path Analysis.....	13
Mediation Analysis.....	15
Multiple Moderated Regression Analysis (MMR).....	16
Recommendations.....	17
Limitations and Directions for Future Research	19
Main Conclusions and Novel Findings of the Dissertation	20
References.....	22

Background of the Study

Increasingly the stakeholders inside and outside the management community are raising concerns about corporate issues such as workforce diversity, employee treatment, and environmental protection. These issues are often grouped and labeled as sustainability or Corporate Social Responsibility (CSR). The academic debate on CSR is not new; it exists in management literature for almost more than 45 years (WOOD, 2010). In this regard, businesses are accepted to make an effort to create a good working environment for employees where the diversity can be handled, devise environmentally friendly policies, encourages the fair distribution of money in societies and follow ethical practices (Jenkins, 2006).

CSR research is mainly done at the macro-institutional level and has mostly studied the link between CSR and corporate financial and competitive performance. The macro-level studies on CSR have mainly concentrated on the external component of CSR and on the interest of external stakeholders by addressing issues such as environmental sustainability, corporate philanthropy, and community development. Recently the researchers have started to point out that past studies on CSR have often overlooked work-related outcomes of CSR for the employees who are also legitimate stakeholders of the company. E.g. GLAVAS (2016) argued that organizations over the period of time have become very mechanistic and CSR presents the great opportunity for the organizational psychologists to present the humanistic view of the organizations and future CSR studies should emphasize on the incumbent employees. The conceptual framework of future studies should include multiple moderator and mediator variables from the multiple disciplines. Future research on CSR should provide the micro level analysis by developing and testing the models of CSR that can investigate that how, when and why CSR can affect the employee work behaviors and attitudes (KIM-RHOU-UYSAL-KWON, 2017, KIM ET AL., 2010, GLAVAS, 2016). This thesis will address this gap by offering micro-level analysis on CSR by developing and testing the explanatory mechanism by using mediation and moderation to explain that how and when CSR affect employee attitudes and behaviors.

The second gap that this study is intended to address is the lack of academic attention directed towards the internal dimension of the CSR and its relationship with employee behaviors. Moreover, there is a high need to further research and extend the debate on the effect of internal CSR on both positive and negative employee's attitudes and this thesis is

intended to bridge this gap by incorporating both positive and negative work behaviors in the study. Previous researchers have addressed the link between employees and CSR by mainly exploring the role of employee involvement in organizational CSR initiatives such as employee voluntarism and how it influences their attitudes. The internal CSR as a management tool to influence employee attitudes is mainly ignored. Although some theoretical and empirical evidence exists in the literature on the internal CSR and its effect on employee attitudes. These studies have by and large focused on the positive attitudinal and behavioral outcomes for employees such as organizational commitment and organizational citizenship behavior (OCB) (MORY-WIRTZ-GÖTTEL, 2016). The link between internal CSR and negative attitudes and behaviors such as organizational cynicism and stress are yet to be explored.

The third gap this thesis is anticipated to cover is the lack of scientific inquiry on internal CSR on the under developing economies of the eastern world in the context of national culture by providing the empirical evidence. Being dominantly a western concept CSR is quite differently perceived and practiced in the eastern world because CSR is a concept that varies across socioeconomic and cultural context. The emerging economies like China have just started to realize the advantages of implementing CSR (HOFMAN-NEWMAN, 2014) but still, CSR in such economies are not considered to be an internally embedded process manifested in the core policies and strategies of the organization (MIJATOVIC-STOKIC, 2009). Moreover, the studies in the past have explored the link between CSR and national culture are based on the theoretical viewpoints or circumstantial evidence in form of case studies but the limited empirical evidence is available in this regard (RINGOV-ZOLLO, 2007).

Lastly, this study will extend the debate on CSR by drawing the focus on the dyadic link between the employee and the immediate supervisor. Past evidence on the CSR and its potential role in the social exchanges that take place in the organization has mainly concentrated on the social exchanges between employees and organization. But the question of how the social exchange between leader and follower can affect the CSR implementation and employee perception of CSR is not adequately answered. This gap will be filled by integrating CSR with LMX to answer the question that when the leader's behavior might or might not cause the reciprocated behaviors of the followers (JONES CHRISTENSEN ET AL., 2014).

This thesis is based on the argument that employees are the most important stakeholders of the organization and socially responsible policies towards employees can have great influence on their behavior that will eventually contribute to the organizational effectiveness. This study uses the mediation and moderation mechanism to develop the conceptual framework that offers the better understanding of how and why internal CSR affect the human behavior by exploring the role of national culture, organizational identification and leadership. Moreover, it provides empirical evidence of the real-life experiences of employees about internal CSR which is lacking in the existing literature. Theoretically, this work contributes to several fields of literature but more specifically it adds to the field of HRM, organizational behavior, and management by providing the micro level analysis that will primarily reflect the link between internal CSR and employee attitude and behavior.

Most of the research evidence in the existing literature is from the developed economies such as the United States and United Kingdom (CHAMBERS-CHAPPLE-SULLIVAN, 2003) but limited evidence is available regarding the CSR circumstances prevailing in the developing eastern economies (MATTEN-MOON 2004; VISSER 2007). There is still a lot to dig in depth in the context of developing eastern countries of the world like Pakistan (EDMONDSON-CARROLL, 1999; BURTON-FARH-HEGARTY, 2000).

Pakistan is emerging and developing an economy where the organizations in the recent years are facing enormous pressure from different stakeholders to introduce and implement CSR initiatives e.g. according to the guidelines of SECP the CSR disclosure is now mandatory on the official websites of public listed companies. None the less CSR in Pakistan is still understood as philanthropy, public relations practice or a marketing tool that is completely external to the organization. So it can be argued that the concept of CSR in Pakistan is still in its infancy. There is a need to create corporate awareness about CSR issues that are beyond philanthropy such as internal CSR and its related impact on employees. This thesis will contribute to this cause by answering the question that; will there be any positive influence on employees if companies engage in CSR.

Finally, this study contributes to the stream of research that argues that CSR is a culturally specific concept and the expectations regarding how businesses should behave vary across societies. This argument is of high strategic value and should be supported by empirical evidence which is one of the intended purposes of the study. In order to make decisions. Same standardized approach can't be applied in all cultural settings, but it might require high investments to understand and adapt actions and decisions that are suitable for particular local

context (RINGOV-ZOLLO, 2007). This study can be useful in understanding the specific cultural context and facilitate strategic decision making, especially of multinationals who can tailor their policies according to the local needs of a specific cultural context.

Aims of the Research

This study is intended to highlight the interaction between CSR initiatives directed towards employees and its impact on the work attitudes and behaviors. My main focus drives from the gaps that exist in the literature regarding the development of explanatory mechanism using multiple mediators and moderators for a better explanation of how and when internal CSR impact employee behavior and attitudes.

