

INVESTIGATION OF THE ORGANIZATIONAL COMMITMENT TOWARDS INTERNAL CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SUDANESE BANKING SECTOR

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Abstract

This study investigates the relationship between organizational commitment (OC), namely; affective, continuous and normative commitment) and employee perceptions of corporate social responsibility (CSR) within a model that draws on the social exchange theory (SET). Specifically, the study examines the impact of eight dimensions of internal CSR practices on organizational commitment (i.e. affective, continuous and normative commitment): training and career development, health and safety, employees' right, employees' welfare, vacation entitlement, social work environment, workplace diversity, and disabled support. A theoretical model was proposed to examine the links between internal CSR and OC. The proposed model was tested on a sample of 375 employees working in the banking sector in Sudan. Exploratory factor analysis, reliability assessment and regression were used to analyze the data. The findings of this study indicate that internal CSR positively influenced OC of employees. Particularly, there are statistically significant positive relation between training and career development, health and safety, employees' right, employees' welfare and workplace diversity and OC. However, the findings reveal that there are no statistically significant positive relations between vacation entitlement, social work environment, disabled support and OC.

Keywords: Internal CSR, Organizational Commitment, Banking Sector, Sudan

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Introduction

Organizational commitment forms the basis of an extensive literature that has focused both on the antecedents of commitment and its consequences for work behaviour (e.g. labour turnover, job performance and employee health). Meta-analytic studies of the literature suggest that organizational commitment is driven by work experience rather than the recruitment or selection of employees, and highlight the importance of perceived organizational support in this process (Meyer et al., 2002). In this paper we focus on the relationship between organizational

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commitment and corporate social responsibility (CSR) within a model that draws on social identity theory.

Corporate Social Responsibility (CSR) has become a very important issue for banking sector to address, especially when many scandals in the banking sector had been revealed since the beginning of the new millennium (e.g., Bank of Credit and Commerce International). This has resulted in a slide in the level of trust that banks used to enjoy with the stakeholders. Henceforth, banks have begun to realize that a successful business is not only concerned with the economic aspects of organizational activity (i.e., profitability and growth) but also, in the “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams et al., 2006, p. 1).

Prior studies have shown evidence that the private sector is more developed in terms of community and environment based CSR activities (Observatory of European SMEs, 2002). However, Maignan and Ferrell (2001), Matten et al. (2003) confirmed that most of the empirical studies tended to focus only on limited aspects of CSR (e.g., cause-related issues or philanthropy). As a result, less attention was paid to internal CSR aspects as noted by Cornelius et al. (2008) who submitted that the focus of attention among scholars on the area of CSR is largely on the social impact of social enterprises on the communities they serve, plus external stakeholder responsibilities. There was a less emphasis on internal CSR. Hence, initiating a study on internal CSR practices namely on training and career development, employees’ rights, health and safety, social work environment and workplace diversity would fill such a void. Such a study is timely as it comes in the midst of a growing scrutiny of ethical practices of companies in recent years.

The present study, therefore, outlines a research that aims to investigate the relationship between internal CSR, namely: training and career development, employees’ rights, health and safety, social work environment, and workplace diversity on organizational commitment (OC), within the banking sector in Sudan. Demonstrating the relationship between internal CSR practices will support the contention that a positive internal CSR practices may be beneficial to business organizations, in general, and banking sector, in particular.

Literature Review

Lee and Bruvold (2003) conducted a research to examine the relationship between the perception of CSR, job satisfaction, personality, and OC. The results indicate that CSR contributes to increase organizational commitment of employees. In the same vein, Maignan and Ferrell (2004), investigated the antecedents and consequences of corporate citizenship in two independent samples. They examined whether components of an organization's culture affect the level of commitment to corporate citizenship and whether corporate citizenship is conducive to business benefits.

Saks (2006) attested that the social exchange theory (SET) can provide a good theoretical ground to understand and study OC. Similarly, Blau (1964) stated that individuals will contribute and exchange their attitude and behavior with others, with expectations to benefit from what is

received in return. Therefore, when the organization supports its employees in various forms, for example; economic and socio-emotional, the employees will tend to react in the form of gratitude (Cropanzano & Mitchell, 2005).

