

# **HOW IS EMPLOYEE PERCEPTION OF ORGANIZATIONAL EFFORTS AND THEIR REACTIONS IN CORPORATE SOCIAL RESPONSIBILITY RELATED TO ORGANIZATIONAL CITIZENSHIP BEHAVIOR IN VIETNAMESE ENTERPRISES?**

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## **Abstract**

Despite the claim that corporate social responsibility (hereafter CSR) is no stranger to many companies even these companies in emerging countries like Vietnam, most of the existing studies only concerned with the benefits arrived from external factors such as the customers' appreciation, media, brand image and so on. Besides that, to take advantage of competition, Vietnamese companies have demanded employees' extra role behavior or organizational citizenship behavior (hereafter OCB) that goes beyond employees' contract such as employees' commitment and engagement to achieve sustainable development. However, it is still unclear how employees perceive organizational CSR efforts and whether such perceptions bring employee reactions. The purpose of this paper is to contribute to filling this gap by looking into the relation between CSR and employees' organizational commitment and engagement and organizational citizenship behavior (OCB). To answer these timely inquiries, we hypothesize that the internal processes based on CSR, employees' organizational commitment, engagement, and organizational citizenship behavior (OCB).

**Key words:** Corporate social responsibility, organizational citizenship behavior, extra role behavior, organizational commitment.

**JEL Code:** M14, M54

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## **Introduction**

In recent years, there has been increasing interest in exploring performance-related behaviors that go beyond the assigned tasks and responsibilities for which employees are typically given in job description. Voluntary behavior that goes beyond the core tasks, is named as Extra role behaviour (ERB), a part of organizational citizenship behavior or OCB (Bateman & Organ, 1983; Organ et al., 2006).

Companies use many methods to encourage employees to implement OCB such as leadership styles, managerial support, and organizational support, organization commitment (Organ et al., 2006). Behind those prefixes, Fu et al. (2014) suggested that CSR activities affect employee behaviors such as engagement with organizations and OCB. According to Stakeholder theory (Freeman, 1984), CSR activities are the expectations that companies want to implement because these are the needs for companies to be judged trust and responsibility.

McGuire (1963) emphasized the responsibilities beyond the economic and legal obligations of companies. But some of these studies have attempted to identify how CSR affects the overall organizational performance and provided empirical evidence on the relation between these corporate behaviors and reputation, competitiveness, and sustainability of the organizations (Burke and Logsdon, 1996; Johnson, 2003; Porter and Kramer, 2002; Snider et al., 2003). Although previous studies emphasized the relationship between CSR and organizational commitment, the way in which CSR initiatives influence employees' commitment to the organization remains unclear.

In consideration of these issues, based on Learning social theory and Social exchange theory, this study investigates the relationship among firms' CSR, employee treatment, employees' commitment and OCB.

## **1 Literature review and hypothesis construction**

### **1.1 CSR dimensions**

CSR dimensions can be divided into internal or external, depending on the type of stakeholders that it intends to satisfy. The internal CSR activities involve employees' welfare and business ethics. The previous researches suggest that CSR initiatives can be broadly understood from an employee's perspective. The employee perspective on external CSR or corporate citizenship performances (Kim et al., 2010), referring to the various forms of company involvement with charitable causes and the nonprofits.

### **1.2 Organization citizenship behaviors**

Many scholars have demonstrated linkages between OCB and important outcomes such as job performance or various forms of withdrawal (e.g., turnover intentions, absenteeism, and turnover (Podsakoff et al., 2009). Organizational citizenship behavior (OCB) has been defined as behavior that contributes to the maintenance and enhancement of the social and psychological context that supports task performance (Organ et al., 2005).

### **1.3 Employee treatment**

Employee treatment represents the evaluation and judgment on how an organization treats the employees. According to Social exchange theory, Blau (1964) argues that the economic exchange has a marketplace character. Someone who receives such a gift is likely to feel some obligation to reciprocate, or to repay the “debt”. Similarly, Fu et al. (2014) suggested that the way companies treat employees would affect their organization commitment and OCB. In addition, Bailey (2005) also suggested that different stakeholders have different concerns about the actions of the companies. The external stakeholders will be more concerned about the performance of the enterprises, and the internal stakeholders (employee) will be concerned about how enterprises treat them. From there, it is believed that employee treatment will affect the employee's response to organization commitment and create OCB.

