

# CSR, EMPLOYEE JOB ATTITUDE AND BEHAVIOR: SAUDI BANK EXPERIENCE

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## Abstract

The present study explores the relationship between the external CSR practices of the organizations and employees' job satisfaction, employee engagement and organizational citizenship behavior in the context of the Saudi banking industry. A positive relationship between CSR and employee job satisfaction, employee engagement and organizational citizenship behavior related to the organization is observed. However, the organizational citizenship behavior related to individual is found unrelated to CSR. The theoretical foundation of the study is grounded in the spirit of social identity theory (Tajfel and Turner, 1979) and social exchange theory (Blau, 1964). The study implies that involvement in external CSR may be a determinant for maintaining a motivated and enthusiastic workforce.

**Keywords:** Corporate Social Responsibility, job engagement, job satisfaction, organizational citizenship behavior, organizational engagement.

## 1. Introduction

Corporate social responsibility (hereafter referred to as CSR) by business houses has now become an expectation (Turker, 2009). In the face of the recent global economic crisis and corporate scandals, business organizations are expected to perform more responsibly (Angelidis *et al.*, 2008; Buciová, 2010; Evans and Davis, 2011). It is now widely recognized by business leaders that their companies need to accept broader responsibility over short-term profits (Knox *et al.*, 2005). CSR is not only an excellent indicator of the legitimacy of a firm, it is also viewed as a source of competitive advantage (Jamali, 2008; Holder-Webb *et al.*, 2009). It ultimately develops a strong long-term reputation for the firm (Brown and Dacin, 1997; Sen and Bhattacharya, 2001). CSR is not only receiving greater attention in the western world, it is also gaining currency in the developing world. A recent survey regarding CSR and sustainability programs in GCC countries, including Saudi Arabia, showed that 72% and 83% of companies worldwide and in the region, respectively, indicated that CSR has become more important in the past 2 years, with 78% of companies in the Middle East employing a policy for CSR/sustainability. In the Middle East, 86% of companies rated it as a very important or important component of business strategy (CPI Financial, 2013).

CSR has been studied from different perspectives and dimensions. The stakeholder-centered view of CSR in particular generates voluminous studies covering the link between CSR and the customer (Brown and Dacin, 1997; Sen and Bhattacharya, 2001; Luo and Bhattacharya, 2006; Schuler and Cording, 2006); CSR and shareholders (Lantos, 2001; Porter and Kramer, 2006; Waddock and Grave, 1997; Brammer and Millington, 2008); CSR and government; CSR and community; CSR and prospective employees (Strand *et al.*, 1981; Turban and Greening, 1997; Albinger and Freeman, 2000; Greening and Turban, 2000; Luce *et al.*, 2001; Backhaus *et al.*, 2002; Smith *et al.*, 2004; Ng and Burke, 2005; Kim and Park, 2011); CSR and current employees of the firm (Riordan *et al.*, 1997; Peterson, 2004; Brammer *et al.*, 2007; Turker, 2009; Ebeid, 2010; Ali *et al.*, 2010; Zheng, 2010; Albdour and Altarawneh, 2012; Roeck and Delobbe, 2012; Bozkurta and Balb 2012; You *et al.*, 2013) and such other relationships. Interestingly, most of the studies focusing on employee attitude and behavior considered internal CSR to be the antecedent. Even though internal CSR is classified as CSR activities, in the true sense of the term, this is simply the human resources management practice of the organization rather than a philanthropic contribution to the greater community. However, philanthropic responsibility, which is not directly related to employees, also has an influence on employee attitude and behavior (Zheng, 2010).

Most of the published studies exploring perceived CSR and attitude of employees focused on organizational commitment (Peterson, 2004; Brammer *et al.*, 2007; Turker, 2009). A few studies paid attention to attitude towards job satisfaction as a dependent or mediating variable (Riordan *et al.*, 1997; Valentine and Fleischman, 2008). As far as employee behavior is concerned, most of the studies focused on organizational citizenship behavior (hereafter referred to as OCB), and job performance (in-role behavior) only (Aguilera *et al.*, 2006; Brammer *et al.*, 2007; Zheng, 2010). Very few stud-

ies considered employee engagement as an outcome of the firm's CSR performance. Alb दौर and Altarawneh (2012) conducted a study on internal CSR and employee engagement in the Jordanian context. However, in recent years, there has been a great deal of attention on employee engagement. Many have claimed that employee engagement predicts employee outcomes, organizational success, and financial performance (e.g. total shareholder return) (Bates, 2004; Richman, 2006). At the same time, it has been reported that employee engagement is on the decline and there is a deepening disengagement among employees today (Bates, 2004; Richman, 2006; Saks, 2006). Evidence from surveys, management consulting, journalistic and corporate sources shows that CSR is an emerging and increasingly important driver of employee engagement (Gross, 2010). Therefore, employee engagement as desirable employee behavior as well as its connection to CSR deserves more investigation.