From SET perspective, when employees feel that the organization is committed to them (e.g., committed to human rights, improving health and safety conditions in workplace, offering training and support their education), they tend to develop a sense of loyalty toward the organization, and are willing to reciprocate with more cooperative and supportive actions, and with greater level of commitment (Eisenberger et al., 2001).

Lee et al. (2009) conducted a study to investigate the relationship between employees' perceptions of corporate citizenship and affective, normative and continuance commitment. The study found that all dimensions regarding the perceptions of corporate citizenship correlate positively and significantly with affective and normative commitment. Perceptions of philanthropic responsibilities correlate positively and significantly with continuance commitment, while schooling correlates positively and significantly with perceptions of legal/ethical responsibilities. Similarly, age correlates positively and significantly with perceptions of economic responsibilities, and with affective and normative commitment, but negatively with schooling. Rettab et al. (2009) investigated the influence of CSR on organizational performance (i.e., financial performance and employee commitment). Finally, Brammer et al. (2007) conducted a research to examine the impact of both external CSR (employee perceptions of CSR in the community) and internal CSR (procedural justice and employee training) on OC. The finding indicated that external and internal CSR is positively related to OC.

Most of the research in this area was exclusively carried out in developed economies; especially in the western countries. Jahmani (1996) stated that CSR in developing countries is still in its initial stage.

Theoretical Framework and Hypotheses Development

Social Exchange Theory (SET)

Saks (2006), argued that SET offers a stronger theoretical rationale for explaining employee engagement in the organization. Robinson et al., (2004) describe engagement as a two-way relationship between the employer and employee.

Individuals repay their organization through their level of commitment. That is, the amount of cognitive, emotional and physical resources that an individual is willing to devote in the performance of work roles is contingent upon the economic and socio-emotional resources received from the organization.

Cropanzano and Mitchell (2005), stated a basic belief of SET is that relationships develop over period of time into trusting, loyal and mutual commitments as long as the parties abide by certain “rules” of exchange. Rules of exchange usually include reciprocity or repayment rules such that the actions of one party lead to a response or actions by the other party, for example, when

individuals receive economic and socioemotional resources from their organization, they feel committed to respond in kind and repay the organization. According to Andrew and Sofian, (2012), SET is the most accepted and widely used theory in recent research on employee commitment and the findings of their study supported that SET can be used as a theoretical framework in understanding the construct of employee commitment. Furthermore, SET provides a theoretical foundation to describe why employees prefer to become more or less committed in their work and organizations.

Hypotheses Development

Previous studies have focused mainly on the relationship between external CSR and OC, but now more researchers are focusing their research on the study of the impact of internal CSR on OC. Therefore, this research aims to study the relationship between internal CSR on OC and the role of job satisfaction as mediator factor.

Ho (2007), indicated that when the values of the company emphasize CSR and allow the employee to understand the current status of implementation within the company, the employee's JS and OC tend to be enhanced. Wu (2009), concluded that when an enterprise fulfills its duty of CSR, the employee's job satisfaction, the employee's work performance and OC could all be enhanced.

Reviewing the CSR literature revealed that there is strong relationship between internal CSR and OC. For example, Ali et al. (2010), studied the influence of CSR on employees' OC and organizational performance. The finding of this study showed a significant positive relationship between CSR actions and employees' OC and organizational performance.

Based on the previous sections, the main sub hypotheses can be developed as follows:

H1: There is a statistically significant positive relationship between internal corporate social responsibility and organizational commitment (affective, continuous and normative commitment).

H1.1: There is a statistically significant positive relationship between training and career development and organizational commitment (affective, continuous and normative commitment).

H1.2: There is a statistically significant positive relationship between employees' rights and organizational commitment (affective, continuous and normative commitment).

H1.3: There is a statistically significant positive relationship between health and safety and organizational commitment (affective, continuous and normative commitment).

H1.4: There is a statistically significant positive relationship between work social environment and organizational commitment (affective, continuous and normative commitment).

H1.5: There is a statistically significant positive relationship between workplace diversity and organizational commitment (affective, continuous and normative commitment).

