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**REAPING THE REWARDS OF DOING GOOD :
EFFECT OF CSR ON WORK RELATED
ATTITUDES AND EMPLOYEES' READINESS
FOR ORGANIZATIONAL CHANGE**

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Abstract

This study investigates the relationship between employees' perceptions of corporate social responsibility (CSR) and readiness for organizational change. In doing so, the study also examines the mediating roles of organizational trust, organizational commitment and organizational identification between perceived CSR and readiness for change. Based on social exchange theory and social identity theory, the researcher developed a causal model demonstrating effects of CSR on employee-related cognitive and attitudinal variables. This model is then subjected to empirical examination with the data collected from the south Asian firms.

Survey method was used to collect the data from 378 employees of public and private sector organizations of Pakistan on a self reporting questionnaire. Empirical results of the study supported our theoretical framework. A strong positive relationship between CSR and three employees related attitudinal variables namely organizational trust, organizational commitment and organizational identification were found. These three attitudinal variables are also found as predictor of employees' readiness for change. They are strongly mediating between CSR and readiness for change. The study, however, did not established direct effect of CSR on readiness for change.

Keywords: corporate social responsibility, readiness for organizational change, organizational trust, organizational commitment, and organizational identification

Resume

Cette étude examine la relation entre les salariés perceptions de la responsabilité sociale des entreprises (RSE) et de préparation pour changement organisationnel. Ce faisant, l'étude examine également les rôles médiateur de confiance organisationnelle, engagement organisationnel et organisationnelles identification entre CSR perçue et leur volonté de changement. Basé sur sociale échange de théorie et de la théorie de l'identité sociale, le chercheur développé une causalité modèle montrant les effets de la RSE sur liées employé cognitives et attitudes des variables. Ce modèle est ensuite soumis à examen empirique avec les données collectées à partir des entreprises asiatiques du Sud.

Méthode de sondage a été utilisé pour collecter les données de 378 employés du secteur public et du secteur privé organisations du Pakistan sur un self reporting questionnaire. Résultats empiriques de l'étude soutenu notre cadre théorique. Un fort positif relation entre la RSE et trois employés variables attitudes connexes à savoir confiance organisationnelle, l'engagement organisationnel et organisationnelles identification ont été trouvés. Ces trois variables attitudes se trouvent également comme prédicteur de préparation des employés pour le changement. Ils sont fortement médiatrices entre la RSE et leur volonté de changement. L'étude, cependant, n'a pas établi effet direct de la RSE sur la volonté de changement.

Mots-clés : la responsabilité sociale des entreprises, préparation de changement organisationnel, confiance organisationnelle, engagement et organisationnelles identification

Reaping the Rewards of Doing Good: Effect of CSR on employees' attitudes and employees' readiness for Organizational Change

The notion, “doing well by doing good”, expresses business case for corporate social responsibility (CSR). There is a generally accepted belief that engaging in CSR activities has many advantages for the firms. For instance, it increases financial performance (Orlitzky et al., 2003), induces consumer behavior (Brown & Dacin, 1997), reduces business costs & risks (Godfrey, 2005), and enhances corporate reputation (Turban & Greening, 1997). All these aspects of CSR trade off hypothesis have been widely discussed in the literature. This study, however, focused on a different dimension of CSR trade off hypothesis that has not yet been investigated well in the CSR literature i.e. effect of CSR on employees' attitudes and behaviors. For this reason, this study investigates the relationship between CSR and work related employees' outcomes, attitudes and behaviors.

According to the resource-based view, CSR provides internal and external benefits to the firms. While the external benefits of CSR are related to its effect on corporate reputation which is a fundamental intangible resource (Kurucz, Colbert & Wheeler, 2008). It is because of the fact that firms with good reputation have ability to build relations with external actors namely consumers, investors and society. The internal benefits of CSR, on the other hand, are related to corporate culture and human resources (Branco & Rodirigues, 2006) such as its effects on employees' attitudes and behaviors at work place (Brammer, Millington & Rayton, 2007; Collier & Estebien, 2007). Branco and Rodirigues illustrate that:

“Socially responsible employment practices such as fair wages, a clean and safe working environment, training opportunities, health and education benefits for workers and their families, provision of childcare facilities, flexible work hours and, job sharing can bring direct benefits to a firm by increased morale and productivity while reducing absenteeism and staff turnover (121).