#### **1.4 Corporate ethical values (CEV)**

Another way to build employee trust is corporate ethical value. Baker et al. (2006) and Trevino et al. (2006) defined corporate ethical values are comprised of the collective ethical values of individual employees and organization's formal and informal policies on ethics. Baker et al. (2006) also argued that CEV influences the behavior of employees in the enterprise because adopting ethical standards can cause feelings of commitment and loyalty.

#### **1.5 Organizational commitment**

Allen and Meyer (1990) identified three kinds of organizational commitment: continuance (have to), normative (ought to) and affective (want to) commitment. The affective commitment is regarded as the most important and beneficial one because it could affect the other components in the long term. The committed employees have confidence in the firm's values, culture and goals (He et al., 2011). The recent researches suggested organizational commitment is important factor to enhance organization's effective and success (Eisenberger et al., 2010; Lub et al., 2012). In this study, we take the affective commitment to measure organizational commitment.

#### **1.6 Proposed Hypothesis**

According to Learning social theory, when an individual interacts with social values, he or she tends to express social actions such as organization commitment with OCB. In this sense, the following hypotheses are proposed:

*Hypothesis 1:* CSR have a positive relationship with OCB

*Hypothesis 2:* CSR have a positive relationship with OCM

*Hypothesis 5:* CEV have a positive relationship with OCB

*Hypothesis 6:* CEV have a positive relationship with OCM

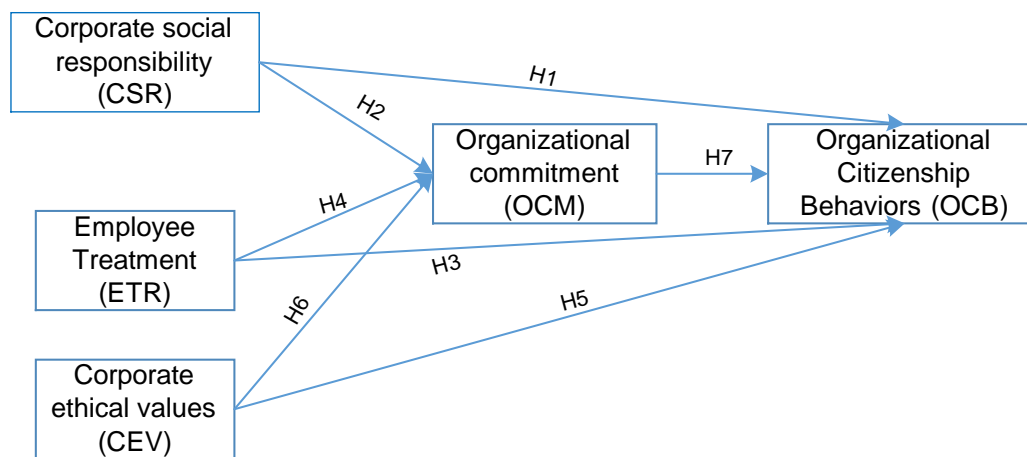
*Hypothesis 7:* OCM have a positive relationship with OCB

Based on Social exchange theory, when learning from the environment, employees will respond to the treatment that company and managers do. The following hypotheses are proposed:

*Hypothese 3:* ETR have a positive relationship with OCB

*Hypothese 7:* ETR have a positive relationship with OCM

**Fig. 1: Conceptual model**



Source: Authors

## 2. Method

### 2.1 Procedure

The research was conducted two phases, a pilot study and a main survey in Ho Chi Minh City. The pilot study was conducted by face-to-face and focus group. Results of pilot study modified the measures which were mainly developed in advanced economies, to make them appropriate for the context of a transitioning market, Vietnam. The main survey was undertaken using face-to-face interviews.

### 2.2 Sample and data collection

A total of 350 questionnaires were sent to ten managers in charge of CSR initiatives and distributed among 35 employees per firm. A total of 309 responses were collected, and 303 were used for the analysis. Each company submitted 24–30 responses. Nearly half (48.8%) of respondents were men. The median age of respondents was 26–35 years. Positions ranged from staff (57.7%), middle manager (39.0%) to general manager (3.3%). We focus on employees, not on top management, because typical employees are more likely to evaluate and react to firms' CSR initiatives (Rupp et al., 2013).

### 2.3 Measures

All constructs used in research base on prior researche: CSR (Kim et al.,2010); employee treatment (Bailey, 2005; Fu et al., 2014); CEV (Baker et al., 2006); organizational commitment (Meyer and Allen, 1997; Baker et al., 2006; Fu et al., 2014); OCB (Farh et al., 2004, 2007).