Research Objectives

The current study is intended to serve the following objectives:

1. The primary objective of this study is to examine the impact of internal CSR on positive and negative employee behavior
2. To examine the role of national culture, in the relationship between internal CSR and employee behavior
3. To examine the role of organizational identity in the relationship between internal CSR and employee behavior
4. To examine the role of leadership in the relationship between internal CSR and employee behavior
5. Achieve the aforementioned objectives by proposing and empirically testing the deductive theoretical model that can explain how and when the internal CSR affect the employee behavior

Research Questions

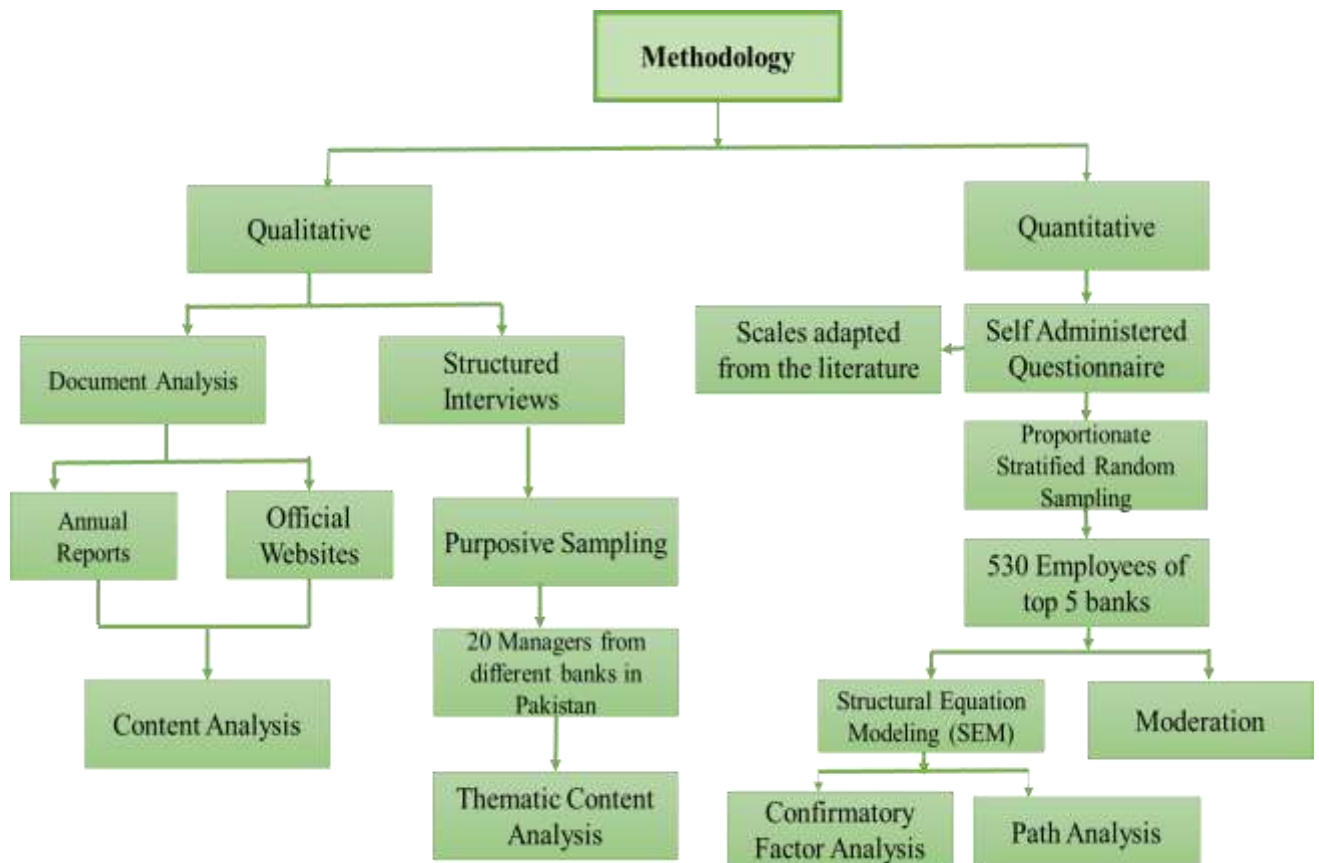
The research objectives of the study are translated into the following research questions that will further guide the empirical work and findings of the current dissertation:

1. How the internal CSR affects the positive and negative employee behavior?
2. What is the role of national culture in the relationship between internal CSR and employee behavior?

3. How the organizational identity of the employee affects the relationship between internal CSR and employee behaviors?
4. How leadership influences the link between internal CSR and employee behavior?
5. What is the possible mechanism that can explain the process through which internal CSR influence the employee behavior?
6. How and to what extent the examined organizations highlight and report the internal CSR in their public CSR disclosures?

Methodology

Following diagram shows the research methodology applied to the current study:



Scientific Findings

Document Analysis of Internal CSR Disclosure

The case study was intended to answer the three questions. The results of the comparative study are shown in table 1. The first question was about the disclosure of the top five banks of Pakistan internal CSR activities. The table shows the result of comparative analysis of

internal CSR disclosure of the banks. After the analysis, it can be said that out of three banks only two banks have disclosed their internal CSR activities. In this regard the CSR policies and initiatives mentioned on the official website and annual reports of ABL, it can be said that employees are considered important stakeholder of the bank and the bank has detailed policies to facilitate and enhance the well-being of employees. The bank has provided the details regarding its overall expenditure on the CSR followed by the exact amount that was directed towards enhancing the well-being of employees. Moreover, ABL also provided the details regarding the CSR initiatives that are introduced by the bank to protect and enhance the interest and well-being of its employees.

Similarly, MCB also has detailed sections on its official website and annual report that deal with the CSR initiatives directed towards its employees. Although the bank didn't disclose the exact amount that is spent on the employees but has provided enough details regarding the CSR initiatives towards its employees. Unlike ABL and MCB other three banks don't share details regarding employee related CSR initiatives the disclosures of these banks are mainly philanthropic.

Table 1: Comparative Analysis of Internal CSR Disclosure

Bank Disclosure	ABL	MCB	HBL	UBL	NBP
Internal CSR Spending Disclosure	Yes	No	No	No	No
Internal CSR Initiatives Disclosure	Yes	Yes	No	No	No

Source: Author's Calculation (2018)

The second question of the case study was regarding what are the key internal CSR initiatives of these banks. The analysis shows that Equal Opportunity employment, health and safety, medical facility, staff development fund, staff engagement, and industrial relations are the key activities that are mentioned by the two banks. The third question was regarding the components of internal CSR that are emphasized more by the banks. The analyses reveal that nevertheless the CSR activities reported by both the banks were somewhat similar both the banks have emphasized on the equal employment opportunity, hiring of special people, workplace health and safety. Moreover, both banks have policies to facilitate the employees with financial difficulties and also both the banks have respect for the religious sentiments of the employees. Both banks facilitate to enhance the education of its employees.