Researchers paid particular attention to the dimensions of CSR in banks as they are active players on the CSR field. Authors such as Ararat (2007), Adelopo and Moure (2010), Yiannaki (2010), and Islam *et al.* (2012) studied some regional financial markets and their connection to CSR. As many banks offer similar conditions in the same markets, competition in the banking sector is no longer just about price. Creating uniqueness in the market with the introduction of innovative products through financial engineering is constant, and competitors are very quick to replicate innovations. 'That is why the development of brand of the bank by creating a positive image in front of the main groups of stakeholders is an important aspect of the performance in a high-competitive environment' (Kostyuk *et al.*, 2012). To this end, CSR is now considered to be an appropriate tool (Brown and Dacin, 1997; Sen and Bhattacharya, 2001).

Even though CSR in banks has received a lot of attention from the researchers, surprisingly there has been no particular study conducted in the context of Saudi Arabia. However, in terms of socio-politico-economic reality, Saudi Arabia holds a prominent position in the whole Middle East and North Africa (MENA) region.

In view of this dearth of research, the present study examines the impact of CSR on employee job satisfaction and employee engagement and organizational citizenship behavior in the context of the Saudi banking industry. Here the objective is to hypothesize an integrative model that explains how CSR influences employee job satisfaction, job engagement, and OCB. The theoretical foundation of the study is grounded in the spirit of social identity theory (Tajfel and Turner, 1979) and social exchange theory (Blau, 1964).

The uniqueness of this study lies in its framework and context. It conceptualizes one integrated model to build a relationship among CSR, job satisfaction, employee engagement and OCB. It is also a pioneering empirical study in the context of Saudi Arabia.

## **2. Definition of CSR**

The present study adopts a stakeholder-oriented conceptualization of CSR and depends on Barnett's (2007) definition of CSR initiatives as 'a discretionary allocation

of corporate resources towards improving social welfare that serves as a means of enhancing relationships with key stakeholders' (Barnett, 2007, p. 801). Stakeholders are broadly defined as any individual, group, or entity that can affect or be affected by an organization's activity (Freeman, 1984). According to stakeholder theory, the existence of organizations depends on their ability to integrate stakeholders' expectations into their business strategy because stakeholders provide essential resources and returns for the successful functioning and survival of organizations (Donaldson and Preston, 1995; Roeck and Delobbe, 2012).

### **3. CSR and employee attitude and behavior: theoretical link**

Employees are one of the most important stakeholders of any organization. Since they can be affected by and also affect their organizational activities, the employees play a key role in the success or failure of their organization. This is how employees are likely to be affected by the CSR programs and react differently at work (Koh and Boo, 2001; Peterson, 2004). Social identity theory (hereafter referred to as SIT) and social exchange theory (hereafter referred to as SET) are two widely-used theoretical frameworks that underpin the relationship between perception of CSR and employees' attitudinal and behavioral reactions (Blau, 1964; Tajfel and Turner, 1986; Ashforth and Mael, 1989; Molm and Cook, 1995; Hogg and Terry, 2000; Cropanzano and Mitchell, 2005).

SIT was originally proposed by Tajfel and Turner (1979) as an integrative theory about the perception of psychological basis of intergroup discrimination. It is concerned with both the psychological and sociological aspects of group behavior. It studies the impact of individual perceptions, social categorization, and group distinctiveness on an individual's attitudes and behaviors (Cinnirella, 1998). According to SIT, social identification corresponds to the psychological process through which individuals classify themselves into various social groups of reference (e.g. nation, organization, political or religious affiliation and so forth) in order to reinforce their self-esteem and overall self-concept (Tajfel, 1981; Tajfel and Turner, 1986; Hogg and Terry, 2000). Individuals may achieve positive self-esteem when they sense an in-group identity that differentiates them from the out-group. Thus, SIT, with its underlying self-enhancement process, is a good framework for explaining the impact of CSR on employees' attitudes (Peterson, 2004; Brammer *et al.*, 2007; Turker, 2009). When the employees see that their organization works for the well-being of the society in the form of CSR and, consequently, it develops a positive image in the society, they feel a sense of satisfaction and like to identify themselves with the organization as it enhances their self-esteem and pride (Tajfel, 1978; Hogg and Terry, 2000).

Thus, SIT provides a rational explanation of the relationship between perceived CSR and employees' positive attitude. However, it does not integrate notions of reciprocity, expectations and mutual obligations, which are needed to understand how attitudes enhanced by identification may contribute to desirable employee behavior within the organization. It is SET that provides a better theoretical understanding of

this relationship. SET highlights social behavior as the result of an exchange process (Blau, 1964). The exchange refers to a reciprocal behavior (Konovsky and Pugh, 1994). Specifically, if employees feel happy when they are working in their organization, they are likely to support their organization as a mutual exchange. Sometimes employees may engage in voluntary behavior to reciprocate the treatment that they receive from their organization (Organ, 1990). Alan Saks (2006) argues 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 engagement. That is, the amount of cognitive, emotional, and physical resources that an individual is prepared to devote in the performance of work roles is contingent upon the economic and socio-emotional resources received from the organization.

In his seminal book on social exchange, Peter Blau (1964) argues that philanthropic donations are likely to affect the dynamics of social exchange, not only with the recipients of this action but also within the donor's own social group. He postulates, 'Men make charitable donations, not to earn the gratitude of the recipients, whom they never see, but to earn the approval of their peers who participate in the philanthropic campaign. Donations are exchanged for social approval, though the recipients of the donations and the suppliers of the approval are not identical, and the clarification of the connection between the two requires an analysis of the complex structures of indirect exchange.' (Blau, 1964, p. 92). Based on SET, when the CSR program fulfills the expectations of the employees, they are likely to have a positive attitude, which, in turn, leads to more enthusiastic behavior from the employees in the form of OCB, employee engagement, and other desirable behaviors (Organ and Lingl, 1995).