Research Methodology

Participant and procedure

Primary data were collected through questionnaires administered to a sample of banks employees selected according to the probability sampling techniques. The researcher also used Disproportionate Stratified Random Sampling because some stratum is over-represented and some are less-represented (e.g. total number of employees in Financial Investment Bank are only 7 employees and total number of employees in Agricultural Bank are 2106 employees). The sample size decision should be guided by a consideration of the resource constraints such as limited money, limited time, and availability of qualified personnel for data collection (Sekaran and Bougie, 2010). The distribution of all banks employees' questionnaires (400) was administered by the researcher where respondents were asked to return completed questionnaires to the researcher after one week through the bank. This may have made some employees a bit reserved in their responses. However, 380 questionnaires were collected of which (375 questionnaires) were completed.

Respondents' Profile

Table (1) below shows the respondents' profile. The respondents comprised of 375 employees within the banking sector in Sudan. As expected, males within the banking sector in Sudan constitute 52.5% and females constitute 47.5%. This could be due to the fact that traditional ideology of Arab culture which continues to dominate the lives of women and to isolate them from activities outside the family (Manasra, 1993). In addition, 8.0% were aged less than 20 years, 32.3% between 20–30 years, 36.8% between 30–40 years, 27.2% between 40–50 years, and 2.9% of respondents were aged 50-60 years. More than half of the respondents, 68.5% were married, 27.2% were single and 4.3% were other. Of the study subjects, 10.4 % had worked in their bank for year or less, 25.1% between 1 and 4 years, 32% between 4 and 7 years, 23.7% between 7 and 10 years and the organizational tenures of 8.8% of the sample were 10 years and above. A total of 9 employees were educated to high School diploma level or less, 236 subjects were university-graduate and 130 employees were postgraduate.

**Table No (1)
 Respondents' Profile**

Categories	Frequency	Percent%
Employees' Experience :		
Less than one year	39	10.4%
1 year and less than 4 years	94	25.1%
4 years and less than 7 years	120	32%
7 years and less than 10 years	89	23.7%
10 years and more	33	8.8%
Employees' Age :		
Less than 21 year	3	8%
21 to 30 year	121	32.3%
31 to 40 years	138	36.8%
41 to 50 years	102	27.2%
51 to 60 years	11	2.9%
Employees' Gender :		
Male	197	52.5%

Female	178	47.5%
Employees' Marital Status :		
Single	102	27.2%
Married	257	68.5%
Other	16	4.3%
Employees' Educational Level :		
High Secondary School	0	0%
High School Diploma	9	2.4%
University Education	236	62.9%
Post Graduate Education	130	34.7%

Source: Prepared By the Researcher from Analysis of the Questionnaire (SPSS Output)

Reliability Analysis of the Instrument

Results of Cronbach's Alpha test for the independent variables are (training and Career development scored 89%, employees' rights scored 81%, health and safety scored 82%, social work environment scored 77% and workplace diversity scored 84%). On the other hand, Alpha Cronbach values for dependent variables (affective commitment, continuous commitment and normative commitment) were 89%, 98% and 86% respectively.

The resulting scales are sufficiently reliable, with an overall alpha of 0.96 for all the items, which is quite satisfactory and meet the reliability requirements. The Cronbach's Alpha shows that the selected sets of questions relates to each other strongly as reflected in the high values of alphas. Consequently, all these sets were subjected to factor analysis.

Exploratory Factor Analysis

The purpose of factor analysis is to achieve data reduction or retain the nature and character of the original items. A total of two factor analyses were performed separately for each study variable (i.e. internal CSR and OC). From the result of the factor analysis, the internal CSR variables had been changed to eight variables instead of five variables (i.e. training and career development, employees' rights, health and safety, social work environment and workplace diversity) . These eight variables are: training and career development, vacation entitlement, employees' rights, health and safety, social work environment, employees' welfare, workplace diversity and disabled support. According to the results of factor analysis the dependent variables "affective commitment", "continuous commitment" and "normative commitment" remain the same after factor analysis. The new and changed hypothesis is:

H: There is a statistically significant positive relationship between internal CSR (namely training and career development, vacation entitlement, employees' rights, health and safety, social work environment, employees' welfare, workplace diversity and disabled support) and OC.