Results of Interviews

This section will shed light on the qualitative data of the study that was collected through the structured interviews of the CSR experts. The interviews were conducted for the exploratory purpose to further pave the path for the results of the quantitative study. Below the responses of the interviewees are described in detail under the general themes that were identified in the analysis of the interviews.

The concept of Corporate Social Responsibility

The interview followed the general to a specific approach, so the initial question was about the general understanding of the respondent about CSR and its significance for the organization. Figure 2 shows that the responses of the interviewees that are categorized among the four indicators, economic, society, environment, and employee. The results show that 20% of respondents mentioned economic, 90% mentioned society, 45% mentioned employees and 70% of the respondents mentioned the environment during their discussion on defining the concept of CSR.

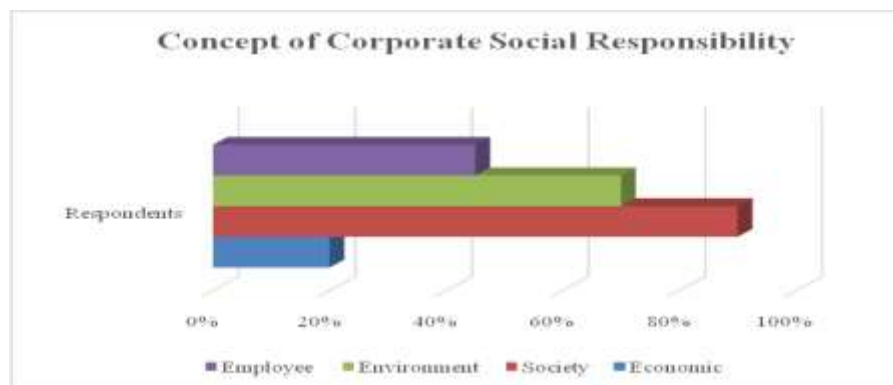


Figure 2: Concept of Corporate Social Responsibility

Source: Authors' Calculation (2018).

Generally, the interviewee defined corporate social responsibility as a term where corporations go beyond their primary objective, i.e. profit maximization to protect the rights of its all stakeholders e.g. the majority of respondents mentioned environmental protection and charitable donations while defining CSR. Overall the majority of respondents agreed on the fact that CSR is important for the organization and all its stakeholders including employees and society mainly due to its potential to improve corporate reputation and social well-being.

Key Socially Responsible Initiatives

In the next question, the respondents were asked about the CSR of their organization and key CSR activities of their organization. Figure 3 shows the responses that were categorized

under the four indicators i.e. economic, legal, ethical, and philanthropy. The results show that all the respondents mentioned philanthropy, 30% ethical, 20% legal and 15% economic initiatives during their discussion about their employer’s CSR activities.

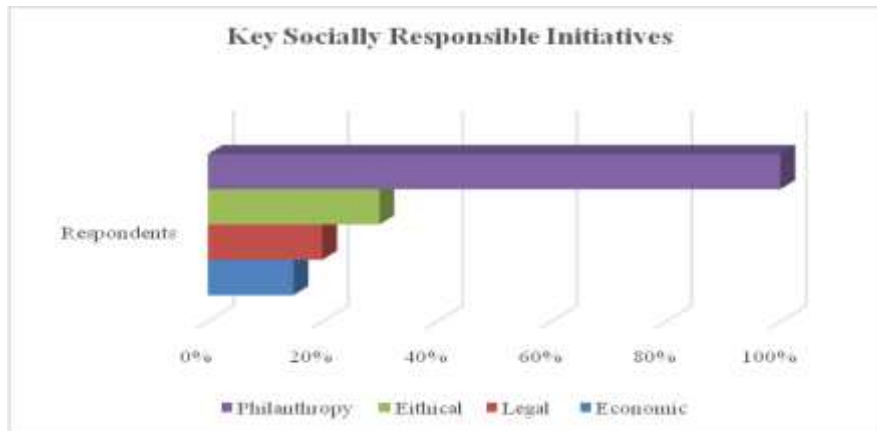


Figure 3: Key Socially Responsible Initiatives

Source: Author’s Calculation (2018)

In response to this question, there was a consensus among the respondents that their organizations are socially responsible. Upon asking about the key CSR initiatives, the majority of respondents highlighted the philanthropic initiatives of their organizations in which the banks donated money to charitable causes mainly to the education, health, and sports

CSR and Culture

In the next question in the interview, respondents were asked about the link between the CSR and national culture. Figure 4 shows the responses categorized under four indicators: collectivism, high power distance, masculinity, and uncertainty avoidance. The results show 40% of the respondents mentioned collectivism and 20% mentioned power distance whereas the uncertainty avoidance and masculinity were not mentioned by the respondents during the discussion on the role of culture in CSR of the organization.

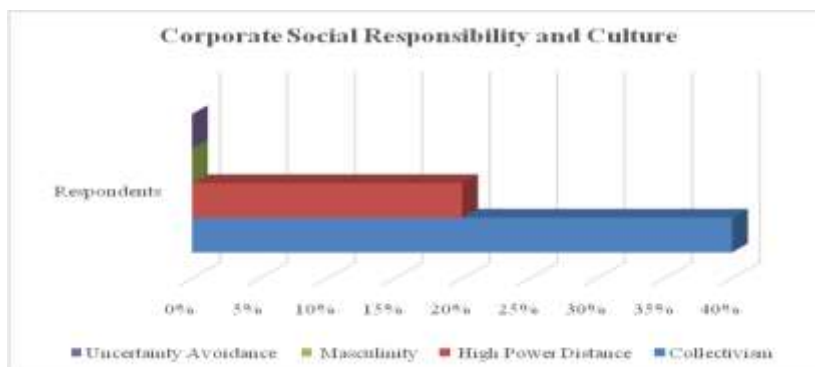


Figure 0: CSR and Culture

Source: Author’s Calculation (2018)

Generally, the participants were agreed that there is a connection between CSR and national culture. In this regard, participants while linking CSR with national culture mentioned about collective social interest and well-being. Few respondents highlighted religion as the driving force for the philanthropic traditions that motivate organizations to engage in philanthropic initiatives. On the other hand, few highlighted the socio-cultural and economic barriers such as red-tapism associated with employer engagement in CSR initiatives that are directed towards employees.

