

Relationship of Corporate Social Responsibility and a Firm's Financial Performance with Job Performance as a Mediator

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ABSTRACT

This paper examines the association between corporate social responsibility and financial performance with the mediating role of job performance. Based on a survey of 217 respondents of Industrial sector of Pakistan, results of the data analysis supported the positive and significant relation between these variable. Conclusion has drawn upon on experimental investigation of the different firms which confirms a positive relationship backed up with good supports for the proposed relationship.

Keywords: Corporate Social Responsibility, Financial Performance, Job Performance, Pakistan

INTRODUCTION

Corporate social responsibility (CSR) includes industrial practice of a company which are implemented to progress the social wellbeing (korschun, Bhattacharya and swan 2014). The corporate social responsibility has long history and the corporations spends billions of dollars for such practices (Smith, 2014). To understand CSR performance many of the organization explain CSR details of performance in their annual reports (Servaes and Tamayo 2013). The corporate social responsibility research has been conducted at aggregate level with the focus on the implications of CSR for Stockholders value (Wang, Tong, Takeuchi& George,2016). The relationship between CSR and Firm performance has attempted by many studies to identify the firm performance. The work that has been done by Barnett & Salomon (2012) indicates that the impact of CSR on firm performance is not naturally positive or negative but it is neutral or in other words is u-shaped across different CSR level. Furthermore, researchers indicate that's firms with lower CSR have lower financial performance and firms with moderate CSR have moderate performance and then firms with higher CSR have the highest performance. The management of any organization plays a very important role in the achievement of the highest level of CSR (Wang et al 2016). The role of management involvement towards CSR can be understood well by the following two aspects, first the effect of managers and employees on CSR perceptions (Martinko, Harvey, & Dasborough, 2011). If any organization management facilitates the Corporate Social responsibility to their employees than the employee's performance will be automatically enhanced. This concept appeared valid when an organization implements CSR activities in the walk of socially irresponsible actions (Ormiston &Wong 2013). Deeper understanding of organizational psychology processes represents a promising approach to understanding "how" of CSR (Morgeson, Aguinis, Waldman, & Siegel, 2013). Similarly, in a recent review of the psychology of CSR literature, it has been noted that "... we know that CSR has an effect on employees but we know less about why, how, and when" (Glavas, 2016). So the idea behind this concept is that a company focus should be on CSR stems from the values, preferences and decision making (Chin,Hambrick and Trevino 2013). If the management of a corporation pays attention towards the CSR then their financial performance will go up because the stockholder will earn benefits from potential investors. If any organization management facilitates the Corporate Social responsibility to their employees than the employee's performance will automatically be improved with its direct impact on corporation's financial performance.

LITERATURE REVIEW

Corporate Social Responsibility and Financial Performance

Beginning a hypothetical viewpoint, stakeholder supposition sets the structure for the association among CSR and FP, such as consideration for the surroundings and concern for fair and just employment relationships (Saeidi, S. et al. (2015). In those cases, where the corporation does not act with social responsibility, consequential expenses could become important and stand

for a monetary load likely to decrease income, most importantly to a less socially conscious corporate body. In distinction, if firms that accept socially responsible policies are at advantageous position, then socially responsible funds will provide a motivation for business to enlarge investments in CSR programs Elouidani, et al (2015). However, the committee for corporations and financial services providers can define the corporate social responsibility as “the firm in view of, managing and corresponding the profitable, communal and environmental impact of its activities”. The success of a firms aims and objectives is defined as the financial performance (Nollet, J et al., 2016) objectives and aim for a firms should be fruitful and well organized.

CSR and Financial Performance

(Rhou, Y et al. (2016) said that the only one responsibility of an any business is to generate profit for their shareholders and there is a positive relationship between CRP and CSR. Though, Rhou, (2016) mentioned that CSR lead to spirited benefit, since the boost in CSR will get better if the association with their monetary presentation will bellow firms’ business cost (Chen, L et al. (2015). Increase bazaar opportunity and price premium ultimately will result in upper net monetary presentation. Also, experiential study established that the association stuck between CSR and CFP has been contradictory and some studies confirmed an unhelpful association (Flammer, C. 2015). A number of unbiased and a lot of encouraging associations have also reported in the past (Saeidi, et al 2015). On the basis of above discussion, following hypothesis has been developed;

H₁: Corporate Social Responsibility has a positive relationship with financial performance.

Corporate Social Responsibility and Job Performance

JP is a positive emotional condition resulting from the overall evaluation of an employee’s job (Korschun, Bhattacharya, & Swain, 2014). It has been a topic of interest in the context of CSR research for nearly three decades. For example, Vitell and Davis (Wang, H., Tong, L., Takeuchi, R., & George, G. (2016) identified a direct relationship between the ethical climate of a firm and various dimensions of JP. The outcomes of their research have indicated that managers may be able to increase JP by inspiring ethical behavior and by reducing the opportunity for unethical behavior among their employees. In accordance with this work, Schwepker Jr. (Story, J., & Neves, P 2015) observed the relationship between the ethical climate and JP, OC, and intention to leave. The said study used a cross-sectional sample of business-to-business sales executives in the southern region of the US. According to (Tamm, Eamets, & Mõtsmees, 2010) the five aspects of the employees job performance were observed in this paper and these five aspects take account of their presentation with job opportunities, pay, manager, workload and operational circumstances in their organizations. The accessible text on CSR and job Performance creates a positive connection between CSR and Job performance which is hypothesized as.

H₂: CSR have significant positive relationship with Job Performance.

