The Mediating Role of Corporate Social Responsibility: Exploring Determinants and Indicators in Driving the Performance Constructs

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Abstract—Corporate Social Responsibility (CSR) is a management practice where companies integrate social, environmental and economic issues in business operations while addressing the expectations of all stakeholders. Corporate Social Responsibility practices have a significant influence on the performance indicators making it relevant in business for all societies, particularly for developing countries like India. The paper investigates the mediating role of Corporate Social Responsibility on the Performance Indicators at IT sector that comprises of Service Quality, Brand Identification, Goodwill Creation and Customer Satisfaction. Data collection is primary in nature administering a detailed questionnaire among employees working at IT sectors. Structural Equation Modelling (SEM) is carried out to analyse structural relationships between the variables of CSR and the constructs of Performance Indicators.

Keywords: *Corporate Social Responsibility; Employee performance; Service Quality; Goodwill Creation; Brand Identification and Customer Satisfaction.*

INTRODUCTION

Corporate Social Responsibility (CSR) has become one of the emerging topics in today's business environment. In recent years, business has been increasingly seen as a major cause of social, environmental, and economic issues. Companies are widely perceived to be growing at the expense of the broader community. Society expects the corporation to be more responsible towards social problems, and the government had to provide solutions to such problems. Such actions fall under the CSR umbrella; where strategies will involve innovation, stakeholder engagement practices, risk management, environmental protection, social inclusion, and economic development. CSR typically follow the triple bottom line approach where the Environment (Planet), Society (People), and Economic (Profit) dimensions are considered when designing and implementing CSR strategies. Firms implement CSR through various practices. Few examples of CSR practices such as Tata steel was the first company in India to incorporate social responsibility towards its customers and the society. It started the thousand schools project with the aim to revitalize primary education, Coca Cola India has consistently worked towards solving issues of water supply, sanitation, environmental pollution and empowered women to stand up for themselves, Mahindra and Mahindra group schools (Pride schools) have been empowering and educating youth from socially and economically weaker sections of the society to enable them to get employment opportunities. Bharat Petroleum Corporation Ltd's CSR philosophy includes participation in projects of national importance like the Swachh Bharat Abhiyan involving creation and maintenance of toilets, associated sanitation facilities. Unilever addressed the issues of health and safety in the workplace. CSR activities produce numerous advantages to organization performance, such as employee satisfaction, customer satisfaction and loyalty, reputation and goodwill, brand identification and risk management.

Corporate Social Responsibility is a major determining factor to employees for a positive evaluation of the organizational CSR engagement. The increase in CSR practices around the globe has a positive impact on the business. The more company employees perceive the organizational CSR engagement as appropriate with their company, the more likely they are to judge that their company is acting in a socially responsible manner. There have been numerous studies conducted on employee CSR perception and its relationship with Organizational Citizenship Behaviour (OCB). Such kinds

of behaviours enrich the employee satisfaction. Outcomes of the present study will have a significant contribution to the literature. Better organization effectiveness can be maintained when it keeps employees satisfied and productive.

This study, from an organization's perspective can be used as a way to understand Employees Perception on most of the CSR actions. By doing this, organizations understand on what actually employees needed. Subsequently a better relationship between employees and organizations is fostered. The research study contributes to the idea of CSR priority and its influence on Performance Indicators in the IT sector. Economic responsibility, Legal responsibility, Ethical responsibility and Philanthropic Responsibility are not new concepts in the developed countries; however, it is a new concept in developing nations. The study focuses on how employees working in IT companies perceive CSR activities in their organization and its influence on Performance Indicators.

LITERATURE REVIEW

Corporate Social Responsibility (CSR) definition and its implementation in the corporations have been under discussion for last few decades. According to [Brundtland, 1987], the economics and social goals must be considered regarding sustainable development. CSR can be a tool for organizations to incorporate social and environmental concerns into their operations [Ellemers and Dick, 2004]. CSR practices apply to shareholders, customers, employees, environment, and community. The involvement of organizations in CSR practices ensures sustainable development [Wilkinson et al., 2001]. CSR provides an opportunity to maintain a balance between environmental, social, and economic goals, as well as dealing with stakeholder expectations and raising shareholder value. Corporate Social Responsibility has the perspective to influence employee attitudes and behaviour, such as organizational identification, job satisfaction and commitment and employee attraction. Corporate Governance and Corporate Social Responsibility are aligned for achieving organizational performance towards betterment of society [Kemboi and Kiprotich, 2015].