Despite the fact that few studies (Brammer et al., 2007; Branco & Rodirigues, 2006; Collier & Estebien, 2007; Peterson, 2004; Rupp, Ganapathi, Auguilera & Williams, 2006; Turker 2008; and Valentine & Fleischman, 2008) have demonstrated that CSR induces positive attitudes and behaviors of employees towards the firms. However, this relationship was lacking a conclusive empirical support. There was dearth of empirical researches in the literature that examined this link. It was needed to empirically examine this connection and the current

study was an attempt to address this gap. Moreover, the aforementioned researches did not incorporate a variety of employees' related attitudinal and behavioral variables. They only examined the effect of CSR perception on organizational commitment (e.g. Brammer et al, 2007; Peterson, 2004; and Turker, 2008). It was, however, useful to examine the effect of CSR on other important employees' related variables. Accordingly, this study included a comprehensive set of employees' related variables and examines its relationship with readiness for organizational change, organizational trust, organizational commitment and organizational identification.

We propose that organizational trust and commitment are the first positive outcomes of firm's CSR activities. CSR has an in-built capacity to induce organizational trust and organization commitment. For instance, internal CSR (ethical employment practices) depicts the organization's character as an entity that is fair, honest, benevolent and concerned for its employees. According to social exchange theory, the perceptions of employees that their organization is fair, benevolent, and compassionate compel them to reciprocate the acts of benefit that in turn results in organizational trust (Molm, Takahashi & Peterson, 2000) and organizational commitment (Brammer et al., 2007). In the same way, the external CSR activities enhance the corporate reputation which signals its generous, compassionate and altruistic character. According to social identity theory, this reputation and altruistic character induces the organizational identification. We then argue that the trust, commitment and identification, resulted from CSR activities of the company, make the employees more receptive for any organizational change.

The recent past has witnessed a rigorous development in the field of change management. Change management literature focuses on implementation of an effective and successful change program (Madsen, Miller, and John, 2005). Extant research, in this regard has (Bareil, Savoie, & Meunier, 2007; Bernerth, 2004; Devos, Buelens, and Bouckenoghe, 2007), indicated employees readiness for change (RC) as an important factor in implementing change in organizations. Readiness for change is the cognitive precursor to employees' behaviors of either resistance or support organizational change (Armenakis, Harris, and Mossholder, 1993). Recognizing the importance of employees' RC, efforts have been made to explore the factors that positively induce employees' attitudes toward the organizational change. In this regard, many antecedents of RC have been identified like trust in organization, information about the change, participation in change process etc. (Devos, Buelens, and

Bouckennooghe, 2007). The current study is also an attempt to explore a potential antecedent of RC which is quite different, unique and have never been discussed in literature i.e CSR.

Above all, most of the available studies on CSR were conducted in western context. There was hardly any research who studied the effects of CSR on employees in south Asia. Findings of western studies may not be applicable to south Asian organisations due to vast differences in the economic, social and cultural environments. Further, CSR is a modern concept that has been popularized in developed countries but has not yet been fully realized in developing world especially in South Asia. Welford (2005) in a cross cultural comparative study of 15 countries found that Asian countries fairly and consistently underperformed than developed countries on CSR agenda. While illustrating the causes of this low level of CSR in developing countries, Visser (2008) describes that the organizations in developing countries have distinguishing drivers of CSR which are quite different from the drivers in developed countries. For instance, the absence of strong governmental controls over the social, ethical and environmental performance of companies in developing countries may cause low social responsibility (Visser, 2008). For these reasons, it was worthwhile to conduct a study related to CSR and its effects on employees' behaviors in South Asia.