Internal CSR and Employee Behavior

The discussion on internal CSR was further linked with employee behavior and interviewees were asked that what do they think is the organization will have internal CSR policies how it will affect the employee behavior. Figure 5 the responses of the interviewees were categorized under the six-employee behaviors that are used in the proposed theoretical framework work engagement, knowledge sharing behavior, OCB, stress, POO, and organizational cynicism. 65 % of respondents mentioned work engagement, 5% mentioned knowledge sharing behavior, 25 % mentioned OCB, 60 % mentioned stress, 15% mentioned POO, and 30% mentioned organizational cynicism.

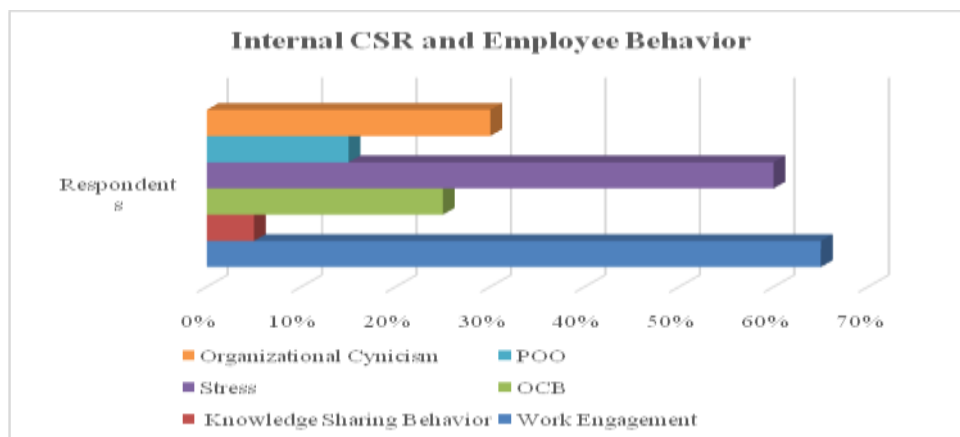


Figure 5: Internal CSR and Employee Behavior

Source: Author's Calculation (2018)

Internal CSR and Organizational Identification

Followed by the discussion of the internal CSR the participants were asked about the connection between internal CSR and organizational identification. Although the question was not direct; the themes identified during the interview were consistent with the literature review on organizational identification. Figure 6 shows four themes, emotional bond, mutual goals, togetherness, and shared values. 50% of the respondents mentioned emotional bond, 30% mentioned mutual goals, 25% mentioned togetherness, and 5% mentioned shared values during the discussion on the relationship between internal CSR and organizational identification.

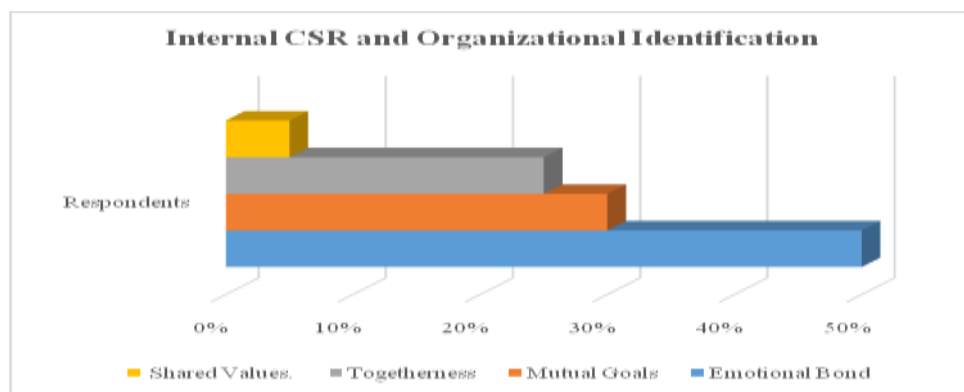


Figure 6: Internal CSR and Organizational Identification

Source: Author's Calculation (2018)

Although the connection between internal CSR and organizational identification was not inquired directly in the interview, however, there was general agreement among the participants that CSR initiatives directed towards employees will strengthen their relationship with the organization. As mentioned by some respondents that internal CSR can improve their affection with their organization and its objectives, thus the organizational membership for such employees can become a source of common social identity.

Internal CSR, Leadership and Work Behavior

In the light of the literature review on the connection between internal CSR, organizational identification, LMX, and work behavior; the participants were asked the questions about their opinion on the relationship with their immediate boss and how they think it affects their behavior at work. Moreover, they are asked to explain that what do they think that even if their organization is socially responsible towards them, but can the low-quality relationship with their immediate boss can influence their work behavior? Four common themes were

identified that are shown in figure 7; demotivation, stress, job performance and job satisfaction. 65% of the respondents mentioned demotivation, 65% mentioned stress, 70% mentioned job performance and 40% mentioned job satisfaction during the discussion on the relationship between LMX and employee behavior.

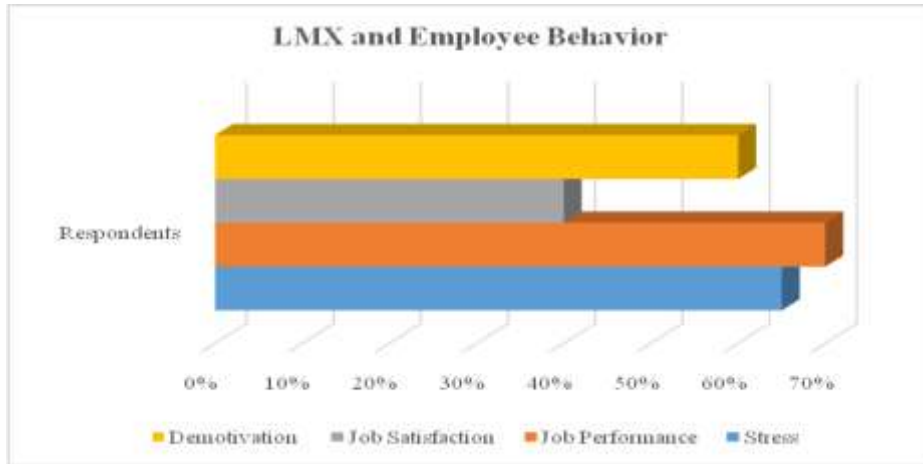


Figure 7: LMX and Employee Behavior
Source: Author’s Calculation (2018)

Although the connection between the variables internal CSR, leadership, and work behaviors was not directly tackled in the interviews. But the statements of the majority of interviewees generally support the argument that a high-quality relationship with the immediate boss is extremely important. The participants categorized low-quality relationship cause of frustration, demotivation, and stress at the workplace. Whereas being a member of in-group employees highlighted the benefits such as increased job satisfaction and better performance. Further, the participants generally agreed with this statement that even though if the organization has detailed CSR policies directed towards employees, but the quality of LMX will affect the perceptions of employees about their organization which will eventually affect their work behavior.