Corporate can highly benefit from well-implemented Corporate Social Responsibility measures. Some of the benefits they can take advantage of are an improvement in employee engagement, workplace culture, the motivation of employees, commitment, trust, and ethical behaviour [Graafland, 2002]. Companies that invest in CSR are gaining more economic profit [Fatma et al., 2014]. Companies choose to incorporate CSR into their

businesses for different reasons. It is highly essential for organizations to demonstrate socially and ethically responsible behaviour while carrying out their business activities [Broomhill, 2007; Carrigan and Attalla, 2001]. Employees consider them more related and associated with the organization when they realize themselves as an important member of the group [Zhu and Sun, 2014]. Organization involvement in CSR activities broadens the organization reputation [Hategan et al., 2018]. Job satisfaction is also explained in terms of a job's agreeability [Ellickson and Logsdon, 2002], as well as in terms of employee'spositive sensations for the work itself [Shields and Price, 2002]. Job satisfaction is considered to be one of the key elements in the organizational success. There are several factors in job satisfaction- Economic, Ethical, Discretionary, and Legal as mentioned by [Carroll,1979]. The perception of CSR is how individuals think an organization is responsible towards all of these factors [Maignan and Ferrell, 2001]. Organizational commitment refers to a personal attitude and attachment towards the organization. [Skarlicki and Rupp, 2010] mention that employees not only react to how they are treated themselves at work, but they also respond to how others are treated. Turnover intention can be described as whether, an employee plans to quit his/her position from the organization or whether that organization plans to remove employees from the positions. [Gharleghi and Jahanshahi, 2018] comprehensively explained the mental process underlying withdrawal. Research indicates a direct relationship between the CSR implementation and turnover rates [Aguilera et al., 2007].

CSR is becoming an increased focus for corporations, and this is occurring for many reasons[Waddock, 2008]. Most significantly, is the society's belief that corporations must operate in a different way than in the past. Perhaps the single most important driver of Corporate Social Responsibility today is the expectations reality gap. Public's current expectation that business will operate in society's best interests has rapidly increased to an all-time high, while the public's perception that business is operating in society's best interests has rapidly declined to an all-time low.

METHODOLOGY

Employees are one of the most vital stakeholder groups in the organization. Perceived CSR of employee enhances positive work attitudes and deliver outcome. The direct effects of overall Corporate Social Responsibility on performance indicators -Service Quality, Goodwill

probability of 0.000. The estimated regression weight of Service Quality with Goodwill Creation is 0.071, standard error is 0.036 and Critical Ratio or Z value is 1.945 with a probability of 0.052. The regression weight of Goodwill Creation with Brand Identification is 0.152, estimated with a Standard Error of 0.059 and Critical Ratio or Z value 2.583 and the probability is 0.010.

The estimated regression weights to determine Corporate Social Responsibility with Economic Responsibility is 0.807 with Standard Error of 0.064 and Critical Ratio or Z value 12.663 with a probability of 0.000. The estimated regression weights to determine Corporate Social Responsibility with Legal Responsibility is 0.901 with Standard Error of 0.061 and Critical Ratio or Z value 14.756 at probability of 0.000. The estimated regression weights to determine Corporate Social Responsibility with Ethical Responsibility is 0. 971 with Standard Error of 0.066 and Critical Ratio or Z value 14.637 at probability of 0.000 and the regression weight estimated between Corporate Social Responsibility with Philanthropic Responsibility is 1.Therefore, the partial regression weight for CSR in the prediction of Economical, Legal, Ethical and Philanthropic Responsibility is significantly different from 0 at 1%.

Table 2: Standardized Regression Weights

Variables	Estimate
Service Quality<--- Corporate Social Responsibility	0.364
Goodwill Creation<---Corporate SocialResponsibility	0.542
Brand Identification<---Corporate Social Responsibility	0.514
Customer Satisfaction <--Corporate Social Responsibility	0.223
Goodwill Creation<---Service Quality	0.107
Brand Identification<---Goodwill Creation	0.161
Economic Responsibility<---CorporateSocial Responsibility	0.735
Legal Responsibility <---Corporate Social Responsibility	0.835
Ethical Responsibility<---Corporate Social Responsibility	0.829
Philanthropic Responsibility <--- Corporate Social Responsibility	0.795

The Standardized Regression weights (Table 2) between Corporate Social Responsibility with Service Quality, Goodwill Creation, Brand Identification and Customer Satisfaction are 0.364, 0.542, 0.514 and 0.223 respectively. The Standardized Regression weight between Service Quality and Goodwill Creation is 0.107 and between Service Quality and Brand Identification is 0.161. The Standardized Regression weights between Corporate

Social Responsibility with Economic Responsibility, Legal Responsibility, Ethical Responsibility and Philanthropic Responsibility are 0.735, 0.835, 0.829 and 0.795 respectively.