CORPORATE SOCIAL RESPONSIBILITY

The CSR is a concept that describes the role of business in society (Vilanova, Lozana & Arenas, 2008). It is one of the central issues for the organizations of 21st century. In spite of of the growing significance of CSR; literature is still lacking its commonly accepted definition (Carroll, 1991; Garriga & Mele, 2004; Jones, 1995; Kakabadse, Kakabadse & Rozuel, 2007; and McWilliams & Siegel, 2001). It has been approached from different perspectives, such as *social performance* (Carroll, 1979; and Swanson, 1995), *stakeholder management* (Donaldson & Preston, 1995; Freeman, 1984; and Lozano, 2002), *corporate governance* (Freeman & Evans, 1990), *business ethics* (Solomon, 1993), *social contract* (Donaldson & Dunfee, 2002), *corporate citizenship* (Waddock, 2000; Zadek, 2001), or *accountability* (Elkington, 1997; Valor, 2005). As Henderson (2001) describes “there is no solid and well-developed consensus which provides a basis for action” (p.21). The lack of an “all-embracing definition of CSR” (WBCSD, 2000:3) and “subsequent diversity and overlap in terminology, definitions and conceptual models hampers academic debate and ongoing research” (Göbbels, 2002).

Due to fragmented and divergent frameworks of CSR, we developed our own definition of CSR based on stakeholder framework of Clarkson (1995) and four categories of social responsibility (economic, legal, ethical and discretionary) prescribed by Carroll (1979). We define CSR as “a set of economic, legal, ethical and discretionary obligations that a corporation has for five major stakeholder groups including shareholders, employees, consumer, community, and natural environment”. As organizations have different sets of responsibilities towards its stakeholders depending upon their nature of business and operations, we developed a set of generalizable indicators applicable to all types of organizations. We developed a five dimensional construct of CSR; in which each dimension represents a set of responsibilities of the firms for a specific group of stakeholders.

A firm’s obligations vis-à-vis community, are termed as “**Societal Responsibility**”. Andriof and McIntosh (2001) have introduced this term which covers all dimensions of a company’s responsibilities to society as whole. To fulfill its societal responsibilities, a firm needs to be very much concerned for the welfare of society in general (Clarkson 1995; KLD 2005). The firm contributes for the community development programs and philanthropy (Carroll 1979; and Clarkson, 1995). Such a firm consults and involves community while making their business decisions (Elkington, 1997; and Shrivastava & Hart 1995), respects human rights (Reynaud 2003), respects the prevailing norms, values and cultural beliefs of the society, treats all the segments of society equally and justly, and avoid undue discrimination (Agenda 21, 2005,).

Environmental Responsibility is the obligations of a firm to the natural environment. An environmentally responsible corporation is very much concerned for the protection of natural environment (Elkington, 1997). The firm not only invests money (GRI, 2002) and takes initiatives for the environment at its own level but also launches campaigns in the society for the environmental protection. **Internal CSR** is the firm’s obligation vis-avis its employees. The term internal CSR - related to the internal operation of the organization - was also used by Brammer et al. (2007) in their research. In fulfilling internal social responsibilities, the companies respect their employees and provide them healthy working environment (Martinet & Reynaud 2004; and Reynaud, 2003), care for occupational health & safety (Clarkson 1995; and GRI, 2002), provide training and education opportunities to its employees (Brammer et al. 2007), offer good salaries to its employees, and ensure the participation of all the employees in decision making process (Elkington, 1997; and Shrivastava & Hart 1995). The

procedures of these companies ensure that all the employees must be treated fairly in terms of distribution of resources, benefits, responsibilities and authorities (Brammer et al. 2007).

Product responsibility is a responsibility of the firm to satisfy the needs of its customer/consumers by producing new, safe, healthy and quality products (Elkington, 1997; GRI, 2002; Hart, 1995; KLD, 2005; and GRI, 2002). Firm innovates new product to fulfill the community's needs and demands. In doing so, firm does not compromise on quality and safety of its products. In addition, the firm truthfully provides information to the consumer regarding its products (Clarkson, 1995; and GRI, 2002). The obligations of a firm for its shareholders/stockholders are termed as **“Economic Responsibility”**. Managers are responsible for the efficient and effective management so that company earns enough profit to satisfy the stockholders demands (Clarkson 1995, Elkington 1997). Economic responsibility also includes the economic value addition by the firm for the community through its continuous business expansion (Clarkson, 1995 and Elkington, 1997).

HYPOTHESES

Organizational Trust and CSR

Robinson (1996) describes that the type of relationship an employee has with an organization is defined by an unspoken psychological contract between them. If any of the parties breaches the contract, it causes a lack of trust. Trust is defined by Robinson (1996) as "one's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favorable, or at least not detrimental to one's interest" (p. 575). According to Aryee, Budhwar and Chen (2002) trust is a mix of cognition-based and affect-based trust. Cognition-based trust is determined by an individual's ability to fulfill its obligations vis-à-vis others and, therefore, demonstrates reliability and dependability. While, affect-based trust develops from a mutual care and concern between two parties. Thus according to Aryee et al. (2002), these two kinds of trust together reflect "concern for others' interests, reliability, openness and competence" (p. 271).