#### **4. CSR and employees: Empirical studies and research framework**

The employee as a unit of analysis in CSR research has so far received relatively less attention. However, this is changing in recent years, especially since 2010. The following table summarizes the main findings of previous empirical studies.

The tabular view of the studies shows that most of the early studies on CSR that consider employees as the unit of analysis focused on prospective employees rather than current employees, and tried to measure their level of attraction to the organizations involved in CSR activities. The studies that focused on internal employees were also found to emphasize internal CSR; i.e., CSR to the employees in the form of procedural justice, training, or other HR activities as the antecedent of their commitment or satisfaction rather than external CSR targeting the welfare of the larger community. Few studies focus on job satisfaction and employee engagement. Moreover, most of the studies ignore the moderating role of relevant attitude(s) such as job satisfaction or organizational commitment that lead to certain behavior, such as employee engagement, organizational citizenship behavior, employee turnover, workplace deviance behavior, etc. In view of this research gap, the present study has envisioned research that offers a holistic framework, incorporating CSR, employee attitude, and employee

**Table 1:** Empirical studies on the influence of CSR on employees' attitude and behavior

Study	Variables (IV: Independent Variable; MV: Moderating Variable; DV: Dependent Variable)	Findings
Strand <i>et al.</i> (1981)	IV: Social and Personnel Policies of the Corporations DV: Entry preferences	Though they have a low weight in the attribute function, social and environmental dimensions are integrated in entry preferences.
Turban and Greening (1997)	IV: Corporate Social Performance (CSP) DV: Organizational Reputation (OR); Organizational Attractiveness as an employer (OA)	CSP is positively related to corporate reputation and attractiveness as an employer.
Riordan <i>et al.</i> (1997)	IV: Corporate Image (as proxy of social performance) DV: Job Satisfaction (JS) and Intentions to Turnover (IT)	Corporate image as perceived by employees influences positively job satisfaction and negatively turnover intention.
Maignan <i>et al.</i> (1999)	IV: Corporate Citizenship (CC) DV: Employee Commitment (EC)	Positive influence of CC on EC by marketing executives.
Albinger and Freeman (2000)	IV: Corporate Social Performance (CSP) MV: Job seeker choice (High, Medium, Low) DV: Organizational Attractiveness (OS)	CSP is positively related to employer attractiveness only for job seekers with high levels of job choice.
Greening and Turban (2000)	IV: Corporate Social Performance (CSP) MV: Individual differences in self-image DV: Job Pursuit Intention (JPI)	Prospective job applicants are more likely to pursue jobs from socially responsible firms than from firms with poor social performance reputation.
Maignan and Ferrell (2001)	IV: Corporate Citizenship (CC) DV: Employee Commitment (EC)	Positive influence of CC on EC; Only the discretionary component of CC is strongly correlated to EC.
Luce <i>et al.</i> (2001)	IV: Corporate Social Performance (CSP) DV: Firm familiarity (FF). Organizational Attractiveness (OA)	CSP influences positively and indirectly OA by increasing the level of firm familiarity. FF mediates the influence of CSP on OA.
Backhaus <i>et al.</i> (2002)	IV: Corporate Social Performance (CSP) MV: Knowledge of CSP; importance of CSP for the job seeker DV: Employer Attractiveness (EA)	Environment, community relations and diversity have a larger influence on EA than others CSP facets. Minorities and women are more sensitive to the dimensions of CSP affecting them. Influence of prior CSP knowledge
Peterson (2004)	IV: Corporate Citizenship (CC) MV: Employee's belief in CSR (Hunt, Kiecker and Chonko, 1990) DV: Employee Commitment	CC perceptions are positively related to OC; stronger link among employees who believe in CSR. The effect of Ethical CC is stronger. There is a gender effect for Discretionary CC.
Smith <i>et al.</i> (2004)	IV: Corporate Social Orientation (CSO); Affirmative Action (AA); Diversity Management (DM) DV: Organizational Attractiveness (OA)	AA programs are perceived more favorably than DM programs and have a stronger influence on attractiveness for prospective students.
Ng and Burke (2005)	IV: Diversity Management (DM) MV: Employees characteristics (high/low achievers; DM support) DV: Organizational Attractiveness (OS)	DM programs influence positively job choice decisions from women and ethnic minorities.
Brammer <i>et al.</i> (2007)	IV: Perceived CSR (external CSR and internal CSR; procedural justice and training) DV: Organizational Commitment	Both external and internal CSR are found positively related to organizational commitment.