Table 3: Variances

Variables	Estimate	Standard Error	Critical Ratio	Probability
Corporate Social Responsibility	0.870	0.115	7.557	0.000
e4	21.097	1.851	11.397	0.000
e2	6.970	0.636	10.953	0.000
e1	8.795	0.762	11.547	0.000
e3	5.835	0.531	10.985	0.000
e5	0.482	0.048	9.973	0.000
e6	0.306	0.037	8.344	0.000
e7	0.372	0.044	8.492	0.000
e8	0.505	0.055	9.186	0.000

Table 4: Squared Multiple Correlations

Variables	Estimate	Error Variance
Service Quality	0.133	86.7%
Goodwill Creation	0.347	65.3%
Brand Identification	0.387	61.3%
Customer Satisfaction	0.050	95%
Economic Responsibility	0.541	45.9%
Legal Responsibility	0.698	30.2%
Ethical Responsibility	0.688	31.2%
Philanthropic Responsibility	0.633	36.7%

All the variances based on the unobserved exogenous variables, including the Corporate Social Responsibility and all Error variables from e1 to e8 are statistically significant at 1% (Shown in Table 3). Squared Multiple Correlation/ R squared is investigated (Table 4) which determines the Coefficient of determination. Here the Coefficient of determination for Service Quality is 0.133 which shows that the predictors of Service Quality (independent variables) explain 13.3 % of its variance. Therefore, the Error Variance of Service Quality is approximately is 86.7%. The Coefficient of determination for Goodwill Creation, Brand Identification, Customer Satisfaction, Economic Responsibility, Legal Responsibility, Ethical Responsibility and Philanthropic

Creation, Brand identification and Customer satisfaction are taken into the framework to study the influence of Corporate Social Responsibility on the performance indicators of IT sector. The relationship between Economic, Legal, Ethical, Philanthropic dimensions of Employees Perception of CSR and outcomes are investigated. The study employs a descriptive research design. The research methodology for the research paper is based on Primary Data collected through a survey conducted among IT employees who are closely associated with the CSR activities of their respective firm at Technoparks. A sample size of 75 is engaged by applying probability sampling approach. Simple Random Sampling technique is being employed. The data was collected by circulating questionnaires to employees through Emails, WhatsApp and Linkedin. Five-point Likert scales are used for research questions. Only the current employees working in the IT Company at Technopark were surveyed and this limited scope may not be consistent with other types of industries.

Structural Equation Modelling (SEM) is carried out to analyse structural relationships between the variables of Corporate Social Responsibility and the constructs of Performance Indicators.

ANALYSIS AND RESULTS

Structural Equation Modelling (SEM) is applied to find the relationship between the observed endogenous variables and unobserved exogenous variables. The observed endogenous variables in the model are Service Quality, Goodwill Creation, Brand Identification, Customer Satisfaction, Economic Responsibility, Legal Responsibility, Ethical Responsibility and Philanthropic Responsibility. Corporate Social Responsibilityand all the error variables from e1 to e8 are the unobserved exogenous variables. The total number of variables in the model is 17 with 8 observed endogenous variables and 9 unobserved exogenous variables. The Regression weights among the variables are calculated and are shown in Table 1.

Table 1: Regression Weights

Variables	Estimate	Standard Error	Critical Ratio	Probability
Service Quality<--- Corporate Social Responsibility	1.928	0.333	5.785	0.000
Goodwill Creation<---Corporate Social Responsibility	1.897	0.223	8.524	0.000
Brand Identification<--- Corporate Social Responsibility	1.701	0.232	7.322	0.000
Customer Satisfaction <--- Corporate Social Responsibility	0.726	.208	3.492	0.000
Goodwill Creation<---Service Quality	1.897	00.223	8.524	0.000
Brand Identification<---Goodwill Creation	0.152	0.059	2.583	0.010
Economic Responsibility<--- Corporate Social Responsibility	0.807	0.064	12.663	0.000
Legal Responsibility <--- Corporate Social Responsibility	0.901	0.061	14.756	0.000
Ethical Responsibility <--- Corporate Social Responsibility	0.971	0.066	14.637	0.000
Philanthropic Responsibility<---Corporate Social Responsibility	1.000			

The regression weight of Corporate Social Responsibility with Service Quality is 1.928 estimated with a Standard Error of 0.333 and Critical Ratio or Z value 5.785 with a probability of 0.000 (Table 1). The probability of getting a Critical Ratio as large as 5.785 in absolute value is less than 0.001. The partial regression weight for Corporate Social Responsibility in the prediction of Service Quality is significantly different from 0 at 1%. The estimated regression weight of Corporate Social Responsibility with Goodwill Creation is 1.897 estimated with a Standard Error of 0.223 and Critical Ratio or Z value 8.524 with

probability of 0.000. The probability of getting a Critical Ratio as large as 8.524 in absolute value is less than 0.001. The partial regression weight for Corporate Social Responsibility in the prediction of SBL is significantly different from 0 at 1%.The estimated regression weights to determine Corporate Social Responsibility with Brand Identification is 1.701 with Standard Error of 0.232 and Critical Ratio or Z value 7.322 and regression weights estimated between Corporate Social Responsibility and Customer Satisfaction is 0.726with Standard Error of 0.208 and Critical Ratio or Z value 3.492, both with a