Description of organizational trust given by Aryee overlaps with the concept of CSR. As defined earlier, CSR is a set of obligations an organization has for its stakeholders including its employees. A Socially responsible company has fair procedures that ensure distributive justice among the employees. It provides healthy working environment with opportunities for the training and development to its employees. The company not only cares its employees'

demands but also encourages their participation in decision making process. Such an organization induces a perception among its employees that the company is concerned for others' interests, it is reliable, open and competent. As a result, the employees expect, assume, or belief that firm's future actions will be beneficial, favorable, or at least not detrimental to their interest.

In the literature, there are different perspectives on trust that can be classified into four groups: a rational choices perspective (calculative), social exchange perspective, an affective/cognitive perspective and personal characteristics perspective (value based trust). According to the rational perspective, trust is a calculation of the likelihood of future cooperation (Williamson, 1993). People are likely to trust those companies whose actions in future are calculated as favorable to them (Axekrod, 1984). We assumed that a socially responsible company induces a belief in the minds of stakeholders that the actions of this company would be socially responsible, and consequently they tend to trust those companies. From the value based trust perspective, proposed by Pivato, Misani & Tencati (2008) "many CSR initiatives address issues of wide social interest and because such trust is founded on personal values, the perceived CSR of a company can favorably impress peoples who are sensitive to ethical, social and environmental issues" (p. 7). Similarly, Vlachose, Theotokis, and Panagopoulos (2008) also argued that CSR builds organizational trust in the employees. They described that:

An organization engaged in CSR actions is likely a signal of a caring and benevolent company character. Such motives satisfy employees' need for meaningful existence and further provide indication that in future the organization is likely to treat its employees with caring and benevolent attitude as well (p. 6).

Accordingly we proposed the following hypothesis based on the above arguments:

Hypothesis-1: There is a positive relationship between employees' perceived level of CSR and their level of trust in the organization.

Organizational Commitment and CSR

In addition to organizational trust, we propose that CSR positively affects another important employees' related variable called organizational commitment. Organizational commitment produces an extensive literature in the field of Human Resources Management. Literature on

organizational commitment reveals that it has a significant effect on employees' job and work related outcomes.

Commitment as defined by Meyer & Herscovitch (2001) is “a force that binds an individual to a course of action that is of relevance to a particular target” (p. 301). Organizational Commitment has been distinguished in three forms by Allen and Meyer (1990). *Affective commitment* is “an emotional attachment to, identification with, and involvement in the organization”; *continuance commitment* is “the perceived costs associated with leaving the organization”; and *normative commitment* which reflects “a perceived obligation to remain in the organization” (p.21). Literature suggests that out of these three forms of commitment, affective commitment has a stronger relationship with a range of desirable employee outcomes including attendance, job performance, stress, health, work–nonwork conflict (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). Thus, we focused only on *affective commitment* in this study.

We proposed the relationship between affective commitment and CSR on the basis of social exchange theory (Blau, 1964) and social identity theory (Turner, 1985). Social exchange theory suggests that the commitment of employees to an organization is contingent on their perception of the value and benefit they receive from organization (Shore & Wayne 1993; and Wayne Shore & Liden, 1997). The argument is supported by the evidence that employees oriented human resource practices and trust in organization have been considered as important factors in building employee commitment (McElroy, 2001 and Whitener 2001).

Social identity theory suggests that an individual's view of him/herself, and his or her 'self-concept' is influenced by his or her membership of social organizations, including the organization for which the individual works (Ashforth & Mael, 1989; Dutton, Dukerich, & Harquail, 1994). Social identity theory argued that individuals are pleased when they associate themselves with organizations that have *positive reputations*, because it enhances their self-concept (Maignan & Ferrell, 2001; Tajfel & Turner, 1985). Recent studies have shown positive relationship between corporate reputation and its involvement in social issues (Hess, Rogovsky & Dunfee, 2002) and philanthropy (Brammer & Millington 2005). As CSR builds positive reputation of an organization, employees are more likely to identify with the company to enhance their self-concepts and to fulfill their social identity needs (Ashforth & Mael, 1989; Dutton et al., 1994; Gavin & Maynard, 1975; and Maignan & Ferrell, 2001).