Suggestions to Enhance the Well-Being of Employees and Related Outcomes

The participants were asked to give their suggestions about improving the well-being of employees and how the organization can be made more socially responsible towards their employees and in their opinion how these Suggestions will Influence the Employee Behavior. Figure 8 shows the employees responses categorized under seven indicators derived from the definition of internal CSR used in the current dissertation, i.e. Empowerment, work-life

balance, workforce diversity, tangible employment benefits, skills development, working environment, and employment stability.

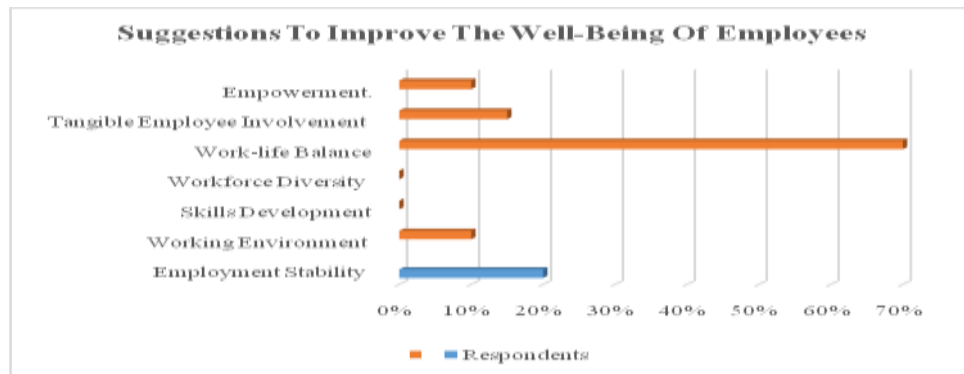


Figure 8: Suggestions to Enhance the Well-Being of Employees

Source: Author's Calculation (2018)

Consistent with the discussion made by respondents in the above interview questions. The majority of respondents suggested that the work-life balance, fair distribution of work, flexible timings and leave policies should be considered important by their employers to improve the well-being of the employees. They further highlighted that these suggestions can positively affect the attitudinal and behavioral outcomes of employees. Such as increased productivity, low stress and working extra hours.

Results of the Survey

Path Analysis

Path Analysis was conducted to test the hypothesis related to the relationship between the independent and dependent variables. Hypothesis 1 and hypothesis 2 stated that the internal CSR will be significantly related to the work behavior. Figure 9 shows the result of path analysis.

The results show that internal CSR is positively and significantly related to work engagement, knowledge sharing behavior, and organizational citizenship behavior. Hence it can be said that if the organization will have internal CSR it will increase the tendency of the employee to engage in positive work behaviors such as work engagement, knowledge sharing behavior and organizational citizenship behavior. Internal CSR policies will make employees feel that the organization consider them as important stakeholders whose interests are being taken care of. Consequently, the employees will go to work with a positive state of mind, they will feel energetic, enthusiastic and absorbed in their work. Moreover, they will be more willing to

exchange their knowledge with co-workers and groups of people and will be more engaged in the voluntary behaviors that are not part of their job discretion but lead to increasing overall organizational effectiveness. The results further reveal that internal CSR of the organization will increase the employee organizational identification. Which means that if the organization will have internal CSR it will increase the tendency of the employee to define themselves as a part of the organization and will experience the feeling of oneness with the organizational goals, values, and processes of the organization.

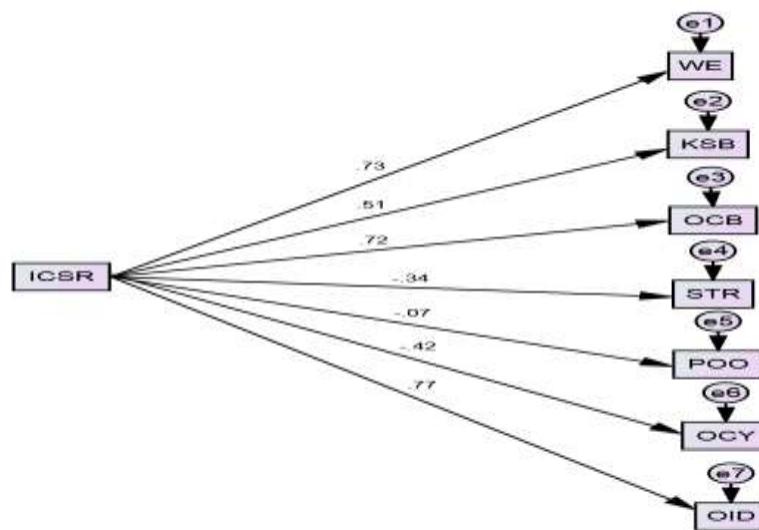


Figure 9: Path Analysis

Source: Author's Calculation (2018)

Further path analysis results revealed that the internal CSR has a negative and significant relationship with stress and organizational cynicism. However, the relationship between the internal CSR and perceived organizational obstruction is found to be negative, but insignificant. The results of the path analysis revealed that internal CSR is not only significantly related to positive work behaviors but it also significantly affects the negative employee behaviors. The results show that if the organization will have internal CSR policies; the employees will experience less stress due to support that they get from the organization in the form of e.g. work-life balance policies. Similarly, the internal CSR will

also reduce the cynical attitude of the employee towards the organization because when the organization will have internal CSR policies, employees will perceive that organization behaves fairly, honestly, equitably and ethically toward them, which is the expectation of all employees, when these expectations remain unmet they result into a cynical opinion about the organization. However, the results of the study didn't find statistical significance of the relationship between internal CSR and perceived organizational obstruction although the relationship was found to be negative. As a result, this relationship was not supported that argued that if the organization will have internal CSR policies will decrease the employee's perception regarding the organization as a source of harm and obstruction.

Mediation Analysis

In order to test hypothesis 4 and 5 related to mediation, path analysis was conducted in AMOS. Since the variables were measured on the different scales so all the variables were standardized before the analysis.

These results of the mediation analysis show that when internal CSR will affect the employee behavior through organizational identification. According to the results, it is evident that internal CSR leads to the organizational identification and in return organizational identification affect the employee positive and negative behavior such that it increases employee engagement in positive behaviors and decreases the employee's negative behaviors. Internal CSR will improve the employee's sense of belongingness with the organization which will affect their behavior in a way that they will act to meet the organizational' expectations and will be more willing to be dedicated and absorbed in their jobs, will be more willing to share their knowledge in the workgroups and will go extra mile beyond their job description to benefit the organization.

Additionally, the more is the individual's identification with their respective organizations the more likely they will experience less stress, cynical attitude and perceived obstruction from the organization. Internal CSR leads to the strong emotional bond of the employee with the organization in the form of organizational identification which will affect their attitude towards the organization. The strong emotional bond reinforces positive feelings about the employer and leads to purify of their negative opinions and feelings. The internal CSR is

policies related to enhancing employee well-being and positive sense of organizational membership will decrease the employee tendency to experience stress.