Correlation Analysis

The Correlation analysis illustrates the significant and positive relationship between internal CSR components (namely; training and career development, vacation entitlement, employees' rights, health and safety, social work environment, employees' welfare, workplace diversity and disabled support) and OC components (namely; affective, continuous and normative commitment). Therefore, multicollinearity does not remain a serious problem in this study.

Hypotheses Testing of Internal CSR Components with Organizational Commitment

The result of the regression equation testing the influence of internal CSR components on OC. Obviously, internal CSR components cumulatively contributed (42.2%) of the variance OC. Clearly, the eight drivers of internal CSR positively correlated with OC (64.9%). The adjusted R^2 in the model is (42.9%) which is the coefficients of determinations adjusted for the number of independent variables and the sample size to account for diminishing returns, where after the first few variables, additional independent variables do not make much contribution.

The t statistic test shows a statistically significant positive relationship between internal CSR components (training and career development, employees' rights, health and safety, employees' welfare and workplace diversity) and OC. However, social work environment, disabled support and vacations entitlement were rejected because it shows no statistically significant impact on OC.

Discussion and Conclusion

The results have significant implications for the implementation of internal CSR strategies within companies. Specifically, the positive relationship between each aspect of employee perception of CSR and organizational commitment emphasizes the payoff in terms of organizational commitment that may flow from corporate investments in internal CSR.

The findings of this study show that five dimensions of internal CSR components practice (i.e. training and career development, employees' rights, health and safety, employees' welfare and workplace diversity) are significantly and positively related to OC (affective, continuous and normative commitment). In addition, the findings show the absence of significant relationships observed between three dimensions of internal CSR (i.e. vacation entitlement, social work environment and disabled support) and OC. The findings also indicate a significant positive relationship between training and career development and OC. This means that employees within the banking sector in Sudan believe that their banks made major investments in training them and supporting their educational efforts. Employees transferred what they learned and acquired in terms of skills and abilities during the training to practical applications during the performance of tasks and duties. They might develop an obligation to reciprocate by continuing to work for the organization. This finding is similar to Williams (2004), who suggested that, if an organization cares about the employees or supports their educational efforts, the employees may report a higher degree of OC. In today's competitive labor market, demand for skilled labors far exceeds supply not only does training employees with needed professional or technical skills, but it also shows that banking sector in Sudan are investing in them and interested in bringing them into the bank's future success.

The study reveals a significant positive relationship between employees' rights and OC. Luthans (1998) supported this finding. He claimed that if employees feel they are treated fairly and paid fairly in the organization, they are likely to have positive attitudes toward job and organization. With respect to the variable: health and safety, the findings of this study reveal that there was

significant positive impact and relationship between health and safety and OC, this is in line with the findings of several studies, including, Sutherland and Cooper (1990), who argued that organizations need to invest more financial resources to ensure that the work environment is pleasant, healthy and manageable by employees. By ensuring that, equipment are working properly and that there is adequate work space, employees will feel more secure and settled in the surrounding areas and will become more committed to the organization. The result of this study is consistent with the findings of the study by Edgar and Geare (2005), who found that good, fun and safe working conditions have positive and significant impact on organizational commitment among employees.

Moreover, the findings of this study indicate a significant positive relationship between employees' welfare and OC. A probable explanation is that employees who believe that their banks are providing several initiatives which are beyond legal requirements such as: special leave to take care of dependents, flexible work schedules, maternity leave and childcare facilities, helping them to balance their home and work responsibilities, could lead to high affective commitment.

Furthermore, the findings indicate that there is a significant positive relationship between workplace diversity and OC. This means that employees believe that their banks respect the diversity in the workplace in terms of gender and disabilities. Therefore, employees have developed a high OC towards their banks. Frequently, diversity is viewed in a limited fashion, primarily addressing issues of race, ethnic or gender differences, and linked to the laws providing protected status to certain groups (Longo et al., 2005). In order to maximize the utilization of its human capital, organizations must go beyond merely creating a more diverse workplace. The value of having diverse employees must be recognized. Now is the time to move beyond viewing diversity as merely the numerical representation of certain groups.

Finally, this study demonstrates that there is no effect of some components of internal CSR (namely; vacation entitlement, social work environment and disabled support) on OC. This may be due to the nature of the Sudanese culture, an issue which is beyond the perspective of this study.

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