As discussed earlier, a socially responsible company has fair procedures that ensure distributive justice among the employees. It provides healthy working environment with opportunities for the training and development to its employees. There are evidences that these employment standards increase organization commitment. For example, Hendrix, Robbins, and Summers, (1999) and McFarlin and Sweeny (1992) found strong positive relationships between justice and commitment. Hendrix stated that fair procedures allow employees to have faith in the organization and, therefore, increase their organizational commitment. Similarly, Brammer et al. (2007) have recently found that organizational justice and opportunity for the training and development increase the organizational commitment in the employees. Therefore, we proposed:

Hypothesis 2: There is a positive relationship between employees' perceived levels of CSR and organizational commitment.

Organizational Identification and CSR

We propose that Perception of CSR in the mind of employees affects their desire to be identified with the company. "Identification is a powerful state driven by individuals' needs for self definition" (Bhattacharya & Sen, 2004 :15). It is employees' psychological link to a company based on significant overlap between their perceptions of themselves and their perceptions of the company (Bergami & Bagozzi 2000). Overlap of these perceptions is an internal consequence of company's CSR initiatives (Du et al. 2007). According to social identity theory (Meal & Ashforth, 1989; Tajfel & Turner, 1985) people identify with a certain group which they perceive as it reinforces their self esteem. Similarly, people desire to identify with a company "when they perceive its identity to be enduring, distinctive, and capable of enhancing their self-esteem" (Bhatatacharya & Sen 2004 : 15). CSR actions develop a perception that company's character is virtuous, distinctive and differentiated from others (O'Reilly et el. 1991). Identification with an organization engaged in CSR actions can clearly contribute to employees' self-esteem. Thus, we implied that the employees are more likely to be identified with socially responsible companies. So we develop the following hypothesis:

Hypothesis 3: there is a positive relationship between perceived CSR and employees' organizational identification.

Readiness for Organizational Change

We conceptualize organizational change as the changes within the organization for the procedural and structural improvement or internal organizational adjustments to face the external environment. We do not consider major changes like merger, acquisitions and buyouts where either organization dissolves or lose its identity.

Readiness for change has been conceptualized in a variety of ways. While defining the readiness for change, Bernerth (2004) describe “readiness is more than understanding the change, readiness is more than believing in the change, readiness is a collection of thoughts and intentions toward the specific change effort” (Bernerth: 40). Armenakis et al. (1993) defined readiness for change as involving people’s beliefs and intentions regarding the extent to which changes are needed and their perception of individual and organizational capacity to successfully make those changes. It is the cognitive precursor to behaviors of either resistance or support. Piderit (2000) identified three dimensions of readiness; cognitions, emotions and intentions of employees towards the change. Similarly, McGuire (1985) also defined readiness for change as emotional involvement to change, cognitive commitment to change and intention to change. The emotional component refers to how one feels about change; the cognitive component involves what one thinks about change; and the intentional component is the energy and support one puts in the change process (Bouckenoghe and Devos, 2007).

Organizational Trust and Readiness for change

Armenakis and Bedeian (1999), indicated that three factors—content, context, and process—can shape employees’ reactions to change efforts. Change Context refers to the existing forces in an organization’s external and internal environment. Internal contextual factors may include levels of professionalism, managerial attitudes toward change, managerial tension, technical knowledge resources, and slack resources (Damonpour, 1991), and employees’ trust in the organization and supervisors (Devos, Buelens, & Bouckenoghe, 2008).

Oreg (2006) found that trust in organization or top management is significant predictor of resistance to change. While explaining the role of trust in change, Devos et al. (2008) describe:

“Lack of faith in the organization’s leadership was strongly related to increased employee anger, frustration, and anxiety with respect to change. It also led to

increased employee actions against the change and negative evaluations from employees of the need for and value of the change” (page: 611).