Valentine and Fleischman (2008)	IV: Ethics program MV: perceived CSR DV: Job satisfaction	Corporate social responsibility fully or partially mediated the positive associations between four ethics program variables and individual job satisfaction.
Turker (2009)	IV: Perceived CSR (toward social and non-social stakeholder, customers, government and employees) MV: Importance of CSR to the employees DV: Employee commitment	All types of CSR other than CSR to the government were found positively related to employee commitment.
Ebeid (2010)	IV: Corporate Social Responsibility (CSR) MV: Employees characteristics (income levels, periods of retention, gender, and age.) DV: Organizational Commitment (OC)	Practicing social activities, especially those which are presented to the employees affect positively the employees' organizational commitment.
Ali <i>et al.</i> (2010)	IV: Perceived CSR MV: Organizational Commitment DV: Organizational Performance	The study found significantly positive relationship between CSR actions and employee organizational commitment, CSR and organizational performance, and employee organizational commitment and organizational performance.
Dhanesh (2010)	IV: Four Dimensions of CSR (Carroll, 1979) DV: Three Dimensions of Organizational Commitment (Meyer and Allen 1991)	Ethical-legal dimension of CSR is a significant predictor of three dimensions of organizational commitment, while the discretionary and economic dimensions of CSR are not.
Zheng (2010)	IV: Employee Perceived CSR (Four Dimensions of CSR as identified by Carroll, 1979) MV: Job satisfaction and organizational commitment (three dimensions mentioned in Meyer and Allen, 1991) DV: OCBI, OCBO, in role behavior	JS partially mediates the OCB in Chinese context and perceived CSR; Normative commitment partially mediates the OCB and perceived CSR; JS fully mediates the relationship between perceived CSR and employees' in role behavior; JS partially mediates the relationship between perceived CSR and OCBI; Normative commitment partially mediates the relationship between perceived CSR and OCBO.
Tziner <i>et al.</i> (2011)	IV: Perceived CSR MV: Organizational Justice DV: Job Satisfaction	Positive significant relationship between CSR and employee job satisfaction observed.
Kim and Park (2011)	IV: Perceived CSR MV: Person-Organization fit DV: organizational attractiveness, and intent to apply among potential job seekers	Good CSR performances appear to positively affect job seekers' intentions to apply and attractiveness to the organization.
Skudiene and Auruskeviciene (2012)	IV: Internal (towards employees) and external CSR (related to customer, business partner and local community) DV: Employee Internal Motivation	Internal and external CSR activities positively correlate with internal employee motivation. Internal CSR was found to be stronger related to internal employee motivation than all the external CSR dimensions. Regarding the external CSR, customer-related activities indicated stronger correlation with internal employee motivation than local communities and business partners related CSR activities. The weakest relation was found between internal employee motivation and business partners related CSR activities.

Study	Variables (IV: Independent Variable; MV: Moderating Variable; DV: Dependent Variable)	Findings
Albdour and Altarawneh (2012)	IV: Internal CSR practices namely, training and education, human rights, health and safety, work life balance and workplace diversity DV: Job Engagement (JE) and Organizational Engagement (OE).	Internal CSR has significant influence on employee engagement. However, the impact of internal CSR practices on OE was greater as compared with that of JE.
Roock and De-lobbe (2012)	IV: Perceived Environmental CSR MV: Organizational Trust and Perceived External Prestige (PEP) DV: Employees Organizational Identity (OI)	Perceived CSR (i.e. environmental CSR) positively relates to employees' OI. The relationship between perceived CSR and employees' OI is mediated by organizational trust.
Bozkurta and Balb (2012)	IV: Perceived CSR MV: employee gender DV: OCB	Employee Perceived CSR is positively related to OCB.
You <i>et al.</i> (2013)	IV: Perceived CSR DV: Job satisfaction and organizational commitment	Business investment in social responsibility had a significant impact on job satisfaction and organizational commitment of the employees. In addition, staff job satisfaction had a significant impact on organizational commitment.



behavior. The model demonstrates how employees' perception of the CSR practices of their organization affects their attitude toward job satisfaction, which ultimately affects their behavioral reaction in the form of job engagement, organizational engagement, and organizational citizenship behavior. The theoretical basis of the framework lies with SIT (Tajfel and Turner, 1979) and SET (Blau, 1964).