**Tab. 1: Composite reliability, average variance extracted, and standardized CFA factor loading of items**

	Indicator	Factor loading
<b>Corporate Social Responsibility (CSR):</b> composite reliability $\rho_c=0.835$ ; average variance extracted $\rho_{vc}=0.538$		
The organization supports philanthropy and health career	CSR03	0.725
I have an impression that the organization has a fair attitude toward competitors	CSR04	0.774
The organization candidly releases relevant information to the public	CSR05	0.735
The organization has socially responsible actions have a significant impact on society	CSR06	0.768
The organization took a lot of effort to be socially responsible	CSR07	0.659
<b>Employee-treatment reputation (ETR):</b> composite reliability $\rho_c=0.819$ ; average variance extracted $\rho_{vc}=0.477$		
Job decisions are made by organization in an unbiased manner	ETR06	0.646
The organization makes sure that all employee concerns are heard before job decisions are made	ETR07	0.769
To make job decisions, the organization collects accurate and complete information.	ETR08	0.763
The organization clarifies decisions and provides additional information when requested by employees.	ETR09	0.649
All job decisions are applied consistently across all affected employees.	ETR10	0.612
<b>Corporate ethical values (CEV)</b> composite reliability $\rho_c=0.79$ ; average variance extracted $\rho_{vc}=0.429$		
Managers in my company often engage in behaviors that I consider to be ethical.	CEV01	0.64
In order to succeed in my company, it is often necessary to compromise one's ethics	CEV02	0.651
Top management in my company declared that any unethical behaviors will not be tolerated.	CEV03	0.639
If a manager in my company is discovered to have engaged in unethical behavior that results primarily in personal gain (rather than corporate gain), he or she will be promptly reprimanded.	CEV04	0.662
If a manager in my company is discovered to have engaged in unethical	CEV05	0.683

behavior that results primarily in corporate gain (rather than personal gain), he or she will be promptly reprimanded.		
<b>Organizational commitment (OCM):</b> composite reliability $\rho_c=0.826$ ; average variance extracted $\rho_{vc}=0.494$		
I really feel the problem is mine	OCM01	0.848
I feel like “part of the family” at my organization	OCM07	0.814
At my work, I feel bursting with energy	OCM08	0.594
I am proud of the work that I do	OCM09	0.57
When I get up in the morning, I feel like going to work	OCM10	0.642
<b>Organizational citizenship behaviors (OCB):</b> composite reliability $\rho_c=0.938$ ; average variance extracted $\rho_{vc}=0.837$		
Actively raises suggestions to improve work procedures	OCB02	0.978
Takes initiative to work overtime to complete work whenever necessary	OCB03	0.756
Recommends the organization to people outside it	OCB04	0.991

Source: Authors

### 3. Result

#### 3.1 Reliability and validation of the measures

Before testing the structural model, we confirmed the reliability and validity. Reliability analyses were evaluated by using two indices: Cronbach’s alpha coefficient and composite construct reliability (CR). Using Cronbach’s alpha coefficients, reliabilities of the items ranged from 0.79 to 0.938. All of the coefficients exceeded 0.7, indicating high reliability. CR statistics also showed high reliability for all the measures because all of the CRs were  $> 0.8$ , exceeding the threshold for CR of 0.6.

After the reliability analysis, confirmatory factor analysis was implemented to assess the validity of the measures and overall measurement. We examined discriminant validity through comparing the average variance extracted (AVE) with the squared correlation between constructs. The results showed evidence of discriminant validity because the AVE for each construct was greater than the squared correlation with other constructs. Table 1 and 2 demonstrated that the measures in this study possessed high reliability and validity.

**Tab. 2: Correlations of study variables**

	CSR	ETR	CEV	OCM	OCB
CSR	1				
ETR	0.172**	1			
CEV	0.54	0.07	1		
OCM	0.028	0.135*	0.029	1	
OCB	0.140*	0.134*	0.156**	0.555*	1