Employees resist the change because of uncertainty and expected threats, they associated with the change. We argue that trust minimizes the uncertainty because employees’ confidence in their organization and top management, they expect, assume, or belief that firm’s future actions will be beneficial, favorable, or at least not detrimental to their interest. As a result, they are more likely to accept organizational change. According to social account perspective, trust in management leads to the acceptance of organizational change (Rousseau and Tijoriwala, 1999). Management tries to justify the change by citing different reasons or social accounts (Devos et al., 2008). Perceived legitimacy of these social accounts depends upon the level of employees trust in the management. If they trust the organization, they are more likely to support the change; if they have less trust in organization, they will demonstrate decreased levels of readiness for change.

Hypothesis 4: There is positive relationship between employees’ readiness for change and their level trust in the organization.

Organizational commitment and Readiness for change

Organizational commitment seems to have effect on employees’ readiness for change. Mathews and Shepherd (2002) describe “Committed employees have a strong belief in and acceptance of the organization’s goals and values, show a willingness to exert considerable effort on behalf of the organization, and have a strong desire to maintain membership with the organization” (p. 369). We assume that if a committed employee is willing to exert considerable effort to pursue the organizational objectives and has general tendency to accept the organizational goals, then he must accept any change initiated by the organization. Madsen, Miller and John (2005) found a connection between readiness for organizational change and organizational commitment. They explain that employees perceive higher readiness levels when they felt committed to their organizations. Similarly, Iverson (1996) with the sample of 761 employees from a large public hospital found that employee acceptance of organizational change is significantly increased by organizational commitment. We thus propose:

Hypothesis 5: There is a positive Relationship between organizational commitment and readiness for organizational change.

Organizational identification and readiness for change

Organizational identification is an emotional attachment with the company. We propose that emotional attachment with the organization increases employees' readiness for organizational change especially when change is internal and does not threaten their organizational identity. Rousseau (1998) suggested that employees accommodate the organizational change that is more likely to sustain worker identification with the firm than those that convey a break with the past. If the change is internal as we have conceptualized above then organizational identification is expected to promote worker acceptance of change (Rousseau, 1998). A study directly connecting organizational identification and readiness for organizational change has not yet been reported; however, Madsen et al. (2005) have found possible indirect correlations between these two. Indeed, they conceptualized identification as part of organizational commitment and found a positive relationship between commitment and readiness for change. Since, identification was the contributing factor in organizational commitment that has a positive relationship with readiness for change, we therefore propose:

Hypothesis 6: There is a positive relationship between organizational identification and readiness for organizational change

CSR and Readiness for Change

As discussed earlier, CSR indirectly affects the readiness for change through the mediation of organizational trust, organizational commitment and organizational identification. We, however, propose that CSR has a tendency to directly affect the readiness for change. Extant literature identifies three factors: content, context and process that can shape employees' reactions to change efforts (Armenakis and Bedeian, 1999). CSR addresses all the necessary issues involved in these three factors. For example, contextual factors may include levels of professionalism, managerial attitudes toward change, managerial support, organizational support, opportunities for employees' development, organizational justice etc. (Armenakis and Bedeian, 1999). Several researchers have indicated that the culture and climate of organizations are decisive in sustaining organizational change (Jones, Jimmieson, & Griffiths, 2005; Schneider et al., 1996). A culture depicting concerns for employees, organizational support and employees' wellbeing positively affect the employees' reaction towards the change process and we believe such a culture can be a result of CSR. In an empirical study on

readiness for change, Iverson (1996) found job security, distributive justice and supervisory support as its antecedents. These three antecedents are the part of our internal CSR dimension.

Apart from contextual factors, we argue that process factors that contribute towards readiness for change are also overlapping with the concept of CSR. Employees' participation in the change process has been considered as fundamental for any successful change effort (Armenakis and Bedeian 1999; Devos, Buelens, and Bouckenoghe, 2007 and Madsen, Miller and Johan, 2005). As CSR ensures employees' participation in all decision making including decisions related to organizational change, we, thus, propose:

Hypothesis 7: there is a positive relationship between perceived CSR and readiness for change.

METHOD

Sample and Procedure

It was a cross sectional empirical study in which Survey method was used to collect the data on a self reporting questionnaire. Since, the unit of analysis was an "individual" thus we defined population as "employees of public and private sector organizations of Pakistan". Data were collected with the help of students of the University of Lahore- Pakistan, using convenient sampling method. We contacted source persons in our targeted companies and seek permission and support for data collection. Then, we gave a reference letter to the students and asked them to visit those companies to collect the data. The students were awarded grades against this assignment. We got 388 responses out of which 4 were discarded because they appeared useless. Furthermore, after missing value analysis, we found 6 cases with missing values. As we had a large sample size, so we dropped these 6 respondents. Thus the final sample comprised of 388 respondents belonging to different age groups and different qualifications.