Responsibility are 0.347, 0.387, 0.050, 0.541, 0.698, 0.688 and 0.633 respectively and the Error variance of the variables are approximately65.3%, 61.3%, 95%, 45.9%, 30.2%, 31.2% and 36.7% respectively. The structural Equation Model (SEM), Figure 1 shows the structural relationships between the variables of Corporate Social Responsibility and the constructs of Performance Indicators that includes Service Quality, Goodwill Creation, Brand Identification and Customer Satisfaction.
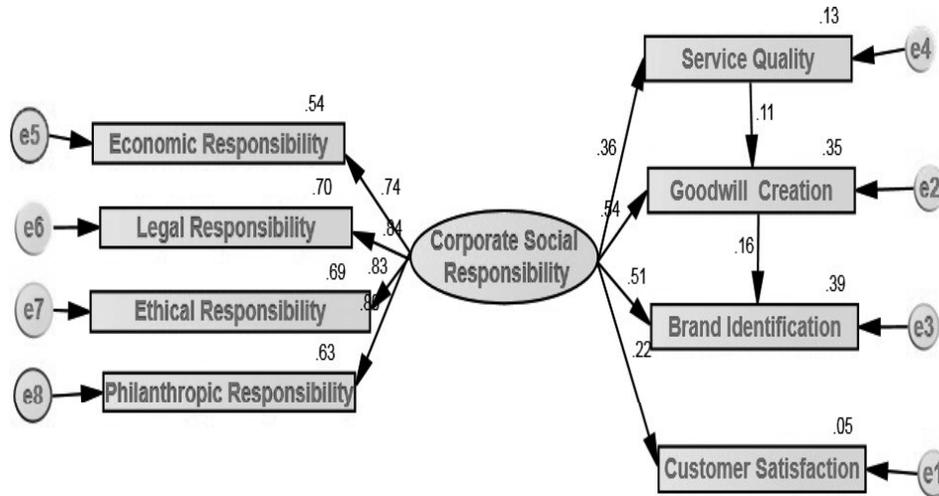

Figure 1: SEM Model-Influence of CSR on the performance indicators of IT sector

Table 5: Model Fit Summary

Model	NPAR	CMIN	DF	P	CMIN/DF	RMR	GFI
Default model	18	18.174	18	0.444	1.010	0.217	0.985
	AGFI	PGFI	NFI	RFI	CFI	RMESA	
	0.970	0.492	0.978	0.966	1.00	0.006	

In the model (Table 5), the CMIN value is 18.174 and the default model has degrees of freedom equal to 18. Assuming that the default model is correct, as the probability of getting a discrepancy as large as 18.174 is 0.444 and CMIN divided by DF for the default model is 1.010. Thus, it is clear that the null hypothesis is accepted. There is a goodness of fit structural relationship between on the performance indicators of IT sector. GFI, Goodness of fit value of the given model is 0.985, AGFI value is 0.970, PGFI value is 0.492, NFI value is 0.978, RFI value is 0.966 and CFI value is 1 and all values are greater than 0.9 which support the given model. The RMR value is 0.217 which is greater than 0.08 but the RMSEA value is favourable to the model which is 0.006, also highly supporting in explaining the structural relationship among the CSR variables on influencing the performance indicators of IT sector. The given model is perfectly explaining the structural relationship between Corporate Social Responsibility and the performance indicators as applied to IT sector companies.

CONCLUSIONS AND FUTURE RESEARCH

Corporate Social Responsibility is a management concept, used to describe a company's efforts to improve society in some way. Corporate Social Responsibility is not a mandatory practice but something extra that companies do, in the form of donating money or implementing environmentally friendly policies in the workplace to improve their local and global communities. In this research paper, using Structural Equation Modelling it was found that the Corporate Social Responsibility is strongly related with the performance indicators of IT sector. Thus, by integrating business ethics and principles of Corporate Social Responsibility, organizations can make a difference in the world and enhance their reputation. Economic, Legal, Ethical and philanthropic leadership can bring socially-oriented changes and initiatives to an organization as major drivers of CSR initiatives. The research study was conducted among the employees working in IT companies in India and this may not be

generalized with other types of industries or companies. Further study can be comparative one that could re-examine the expressed relationships. The study establishes that CSR does not only improve a corporation reputation for potential employees, but also impacts performance. Employees perceived higher satisfaction and outcome when organizations are involved in Corporate Social Responsibility activities. The organization managers and policy makers should discover new ways to enhance Corporate Social Responsibility perceptions. Enrichment of Corporate Social Responsibility in IT sectors will help achieve organizational sustainability through higher performance

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