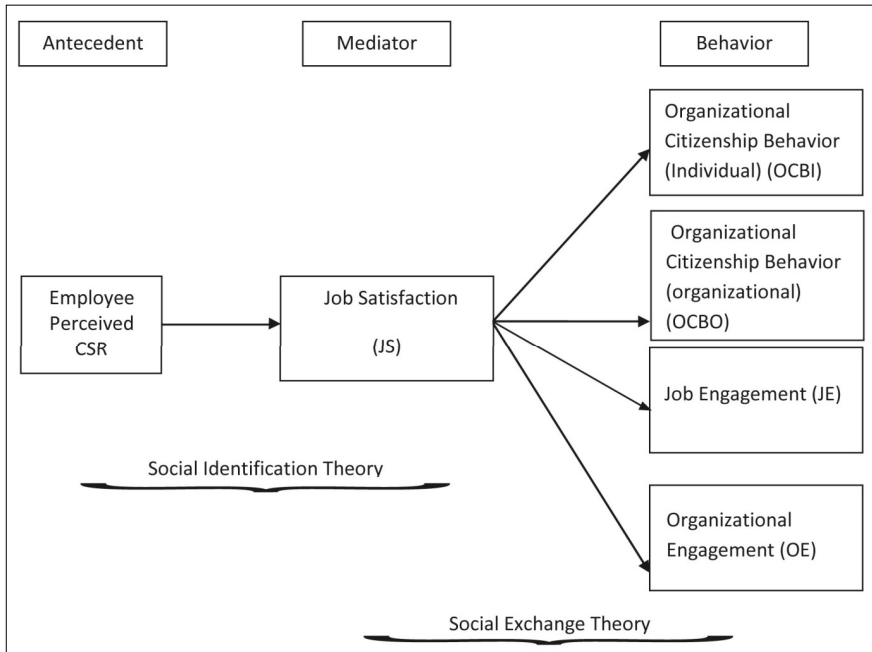


Figure 1: Research framework

## 5. Hypotheses development

### 5.1. Perceived CSR and job satisfaction

Employee perception of the work environment has drawn a lot of attention from researchers in organizational literature. It is a psychological interpretation of an organization's activities that has been seen as a predictor of individual performance, such as OCB (Moorman, 1991) and job performance (Pritchard and Karasick, 1973). Employee CSR perception refers to employees' personal evaluations and interpretations of an organization's CSR activities, which may differ from the actual CSR practices of the organization. Employee perception is subjective; it represents the employees' interpretation of an organization's activities and sense-making process (Weick 1995). Such perception, in turn, leads to employees' attitudinal and behavioral reactions.

Job satisfaction is a widely-studied area of organizational research (Currivan, 1999). It refers to a person's overall affective reaction to the set of work and work-related factors and involves workers' feelings toward different dimensions of the work and work environment (Cranny *et al.*, 1992). SIT offers a plausible link between perceived CSR and job satisfaction. When the employees find that their organization is

working in a socially-responsible way, they feel proud of their organization and like to associate themselves with it, which, in turn, leads to a higher level of job satisfaction. Previous research examining perceived CSR and job satisfaction (Jose and Thibodeaux, 1999; Valentine and Barnett, 2003; Treviño and Nelson, 2004; Valentine and Fleischman, 2008) found a positive relationship between the two; i.e., employee job satisfaction is found to be higher in organizations that are perceived to be socially responsible.

*H1: Employees' perception of CSR activities of their organization is positively and directly related to their job satisfaction.*

## **5.2. Job satisfaction between perceived CSR and OCB**

Organizational Citizenship Behavior (OCB) is defined as an employee's willingness to go above and beyond the prescribed roles which he/she has been assigned (Organ, 1990). It is the willingness to give time to helping others who have work-related problems, taking steps to prevent problems with other workers, and obeying an organization's rules, regulations, and procedures, even when no one is watching. These behaviors are perceived to be derived from employees' positive work attitude, such as job satisfaction. SET provides a plausible theoretical link between Job Satisfaction and OCB. Previous empirical studies investigating the relationship between job satisfaction and OCB observed a significant correlation between the two (Organ and Konovsky, 1989; Podsakoff and MacKenzie, 1997; González and Garazo, 2006).

OB literature suggests a distinction between two dimensions of OCB: OCB directed to individuals (hereafter referred to as OCBI) and OCB directed to the organization (hereafter referred to as OCBO) (McNeely and Meglino, 1994). This distinction has implications for the present research, particularly in that the relative importance of affect and cognition might depend on whether OCBI or OCBO is more relevant. If we assume that OCB is a deliberate attempt to maintain the balance in a social exchange between employees and the organization (i.e., a cognition-oriented explanation), it is sensible to suggest that this behavior is more directly intended to benefit the organization. Hence, OCBO is more likely to be a direct function of what employees perceive about the CSR activities of their organization. In contrast, OCBI, primarily involving helping individuals at work, seems to have only indirect implications, at best, for maintaining balance in the organization – employee transaction. Such behaviors might indeed reflect a natural expression of employees' affect at work, as many social psychological studies have suggested (e.g. Isen and Levin, 1972), rather than reflecting employees' deliberate attempt to restore the balance with the organization (Lee and Allen, 2002).

As mentioned earlier, employees' job satisfaction has a positive relationship with their perception of CSR activities of their organization. Again, job satisfaction has a positive influence on OCB. Satisfied employees are logically perceived to devote their abilities and power to perform activities that go beyond their formal job description. Consequently, when the organization performs CSR, the employees become satisfied

because of enhanced self-image or greater sense of fairness, and they, in return, perform voluntary behavior within the workplace. Thus the study hypothesizes the mediating relationship of job satisfaction to be between perceived CSR and both OCBI and OCBO.

*H2: The relationship between employee perception of CSR and OCBI is mediated by job satisfaction.*

*H3: The relationship between employee perception of CSR and OCBO is mediated by job satisfaction.*

### **5.3 Job satisfaction between perceived CSR and employee engagement**

Schaufeli *et al.* (2002, p. 74) define employee engagement 'as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption'. They also maintain that it is not a momentary and specific state but, rather, 'a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior' (p. 74). According to Alan Saks (2006), 'engagement is not an attitude; it is the degree to which an individual is attentive and absorbed in the performance of their roles'. The focus of engagement is one's formal role performance rather than extra-role and voluntary behaviors (Saks, 2006). In line with roles employees perform in an organization, two types of engagements are identified: job engagement (referred to as JE) and organization engagement (referred to as OE). Job engagement refers to the psychological presence of an individual in his/her job related role and organization engagement represents the engagement of an employee in performing his/her role as a member of the organization (Kahn, 1990).