Measures

CSR measure : To measure the perceived level of CSR, we developed a five dimensional instrument based on the five dimensional construct of CSR in which each dimension represents a set of responsibilities of the firms for a specific group of stakeholders. In the first step, we developed a grid of indicators that are applicable to a wide range of organizations from manufacturing to services industries and chemical to telecommunication

industries. In the second step, an 8 members’ focus-group activity was conducted to evaluate these indicators. We then phrased a 32-items self-reporting questionnaire given in the appendix-1. The final version then translated into Urdu, the national language of Pakistan. In the next step, we pre-tested the instrument for language or other difficulties using 6 students of MBA program. After pre-testing, data were collected on the Lickert scale of 1 to 7, extremely disagree to extremely agree. In the final step, we performed Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA), to check the dimensionality, reliability and validity of the instrument.

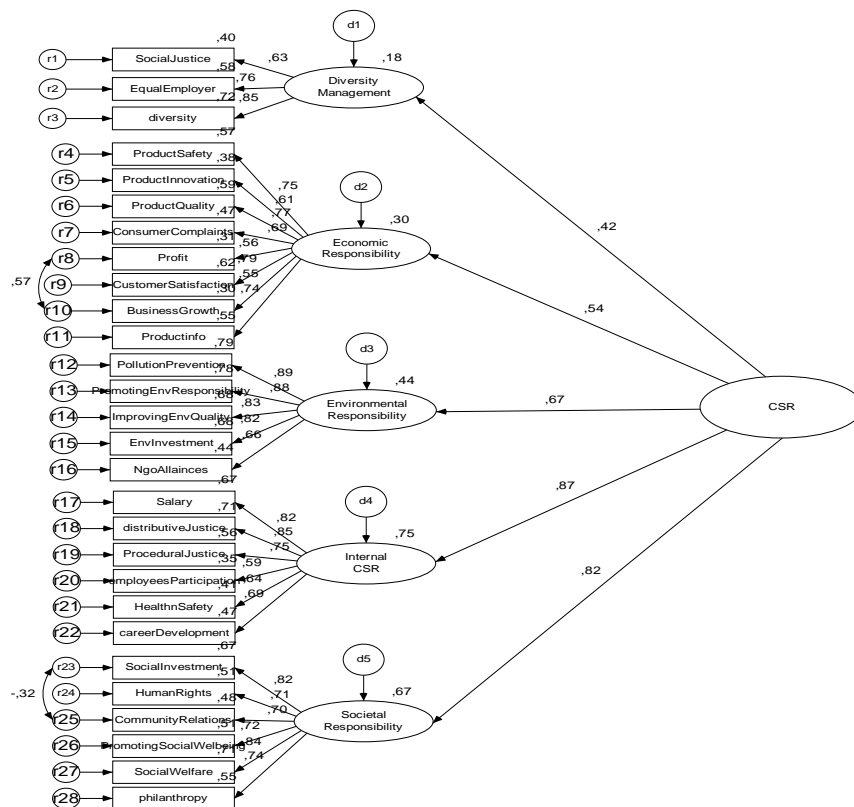
TABLE 1
Final Factor Structure Attained Through Exploratory Factor Analysis

Items	Factor Loadings				
	Eco-Product Responsibility	Environmental Responsibility	Societal Responsibility	Internal CSR	Diversity Management
CustomerSatisfaction	0.74				
ProductInfo	0.73				
Profit	0.72				
BusinessGrowth	0.71				
ProductQuality	0.71				
ProductInnovation	0.70				
ProductSafety	0.69				
ConsumerComplaints	0.63				
PollutionPrevention		0.86			
PromotingEnvResponsibility		0.86			
ImprovingEnvQuality		0.82			
EnvInvestment		0.80			
NgoAllainces		0.68			
CommunityRelations			0.78		
Philanthropy			0.72		
HumanRights			0.72		
SocialWelfare			0.68		
PromotingSocialWelbeing			0.66		
SocialInvestment			0.61		
Salary				0.77	
ProceduralJustice				0.75	
DistributiveJustice				0.73	
CareerDevelopment				0.64	
EmployeesParticipation				0.57	
HealthnSafety				0.55	
Diversity					0.90
EqualEmployer					0.79
SocialJustice					0.72