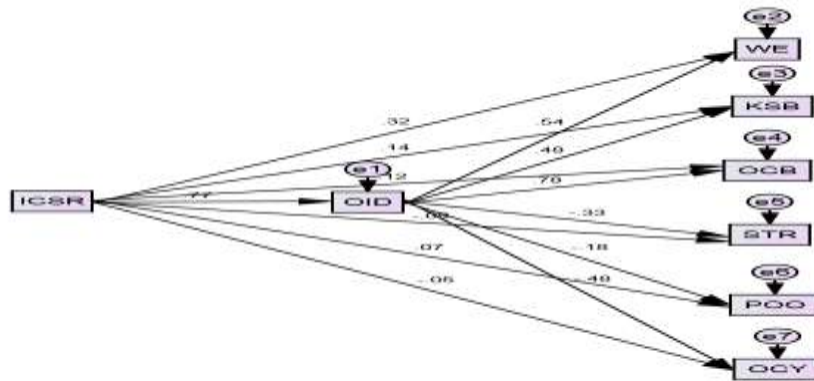


Figure 0-1: Mediation Analysis

Source: Author’s Calculation (2018)

Multiple Moderated Regression Analysis (MMR)

In order to test the hypothesis of moderation, Multiple Moderated Regression Analysis (MMR) was conducted using SPSS 23. The MMR was conducted by using the PROCESS Procedure’ introduced by Andrew Hayes (Hayes, 2013). For this purpose, the special add-on Macros was installed in the SPSS program. As this was helpful to analyze the interaction effects.

LMX moderated the positive relationship between organizational identification and work engagement, knowledge sharing behavior and organizational citizenship behavior such that the relationship was stronger when LMX was high. Similarly, LMX moderated the negative relationship between organizational identification and stress, such that the relationship was stronger when LMX was high. However, the interaction effect between LMX and organizational identification was found to be insignificant for the perceived organizational obstruction and organizational cynicism.

The results of MMR analysis revealed that when the employee will be in a high-quality relationship with the immediate leader his organizational identification will be high and consequently will be more engaged in the work and will be more willing to share their

knowledge with individuals and groups and moreover they will tend to engage more in extra-role behaviors. The quality of LMX affects the emotions of the subordinate when trust their leaders they increase their willingness to go the extra mile to do their job. In leader-member exchange, the leaders and subordinate exchange valued resources such as knowledge. This exchange is motivated by various reasons such as improving the overall relationship between the two. Low-quality LMX relationship is bound by the formal employment contract, whereas high-quality LMX relationship is beyond the formal requirements. So the leader and employee will be willing to sustain and enhance their high-quality relationship by exchanging valuable resources such as knowledge.

The results show that when the employee will be in a high-quality relationship with his immediate boss, his tendency to identify with the organization will be high. Consequently, the employee' negative attitude towards the organization will be minimized. It shows that when an organization has internal CSR policies it will align the employee and organizational goals through the organizational identification and if the employee is in high-quality LMX it will minimize the employees negative emotions and critical reactions about the organization that arises due to his/her perception about the organization that it lacks integrity and honesty.

Recommendations

In connection with the findings concluded above this dissertation has various implications for CSR and organizational behavior literature. First, this study offers insights about the internal CSR of banks in the emerging economy of Pakistan thus it expands the literature that is mainly dominated by the studies conducted in the developed western economy.

The findings of this study have implications for the regulators in a way that they should play their role in designing the CSR guidelines that incorporate the detailed section regarding the organizational policies and practices that are related to safeguarding the well-being of its employees. Moreover, the CSR disclosures in Pakistan are voluntary except for the philanthropic disclosures so the need arises to persuade the companies to disclose more information about their internal CSR policies and practices by including other stakeholders especially employees in the public CSR disclosures. The findings of this study can offer help to persuade the regulators and companies in this regard.

The study has implications specifically for the leading banks in Pakistan. Three banks HBL, NBP and UBL didn't disclose their internal CSR information publically. They should make

internal CSR a prominent part of their CSR strategies as the other two banks ABL and MCB publicly value their employees by describing in detail their CSR initiatives related to employees. The HBL, NBP and UBL should adopt the internal CSR initiatives to match the practices of the other banks in the industry otherwise their employees will notice and experience this disconnect which can cause dissatisfaction and will affect their behavior.

The findings of this study have important implications for the CSR strategies of the organization, especially the CSR policies that are directed towards employees. Organizations that engage in internal CSR can have better productivity because ICSR develops employee's strong sense of organizational membership that persuades them to engage in positive work outcomes such as work engagement, knowledge sharing behavior, and organizational citizenship behavior. The benefits of ICSR are not only confined to alleviating positive work-related outcomes but also reflected in decreasing the stress and employee's negative feeling about the organization while considering it as a source of obstruction.

Employees are important stakeholders of the organization and their satisfaction is important for the organization and in order to strive for competitiveness organization should develop detailed internal CSR programs and further ensure the successful implementation of these programs. ICSR initiatives may focus on treating employees fairly, designing challenging jobs, provide proper feedback, autonomy, and rewarding positive behaviors. These initiatives can be helpful in stimulating positive psychic energy in employees, which can increase their engagement in positive work behaviors such as work engagement, knowledge sharing behavior and organizational citizenship behavior.

Once the organization has decided to engage in internal CSR initiatives and programs. They should be aligned with the business processes especially with the existing HRM programs. Important thing here is not to have internal CSR strategy on the paper but organizations should make a highly visible connection between what they say and what they do. E.g. the employees should be fairly and equitably rewarded for their contribution towards the organizational success in the form of equitable pay and benefits. Similarly safe and healthy work-place should be ensured so the employees are not exposed to any hazardous and injurious working conditions.

The findings of this dissertation also offer empirical evidence for the popularly held assumption that corporate social responsibility and its implications vary across specific

dimensions of the national culture. Thus the socially responsible behavior of the organizations can be optimized by the initiatives that are tailored according to the cultural beliefs and values of the specific country. For collectivist countries like Pakistan, employees are more concerned about ICSR policies and it is manifested in their behaviors. So the policymakers and practitioners should rethink their CSR strategies in Pakistan that are still philanthropic. Employees should be given due importance as a significant stakeholder and in order to protect their rights and interests, internal CSR initiatives should be introduced.

The findings of this dissertation further highlight the significance of the quality of the relationship between the leader and the subordinates which suggest that organizations should encourage the supervisors to learn and practice the skills related to supportive work behaviors. Organizations should nurture the culture where the employees can freely and actively communicate with the supervisor. The organizations can arrange training programs for the supervisors to improve their skills of mentoring, coaching and guiding employees. These training programs can improve the interpersonal and leadership skills of supervisors which can enhance their quality of interaction with their subordinates. The organizations should encourage supervisors to treat employees fairly and politely so the work-related interactions between the two can be more productive and enhanced.