According to the tenet of the SET, one can argue that when an employee has a satisfied state of mind, he will engage himself more passionately in his job role and organizational role. Alan Saks (2006) observes a significant positive relationship between employee (both job and organizational) engagement and job satisfaction, organizational commitment, and organizational citizenship behavior as well as a significant negative relationship to intention to quit. The empirical study of May *et al.* (2004) found that meaningfulness along with safety and availability are significant antecedents of employee engagement. Performance of CSR by the organization may provide a higher sense of meaningfulness in the job in the sense that the employees may feel they are not working for the organization simply for their bread and butter; rather, they are part of an institution that serves the community to make the world a better place to live in. Albdour and Altarawneh (2012) observed a significant positive relationship between perceived internal CSR of the employees and their job and organization engagement, but their study did not consider any mediating factors. However, in consonance with the mediating role of job satisfaction in between perceived CSR activities and OCB, the present study envisions a similar role of job satisfaction between perceived CSR and both types of employee engagement.

*H4: The relationship between employee perception of CSR and job engagement is mediated by job satisfaction.*

*H5: The relationship between employee perception of CSR and organization engagement is mediated by job satisfaction.*

## **6. Overview of Saudi banking industry and CSR**

Saudi Arabia is the largest economy of the MENA region, with 2,239.1 billion Riyal (equivalent to around \$600 billion) GDP (at 2011 prices). There are 23 commercial banks operating in Saudi Arabia, including 12 domestic and 11 foreign banks. According to the Saudi Arabia Monetary Agency (SAMA), there were 1,646 branches by the end of 2011. Commercial banks' net profits stood at 30.9 billion Riyal (equivalent to around \$8.24 billion) in 2011, denoting a rise of 18.4% over the preceding year.

As Saudi Arabia is predominately a Muslim country governed under the principles of Quranic law, a reflection of Islamic beliefs and views is observed in the life of its citizens. According to Shari'a (the Islamic code of law), charging and collecting interest is strictly prohibited. However, the conventional banking system is essentially based on interest. Consequently, there is a natural tendency among the Saudis to bank with a Shari'a compliant bank. Therefore, all the banks operating in Saudi Arabia consider the issue and act accordingly. Amongst the domestic banks, five are completely Shari'a compliant banks and the rest maintain a Shari'a – banking window along with their conventional banking practices. The avoidance of interest by the clients, even in Shari'a compliant banks, is reflected in the bank's deposit structure. A review of bank deposits in 2011 shows that demand deposits, which are no interest-bearing, comprise 58.1% of the total deposits, followed by time and saving deposits (27.7%) and other quasi-monetary deposits (14.2%). It simply implies that the cost of capital in Saudi banks is relatively cheaper than that of their counterparts in many other countries. Therefore, it is expected that the Saudi banks can afford a greater involvement in CSR activities. A review of the annual reports of the Saudi domestic banks indicates that all the banks maintain external CSR programs in one way or the other. The most common CSR initiatives include investment in education, training, and health care, addressing the problems of the under-privileged segment of the society, and creating job opportunities for the unemployed (Saudi Arabian Monetary Agency, 2012).

## **7. Methodology**

### **7.1. Participants**

Participants included 266 employees working in different branches of the 12 domestic banks of Saudi Arabia, of which 73.7% are male and 26.3% are female. The lower level of female participants corresponds to the lower level of female participation in the workforce. In Saudi banks, female employees work in branches dedicated to serving female clients only. The average age group of the participants is 30-40 years and the average work experience with the existing bank is 5-10 years.

### **7.2. Procedures**

The data for this study was collected by graduate and undergraduate students of a large public university in Saudi Arabia. A total of 500 questionnaires were distrib-

uted to the employees of different banks located in Jeddah, Riyadh, Hail, and Makka. The survey included a cover letter that informed participants about the purpose of the study. Participation was voluntary and participants were informed that their responses would remain anonymous and confidential. The questionnaire was originally prepared in English; however, to make it comprehensible to the respondents, each question was translated into Arabic and both the English and Arabic versions of the questions were included in the questionnaire. A total of 266 usable questionnaires were returned, representing a response rate of 53.2%. The data were then analyzed using SPSS version 16.0.

### 7.3. Scales

All the scales used for the study were adopted from previous studies. Participants indicated their response on a five-point Likert-type scale with anchors (1) strongly disagree to (5) strongly agree. The reliability of the scale was measured with the estimate of Cornbach's Alpha ( $\alpha$ ). Factor loading was calculated to see whether all questions used for predicting the relevant variables contributed adequately.

**Perceived CSR:** The two-item scale used by Valentine and Fleishman (2008) was employed to measure perceived CSR, particularly related to community. In fact, the focus was to measure the external CSR of the banks. The item includes, 'My bank is a socially-responsible organization that services the greater community' (factor loading .944), and 'My bank gives time, money, and other resources to socially-responsible causes' (factor loading .944). The composite reliability coefficient, Cornbach's Alpha ( $\alpha$ ), is calculated and found to be 0.87, which is satisfactory according to Nunnally's (1978) guidelines.

**Job satisfaction:** The three-item scale used by Valentine and Fleishman (2008) was employed to measure job satisfaction. The item includes, 'All in all, I am satisfied with my job' (factor loading .902), 'In general, I like working at my organization' (factor loading .932) and 'In general, I don't like my job' (reverse score) (factor loading .816)  $\alpha=.861$ .