\*\*p<0.01; \*p<0.05

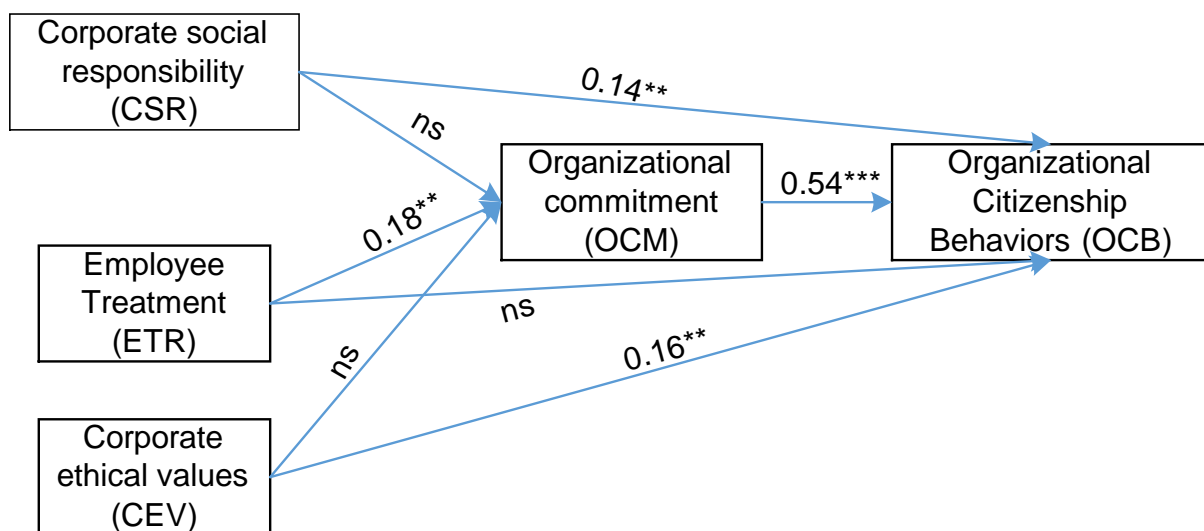
Source: Authors

Therefore, maximum likelihood estimation was used. The final CFA model received an acceptable fit to the data:  $\chi^2_{[210]} = 497.848$  ( $p = 0.000$ ), GFI=0.866, TLI=0.907; CFI=0.919, and RMSEA= 0.065. These findings indicate that the scales measuring CSR, OCB, OCM, ETR, CEV used in this study were unidimensional and the within-method convergent validity was achieved.

### 3.2 Hypotheses tests

We test the proposed conceptual model (Figure 1) using structural equation modeling. As shown in Figure 2, the results indicate that the data fit our conceptual model acceptably ( $\chi^2(220) = 497.848$  ( $p = 0.000$ ); GFI = 0.866; CFI = 0.919; TLI = 0.907; RMSEA = 0.065).

**Fig. 2: Structural equation model result**



ns: Not significance. \*\*\*:  $p < 0.01$ ; \*\* $p < 0.05$ ; \* $p < 0.1$ .

Squared multiple correlations;  $\chi^2(220) = 497.848$  ( $p = 0.000$ ); GFI = 0.866; CFI = 0.919; TLI = 0.907; RMSEA = 0.065

Source: Authors

Based on the results, H1; H5; H7 are supported. The results show that CSR activities and the establishment of a corporate ethical environment affect employees' OCB. This is consisted with the point of social learning theory. Similarly, H4 is supported to show that when employees are treated well, they will have similar behavioral responses. Finally, H7 is

supported to show that employees, who feel committed to the company, will perform more OCB. The H2; H3; H6 is not supported in this study.

## **Conclusion**

The benefits of CSR have been emphasizing (Perez et al., 2013; Marin and Ruiz, 2007). However, the benefits of CSR activities are not just from the outside but also from within them as employees. When an employee works in a reputable and responsible company, he will find that his company is willing to take social responsibility than just pursue a profit. It promotes the employees to do more work. The results have shown the direct benefits of CSR activities. CEV has a positive impact on OCB because, when people are exposed to environmental behaviors and standards, they will turn into their own internal standards, according to the theory of social learning. Thus, when employees interact with companies' prosocial behaviors, they will carry out the same actions as their OCB.

Finally, the element of OCB in this study is OCM, shows that when employees commit with company, they tend to contribute more than what is required. In addition, employees, who reciprocate to feel committed to the company, should be treated well. Reciprocal tendency is a prevalent trend in human psychology and behavior because they tend to respond to what they perceive. It is reflected in the results of this research when ETR affects OCM.

The result has shown that OCB is very necessary in today's fast-changing times, enterprises must consider investing in CSR activities. These actions are not only responsive to the needs of customers, government and society, but also from employees in the enterprise. Those employees will find that the company is credible and responsible. In addition, companies should build their employees' trust because of a moral environment that is ethical in which to build and declare all employees.

This study has several limitations that future research should overcome. Firstly, the OCB scale is used as the unidimension scale. This does not fully represent OCB of an individual. Secondly, the study does not divide the companies into different fields. The different fields could bring different views on OCB, for example, takes initiative to work overtime to complete work whenever necessary will be different between manufacturing and service sector. Third, we have not considered the individual factors that affect OCB.

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