The employees are the strategic assets and the sustainable competitive advantage of the organization. Therefore they have to be the biggest beneficiaries of the CSR initiatives. If the employees have to be attracted and retained organizations have to design the CSR programs that can value and inspire the employees. In this case leaders hold the key, it starts with the top, and they should give personal commitment to the successful implementation and effectively engage the employees in such programs.

Limitations and Directions for Future Research

There were several limitations of the current study. First, the study employed a cross-sectional study design which itself poses inherent limitations in making inferences. Future researchers can employ longitudinal study design that can better explain the causal inferences. Second, the data for this thesis was collected from one industry that limits the generalizability of the results. The results may vary across different organizational context. In the future, researchers can examine other organizations in different industries to elaborate the understanding of internal corporate social responsibility and its effect on employee behavior.

The data collected from the different and wide range of organizational settings will verify the generalizability of the findings of this research. Moreover, this study highlight the specific cultural dimension of collectivism in one country but the findings of this study may vary in different countries due to differences in cultural values. In the future, the findings of this research can be extended to other countries and other cultural dimensions especially power distance. Employing cross-cultural comparisons can improve and expand the theoretical and empirical findings of this study.

In order to explain the relationship between internal corporate social responsibility and employee behavior, I used social exchange theory, social identity theory, and LMX as mediation and moderation mechanism, in future other mechanisms can be employed by researchers such as organizational politics, and organizational justice to further elaborate on the relationship between internal CSR and employee behavior. Lastly, an interesting endeavor for future research will be to employ variables from other disciplines such as macroeconomic variables and interventions to discover how the company's engagement in socially responsible initiatives towards employees can be stimulated.

Main Conclusions and Novel Findings of the Dissertation

This dissertation was intended to enhance the understanding of the link between internal CSR and employee attitudinal and behavioral outcomes by using mediation and moderation as an explanatory mechanism. This research opens new endeavors for future research on internal CSR by using social identity theory and social exchange theory together as a mechanism to create a link between internal CSR and employee-related outcomes. This study addresses the direct interaction of the employee with the organization and how this direct interaction is affected by the employee's interaction with the immediate leader. The finding of this research shows that if the organizations will take care of its most important stakeholder its employees. This is an investment and an organization can get a return in the form of increased engagement of employees in the positive behaviors. Moreover, these employee oriented initiatives will minimize the negative employee outcomes such as stress and organizational cynicism which are associated with reduced organizational productivity.

The research was conducted on the sample of the collectivist society and the findings show that the people belonging to the collectivist culture of Asian countries such as Pakistan the conformity to social relationships are of high value and it is almost impossible to separate the

social context from one's self. In the collectivist culture when the organization engages in the internal CSR it leads to strengthening the emotional bond between the employees and organization. When the organization engages in such initiatives that are related towards enhancing the well-being of employees it leads to the satisfaction of their intrinsic and extrinsic needs, as a result, they tend to identify more with the organization.

Further, the findings highlight the importance of organizational identification as an important mechanism in explaining that organizational membership as a source of reinforcing the social identity. This social identity creates a strong link between the employee and employer which in turn influence the employee positive and negative attitudinal and behavioral outcomes. High level of organizational identification is associated with higher levels of work engagement, knowledge sharing behavior, and OCB. Similarly higher level of OI is found to be associated with lower levels of stress, POO, and organizational cynicism. So organizational identification harmonize the relationship between the employee and organization thus increasing the overall performance of the organization.

Another important finding of this research is that the relationship between the immediate leader and subordinate is of significant importance if the cultural context is implied. In the collectivist culture, the employees place more importance to the organizational hierarchy. Thus the role of an immediate leader becomes even more substantial in the collectivist culture as compared to the western culture. In eastern cultures, the employees are more in need of support, assistance, and security (AGARWAL ET AL., 2012). When employees receive the support they are expecting from their immediate bosses they tend to reciprocate by engaging in positive behaviors that are beneficial for the organizations. Moreover, the immediate support from the leader reduces negative emotions and perceptions about the organization.

However, the results didn't found any support for the interaction effect of organizational identification and LMX with stress and perceived organizational obstruction. One possible explanation is that the relationship between LMX and stress is negative, but interestingly according to HARRIS-KACMAR (2006), this relationship is linear or curvilinear especially for the exchange component of LMX. The exchange component of LMX theory is different from the relationship component in a way that the leaders in high-quality LMX expect more from their subordinates in exchange for the resources they have provided. Followers in high-quality LMX constantly feel pressurized to accomplish the work assigned by their leaders in

order to return the favors that they have received. But when the demands of the leaders become unrealistic for the follower they become overwhelmed and feel stressed. The followers will have a point of diminishing returns where the support and communication from leader wouldn't be of any help. Consequently, the relationship between LMX and stress will become positive (HARRIS-KACMAR 2006).

Further, the interaction effect of organizational identification and LMX for perceived organizational obstruction was also found to be insignificant. A possible reason for this result is that when the employee believes that their organization is not trustworthy, break promises, is not caring and loyal. They try to cognitively distance themselves from the organization. It is important to highlight that POO is the perception of the employee about the relationship with the organization, it is not relevant to the relationship of the employees within the organization. So e.g. if the employee has a bad argument with the immediate leader will be a source of negative experience for the follower, but it will not affect their perceptions of obstruction unless they will hold the organization responsible for the cause of bad argument or vice versa (GIBNEY ET AL., 2011). Therefore, if the employee perceives the organization as a source of obstruction, his/her interaction with the supervisor will not affect his/her perceptions.

References

- Burton, B. K., Farh, J. L., & Hegarty, W. H. (2000). A cross-cultural comparison of corporate social responsibility orientation: Hong Kong vs. United States students. *Teaching business ethics*, 4(2), 151-167.
- Chambers, E., Chapple, W., Moon, J., & Sullivan, M. (2003). CSR in Asia: A seven country study of CSR Website reporting (RP-9). Nottingham, UK: International Center for Corporate Social Responsibility
- Edmondson, V. C., & Carroll, A. B. (1999). Giving back: An examination of the philanthropic motivations, orientations and activities of large black-owned businesses. *Journal of Business Ethics*, 19(2), 171-179.
- Gibney, R. A. Y., Zagenczyk, T. J., Fuller, J. B., Hester, K. I. M., & Caner, T. (2011). Exploring organizational obstruction and the expanded model of organizational identification. *Journal of Applied Social Psychology*, 41(5), 1083-1109.
- Glavas, A. (2016). Corporate social responsibility and employee engagement: Enabling employees to employ more of their whole selves at work. *Frontiers in psychology*, 7, 796.