Job Performance and Financial Performance

Today, a wide-ranging journalism assessment shows that no agreement has been reached between scholars (Banes-Caballero, et al 2014) of job performance on financial performance. (Barrick, et al 2015) discovered an extensively optimistic relationship among Tobin’s Q and a construct job performance guide which consists of 51 fundamentals of inside and outside domination mechanism. In the background of rising economy, Post, C., & Byron, K. (2015) has confirmed an important optimistic association among job performance and monetary representation, as calculated by Tobin’s Q and surplus stock return. (Joseph et al 2015) has researched on the job presentation index with marketplace worth of Korean communal company. (Banes 2014). examined the relationship among job presentation arrangement and firm presentation for 107 firms scheduled in the Nigerian Stock Exchange. These findings are reliable with the work of Varshney et al. (2012), who supply experiential proof that high-quality job presentation practice absolutely affects a firm’s performance as calculated by financial worth addition. The worker’s performance-profit sequence is a practical replica to improve and to be aware of the predictable association among job performance and financial performance (Williams and Neumann, 2011). Lazaroiu, et al. 2015 suggested that the organization would be more successful if they respond to the desires and performance of the customers to satisfy their needs. The universal agreement is that advanced purchaser presentation results to upper level of repurchase intent, customer advocacy and customer retention. According to Williams and Neumann (2011) higher satisfaction and loyalty resulted in higher revenue and profit for an organization and cash flows.

H₃: job performance will have a mediating effect on Financial Performance.

METHODOLOGY

Sample and Data Collection Procedures

Data was collected through questionnaires which were distributed to 217 respondents in different cities of Pakistan and 183 fully filled questionnaires were received back out of which 167 were useable questionnaires with the response rate of 76%. Data was collected from investors of private companies, textile manufacturing firm, offices of the government ministry, telecommunication sector and from different universities of Pakistan. There are 63 % of male respondent and 37 % female respondent, 43% are married and 57% unmarried, 50% female respondent, 33 % respondent age are 25-40, 71% are part time respondent. The majority of respondents (80.1%) were male with an average age of 31 years. The sample included several occupational levels comprising 31% entry level (clerical and information technology) workers, 80% supervisors and middle managers, and 4% upper middle and top-level managers. And 31% of manager has experience of about 5-10 years.

Measures

All the study variables of this study were measured at 5% Likert-type scale where 1 represented strongly disagrees and other 5 agree. For all measures, higher scores corresponded to higher levels of the construct.

Corporate Social Responsibility

Corporate Social Responsibility: Corporate Social Responsibility was measured using 16 items scales developed by Carroll, A. B., & Shabana, K. M. (2010). One sample item is "This Company supports culture and art activities of local community." Cronbach Alpha reliability of this scale was.64 %.

Financial Performance

Financial Performance was measured by the use of 8 items scales developed by Venkatraman, N. (1989). One sample item is "Return on investment position relative to competition" the Cronbach Alpha reliability of this scale was.59%.

Job Performance

Job Performance was measured by the use of a 7 items scales developed by (Williams and Neumann, 2011). One sample item is "Engages in activities that will directly affect his or her performance evaluation." the Cronbach Alpha reliability of this scale was.48 %.

Control Variable

We used age, gender, Education, marital status and experience as control variables through one-way ANOVA that control the gender and DV using one-way ANOVA where ($F = .10$, and $P > .05$), then we control age and DV using one-way ANOVA where ($F = .44$ and $P > .05$) then we control work status and DV using one-way ANOVA where ($F = 1.42$ and $P > .05$) then we control position and DV using one-way ANOVA where ($F = 1.37$ and $P > .05$) then we control experience and DV using one-way ANOVA where ($F = .54$ and $P > .05$).

RESULTS

Mean, Standard Deviation, Correlation and Reliability given in the Table 01 shows descriptive statistics, vicariate correlations, and estimates of reliability (coefficient α) for all measures. Multiple linear regression analyses were used to test all main effect hypotheses. In Table 02 it is interpreted that there are positive and significant relationship among all main variables.

Table 01: (Means, standard deviations, correlations, and reliabilities)

	Mean	Standard deviation	1	2	3
Corporate Social responsibility	4.26	0.27	(0.64)		
Financial performance	3.62	0.65	0.11 ^s	(0.59)	
Job performance	3.51	0.73	0.12 ^s	0.97 ^s	(0.41)

s. Correlation is significant at the 0.05 level (2-tailed)

Table 02: Moderated regression analyses

Step 1	JP			Financial performance		
	β	R ²	ΔR^2	β	R ²	ΔR^2
Corporate social responsibility	0.42 ^s	0.21	-	0.53 ^s	0.42	0.84
Step 2						
Corporate social responsibility				0.11 ^s	0.57	
Job performance				0.98 ^s	0.95	

S= for significance

Ns= for non-significance

DISCUSSION

The first hypothesis of this study was about a positive and significant relationship between corporate social responsibility and financial performance and as per the results this hypothesis is supported which is very much in line with the past study conducted by Tang, Hull, & Rothenberg, (2012). The second hypothesis of this study was about the positive and significant relationship between corporate social responsibility and job performance and the results of analysis have supported this hypothesis which is very much in line with the previous findings of the study conducted by the (Ormiston & Wong, 2013). The third hypothesis of this study was about the positive and significant relationship between job performance and financial Performance for which data analysis have given the positive and supportive results too.

Limitation and Future Research

Usage of convenient sampling techniques with small sampling size limits of the generalizability of our finding. For future research it is recommended to collect the data from large size sample and also to collect the data from the different sectors of Pakistan Stock exchange with other possible mediating variable like customer satisfaction or consumer loyalty etc.

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