**Job and organization engagement:** A five-item scale for job engagement and a six-item scale for organizational engagement used by Saks (2006) were used for this study. The items assess the participant's psychological presence in their job and organization. A sample item for job engagement is 'Sometimes I am so into my job that I lose track of time', and for organization engagement 'One of the most exciting things for me is getting involved with things happening in this organization'. All of the job engagement items loaded 0.70 or higher ( $\alpha=.747$ ). All six of the organization engagement items loaded 0.70 or higher ( $\alpha=.892$ ).

**OCBI and OCBO:** Two four-item scales adopted by Saks (2006) were used for OCBI and OCBO. A sample item for OCBI is 'I willingly give my time to help others who have work-related problems'; and for OCBO 'I take action to protect the organization from potential problems'. All of the OCBI items loaded 0.70 or higher ( $\alpha=.859$ ).

However, for OCBO two items loaded above 0.80 and two items loaded below 0.3. The two items with poor factor loading were 'I attend functions that are not required but that help the organizational image' and 'I offer ideas to improve the functioning of the organization'. Initially including all four items,  $\alpha$  came out to be .187; this was unacceptable so we dropped the above-mentioned two items with poor factor loading and observed a momentous increase in  $\alpha$  value that turned out to be .761.

#### **7.4. Mediation regression analysis**

Mediation regression analysis is used for exploring the relationship between independent and dependent variables (Baron and Kenny, 1986). To test mediation, this study estimated three regression equations:

1. Regression of mediator on independent variable; i.e., job satisfaction on perceived CSR.
2. Regression of dependent variable on independent variable; i.e., JE, OE, OCBI and OCBO on perceived CSR.
3. Regression of dependent variable on both independent variable and on the mediator; i.e., JE, OE, OCBI and OCBO on both perceived CSR and job satisfaction.

In order to establish the mediating effect, results of the three steps must fulfill the following criteria:

1. The independent variable must have a significant effect on mediator in the first step.
2. The independent variable must have a significant effect on the dependent variable in the second step. and
3. Mediator must have a significant effect on the dependent variable in the third step.

When all three criteria have been achieved, the effect of the independent variable on the dependent variable must be less in step (3) than in step (2). In addition, after controlling for the mediator, the full mediating effect is achieved if the independent variable has no effect on the dependent variable, while partial mediation is achieved if the independent variable has a significant effect on the dependent variable (Zheng, 2010, p. 64).

### **8. Result**

Table 2 represents the means and standard deviations of different variables used in the study. The scores of means for all the variables are above 3, which indicates that the respondents demonstrate above-average feeling for different variables included in the study, as 3 is the mid-point.

Table 3 shows whether independent variable 'perceived CSR' is capable of influencing job satisfaction. The computed value of F ( $F = 87.16$ ,  $df = (1, 266)$ ) shows that the model is statistically significant. The influence of perceived CSR is found to be statistically significant ( $t = 7.612$ ,  $p = 0.000$ ) and positive ( $\beta = 0.326$ ). Thereby it supports

H1. It is also visible that ‘perceived CSR’ explains as much as 56.6% of the variation of ‘job satisfaction’.

**Table 2:** Variables with mean and standard deviation

Variables	Mean	Standard Deviation
CSR	3.88	.88
JS	3.94	.81
JE	3.89	.55
OE	3.90	.73
OCBI	3.77	.78
OCBO	3.34	.75

**Table 3:** Regression of perceived CSR over job satisfaction

Independent Variables	Un-standardized Coefficients	Standardized Beta Coefficients	<i>t</i>	<i>p</i>
Constant	2.184		9.79	0.000
CSR	0.458	0.326	7.612	0.000
<u>ANOVA</u>			<u>Model Summary</u>	
F = 87.16; df = 1, 266; p = 0.000			R = 0.757	
Predictors: (Constant), CSR			R Square = 0.573	
Dependent Variable: JS			Adjusted R Square = 0.566	
			Standard Error of Estimate = 0.487	

Table 4 shows the mediation regression analysis based on Baron and Kenny’s (1986) recommendation. Here we run three regressions for each dependent variable. In the case of OCBI, we observe in steps 2 and 3 that the  $\beta$  coefficient turns out to be insignificant and thus we can conclude that there is no significant relationship between perceived CSR and OCBI; hence, the mediating role of job satisfaction is beyond question. Therefore, we reject H2. As regards OCBO, it is observed that in step 2, perceived CSR has a significant influence on OCBO but in step 3, the relationship turns out to be insignificant whereas the relationship between OCBO and JS remains significant. This means the influence of CSR on OCBO is fully mediated by JS. Thus, it supports our H3. Concerning JE, a significant positive relationship between JE and CSR is observed in step 2.

In step 3, the relationship between CSR and JE becomes weaker and significant at the 5% level, while it remains significant at a 1% level for the relationship between JE and JS. This also indicates the influence of CSR on JE is fully mediated by JS and, consequently, supports H4. As for OE, it is found that OE is significantly influenced by employee CSR perception in step 2. Step 3 also indicates a significant influence of CSR and JS on OE. However, the effect of CSR on OE is less in step 3 (.200) than in step 2 (.418). Thus, we observe that JS has a partial mediating role in relationship between perceived CSR and OE. Therefore, the study partially supports H5.