- Harris, K. J., & Kacmar, K. M. (2006). Too much of a good thing: The curvilinear effect of leader-member exchange on stress. *The Journal of social psychology, 146*(1), 65-84.
- Hayes, A. F. (2012). PROCESS: A versatile computational tool for observed variable mediation, moderation, and conditional process modeling.
- Hofman, P. S., & Newman, A. (2014). The impact of perceived corporate social responsibility on organizational commitment and the moderating role of collectivism and masculinity: Evidence from China. *The International Journal of Human Resource Management, 25*(5), 631-652
- Jones Christensen, L., Mackey, A., & Whetten, D. (2014). Taking responsibility for corporate social responsibility: The role of leaders in creating, implementing, sustaining, or avoiding socially responsible firm behaviors. *Academy of Management Perspectives, 28*(2), 164-178.
- Kim, H. L., Rhou, Y., Uysal, M., & Kwon, N. (2017). An examination of the links between corporate social responsibility (CSR) and its internal consequences. *International Journal of Hospitality Management, 61*, 26-34.
- Kim, H. R., Lee, M., Lee, H. T., & Kim, N. M. (2010). Corporate social responsibility and employee–company identification. *Journal of Business Ethics, 95*(4), 557-569.
- Matten, D., & Moon, J. (2004). Corporate social responsibility. *Journal of business Ethics, 54*(4), 323-337.
- Mijatovic, I. S., & Stokic, D. (2010). The influence of internal and external codes on CSR practice: The case of companies operating in Serbia. *Journal of Business Ethics, 94*(4), 533-552.
- Mory, L., Wirtz, B. W., & Göttel, V. (2016). Factors of internal corporate social responsibility and the effect on organizational commitment. *The International Journal of Human Resource Management, 27*(13), 1393-1425.
- Ringov, D., & Zollo, M. (2007). Corporate Responsibility from a Socio-Institutional Perspective: The impact of national culture on corporate social performance. *Corporate Governance, 7*(4), 476-485
- Sekaran, U. (2003). *Research methods for business: A skill building approach* (4th ed.). Hoboken, NJ: John Wiley and Sons
- Visser, W. (2007). Developing countries. *The A to Z of Corporate Social Responsibility, 154-157*.
- Wood, D. J. (2010). Measuring corporate social performance: A review. *International Journal of Management Reviews, 12*(1), 50-84.



Candidate: Sehar Zulfiqar
Neptun ID: OYDRX8
Doctoral School: Károly Ihrig Doctoral School of Management and Business
MTMT ID: 10059334

List of publications related to the dissertation

Articles, studies (8)

1. **Zulfiqar, S.:** Corporate philanthropy in the pakistani textil sector: evidence on slack resources, advertising intensity and past financial performance.
Taylor. 9 (1), 32-40, 2017. ISSN: 2064-4361.
2. **Zulfiqar, S.:** Do Conflict and Balance Between Work and Family Effect Organizational Citizenship Behavior? Comparative Study of Single and Dual Earner Couples.
Annals of the University of Oradea Economic Science. 26 (1), 893-900, 2017. ISSN: 1222-569X.
3. **Zulfiqar, S., Islam, A.:** Exploring the Role of Emotions and Moods in Decision Making: Study on the Use of Structured Decision Approach and Intuition.
International Journal of Engineering and Management Sciences. 2 (3), 140-149, 2017. EISSN: 2498-700X.
DOI: <http://dx.doi.org/10.21791/IJEMS.2017.3.14>.
4. **Zulfiqar, S.:** How Economic Recession Effect The Corporate Philanthropy? Evidence From Pakistani Corporate Sector.
Apstract. 11 (1-2), 89-96, 2017. ISSN: 1789-221X.
DOI: <http://dx.doi.org/10.19041/APSTRACT/2017/1-2/11>
5. Szabados, G., Bácsné Bába, É., Kulcsár, G., **Zulfiqar, S.:** An approach to understanding the specific subsidies received by rural civic organizations: a case of a settlement in Szabolcs-Szatmár-Bereg county.
Apstract. 10 (4-5), 117-124, 2016. ISSN: 1789-221X.
DOI: <http://dx.doi.org/10.19041/APSTRACT/2016/4-5/15>
6. **Zulfiqar, S., Haddad, H., Alshehhi, Y. Z. H., Máté, D.:** Financial performance of Islamic banks in the United Arab Emirates, Pakistan and Jordan: a case comparative study in a dupont approach.
Analele Universității din Oradea. Științe economice = Annals of University of Oradea. Economic science. 25 (2), 403-409, 2016. ISSN: 1222-569X.





7. **Zulfiqar, S.:** Link between Corporate Philanthropy and Corporate Financial Performance: Evidence from Pakistani Textile Sector.
International Journal of Engineering and Management Sciences. 1 (1), 1-12, 2016. EISSN: 2498-700X.
DOI: <http://dx.doi.org/10.21791/IJEMS.2016.1.47>
8. Fatima, A., Rabia, I., Hina, S., **Zulfiqar, S.:** Knowledge Sharing Among Pakistani IT Professionals: Examining the Role of Procedural Justice, Pay Satisfaction and Organizational Commitment.
Advanced Science Letters. 21 (5), 1189-1192, 2015. ISSN: 1936-6612.
DOI: <http://dx.doi.org/10.1166/asl.2015.6047>

List of other publications

Articles, studies (4)

9. Sial, A. W., Tahir, A. Q., **Zulfiqar, S.**, Iqbal, M., Naqvi, S. A. A.: Demutualization of Stock Exchanges and Stock Market Growth: Broader Economic Investigation of Demutualized Exchanges.
Journal of Economics, Finance and Accounting. 1 (4), 285-294, 2014. EISSN: 2148-6697.
10. Sial, A. W., **Zulfiqar, S.**, Kousar, S. W. A., Habib, S.: Impact of Servant Leadership on Knowledge Sharing Intentions Among Employees: (Study Of Higher Education Commission Of Pakistan).
European Journal of Business and Innovation Research. 2 (1), 1-11, 2014. ISSN: 2053-4019.
11. Sial, A. W., Usman, M. K., **Zulfiqar, S.**, Satti, A. M., Khurshid, I.: Why Do Public Sector Organizations Fail In Implementation Of Strategic Plan In Pakistan?
Public Policy and Administration Research. 3 (1), 34-41, 2013. ISSN: 2224-5731.
12. Younis, A., **Zulfiqar, S.**, Arshad, H., Imran, M.: Struggle to Juggle. Gender and Work Life Balance.
Interdisciplinary Journal of Contemporary Research in Business. 3 (4), 514-531, 2011. ISSN: 2044-4621.

The Candidate's publication data submitted to the IDEa Tudóstér have been validated by DEENK on the basis of Web of Science, Scopus and Journal Citation Report (Impact Factor) databases.



18 January, 2019