**Table 4:** Regression of Dependent Variables (DV) on Independent Variable (IV) and Mediator (JS)

DV	Regression Model	IV (CSR) β coefficient	Moderating Effect
OCBI	1. JS (MV) on CSR (IV)	.326*	No
	2. OCBI (DV) on CSR (IV)	.169	
	3. OCBI (DV) on CSR (IV) and JS (MV)	.112 .174	
OCBO	1. JS (MV) on CSR (IV)	.326*	Full
	2. OCBO (DV) on CSR (IV)	.237*	
	3. OCBO (DV) on CSR (IV) and JS (MV)	.125 .344*	
JE	1. JS (MV) on CSR (IV)	.326*	Full
	2. JE (DV) on CSR (IV)	.324*	
	3. JE (DV) on CSR (IV) and JS (MV)	.144** .559*	
OE	1. JS (MV) on CSR (IV)	.326*	Partial
	2. OE (DV) on CSR (IV)	.418*	
	3. OE (DV) on CSR (IV) and JS (MV)	.200* .668*	
*significant at 1% level, ** significant at 5% level			

## 9. Discussion

The study envisions a model incorporating employees' perceived CSR to the larger community as the independent variable, job satisfaction as the mediating variable, and employee job engagement, employee organizational engagement, organizational citizenship behavior related to the individual, and organizational citizenship behavior related to the organization as the dependent variables. It finds a significant positive correlation between employees' perceived CSR and job satisfaction. A similar result was also found in the studies of Riordan *et al.* (1997), Valentine and Fleischman (2008), Zheng (2010), Tziner *et al.* (2011), and You *et al.* (2013). Such a relationship is grounded in the basic tenet of the Social Identity Theory that explains an individual's attachment and attraction to a group. Valentine and Fleischman (2008) suggest that individuals prefer organizations that promote business ethics (Treviño *et al.*, 1998; Jose and Thibodeaux, 1999; Treviño and Nelson, 2004) and CSR is a natural extension of organizational ethics, which involves answering the requirements of stakeholders, with particular focus on societal issues and challenges. Thus, when an individual finds his organization is involved in CSR, he feels good about his organization because of an enhanced self-image and delight, which ultimately leads to a higher sense of job satisfaction.

The study does not find any significant relationship between OCBI and perceived CSR or OCBI and job satisfaction. This finding is contrary to the findings of most of the studies seeking a relationship between job satisfaction and OCB (Organ and Konovsky, 1989; Podsakoff and MacKenzie, 1997; González and Garazo, 2006) or CSR and OCB (Zheng, 2010; Bozkurta and Balb, 2012). There may be several explanations of the result. First, most of the previous studies consider OCB as an integrated concept and did not bifurcate into OCBI and OCBO. Therefore their findings did not reflect



the exact relationship between OCBI and job satisfaction. Second, the employees may perform OCBI out of their own sense of responsibility or interpersonal relationship that has nothing to do with the satisfaction or dissatisfaction with the job. This study finds a significant relationship between OCBO and perceived CSR mediated fully by job satisfaction. A similar result was found by Zheng (2010) in the Chinese context. This relationship makes sense. It validates the argument of Lee and Allen (2002) as they suggest, 'If we assume that OCB is a deliberate attempt to maintain the balance in a social exchange between employees and the organization, it is sensible to suggest that this behavior is more directly intended to benefit the organization. Hence, OCBO is more likely to be a direct function of what employees perceive about the CSR activities of their organization'.

The study observes a significant positive relationship between employee perception of CSR and employee job engagement and organizational engagement. The relationship between CSR perception and job engagement is fully mediated by job satisfaction while it is partially mediated in the case of organizational engagement. This is in line with the proposed hypothesis of Rupp *et al.* (2006, p. 540). Similar results were also found by Zheng (2010) and Albdour and Altarawneh (2012). Corresponding to the Social Exchange Theory, a satisfied employee is more likely to reciprocate by performing his required duties more seriously in the workplace. Moreover, meaningfulness of the job, which is an antecedent of employee engagement, is inserted in the organization's external CSR (May *et al.*, 2004). It gives a sense of benevolence pertaining to their job. They feel they are working for the betterment of humankind, not just for narrow economic gain. Consequently, it boosts their engagement towards their job as well as organization.

## 10. Conclusion

Being responsible to the needs of the society and conducting ethical business practices are now the standard expectations of the employees. Employees are not only concerned about the paycheck, they also look for meaning in their job. Involvement in CSR activities by the organization offers such a link for the employees. They like to identify themselves with a socially-responsible organization since it heightens their self-image and, in turn, they reciprocate through positive attitudes and behaviors such as greater job satisfaction, a higher sense of organizational commitment, intense engagement within the job and organization, a greater level of organizational citizenship behavior, and so on. The present study explores the relationship between perception of employees about the external CSR practices of their organizations and employees' job satisfaction and job engagement, organization engagement, organizational citizenship behavior related to organization in the context of the Saudi banking industry. It is observed that, like most of the previous studies, there is a positive relationship between perceived CSR and employee job satisfaction, employee engagement, and organizational citizenship behavior related to organization. It implies that involvement in external CSR may act as a determinant of maintaining a motivated

and enthusiastic workforce. Contributing money to philanthropy is not a one-way approach; it also pays off in terms of more dedicated employees.

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