Assessing the adequacy of measurement model: To test the dimensionality of CSR scale, we first performed exploratory factor analysis with the help of SPSS-16 and obtained an optimum solution that is given in the table-1. We found a 5-dimensional structure of our measurement model. Two dimensions, *product responsibility* and *economic responsibility* both were merged to become a single dimension of **Eco-product Responsibility**. Society responsibility, on the other, was divided into two dimensions, societal responsibility and diversity management. Finally, we again had a five dimensional CSR comprised of *societal responsibility*, *eco-product responsibility* and *Internal CSR*, *environmental responsibility* and *diversity management*. The final factor solution retained only 28 items having loading between 0.55 and 0.90.

To verify the 5 dimensional structure of CSR constructs, we subjected the final EFA solution (28 items) to a confirmatory factor analysis. This analysis was performed on the entire sample using the Analysis of Moment Structures program (AMOS Version, 16). The CFA of three factors measurement model which was built on EFA results, had acceptable fit with the data. The chi-square statistic was $\chi^2 = 1191.83$ at significance $p < .001$ with degree of freedom 343, the normed chi-square (NC) was 3.47. Although there is no clear-cut value to use for NC in conducting a goodness of fit, Kline (2004) reported that researchers have used values ranging from 2.0 to 5.0. Our NC falls within that range. Besides this NC fit index we also calculated other fit indices. Our first measure of absolute fit was the ‘Goodness-of-Fit Index’ (GFI = .82). The value of this index was approaching recommended value of .90. We also examined incremental fit indices e.g. ‘Normed Fit Index’ (NFI = .82), Bollen’s Incremental Fit Index and (IFI = .87) and ‘Tucker-Lewis Index (TLI = .87)’ were reaching the recommended level of .90. In addition, the ‘Root Mean Square Error of Approximation’ (RMSEA = .08) was also within the recommended range of .05- .08.

FIGURE-1
Three Dimensional Measurement Model Of CSR Obtained By Amos-16



Although fit indices suggested that the data fitted our CFA model, but we also observed the Modification Indexes (MIs). MIs are considered as an important source of information related to model misspecification. Values of MIs confirmed that there was no need to re-specify our model. Subsequently, we examined the standardized factor loadings; all items had factor loadings between .55 and .89 and were significant at .001. As, it was a 2nd order CFA so, it was necessary to examine the second order factor loadings. It was found that 5 dimensions of CSR also highly loaded on the construct of CSR, (.42, .54, .67, .87, and .82) except diversity management. According to Kline (2004) a standardized value higher than .50 on its respective factor demonstrates a reasonably high factor loading. Since the factor of loading of diversity management dimension is less than .5, we remove it from our measurement model. Our final measurement model had 4 dimensions. The new model was also has good fit indices, first order and second order loading were greater than .50. Thus, we concluded that 4 dimensional measure of CSR adequately measured the CSR. In addition to measurement adequacy, we also examined the internal reliability and consistency of CSR measure. Four dimensions of CSR had high internal consistency and reliability. Alpha value for societal responsibility was

.89, and for internal CSR, eco-product responsibility and environmental responsibility alpha values were .87, .88 & .91 respectively.

Measures of Dependent Variables: Trust in the company was measured by a 3-items scale used by Pivato et al. (2008). Affective organizational commitment was measured using Allen & Meyer (1990) 8-item scale and organizational identification was measured by Mael and Ashforth 1995, 5-items scale. For readiness for organizational change, we used scales that was adapted from Boonstra and Bennebroek-Gravenhorst (1998), Metselaar (1997) and Oreg (2006) by Bouckennooghe and Devos, (2008). All the scales were adapted to the Pakistani culture. The final version of instrument was translated into Urdu, the national language of Pakistan. Lickert scale of 1 “extremely disagree” to 7 “extremely agree” was used to measure the intent of response against each item. All measures displayed satisfactory reliability (alpha > .70); .79 .72, .81, & .86 for readiness for change, organizational trust, organizational commitment, & organizational identification respectively.

ANALYSIS AND RESULTS

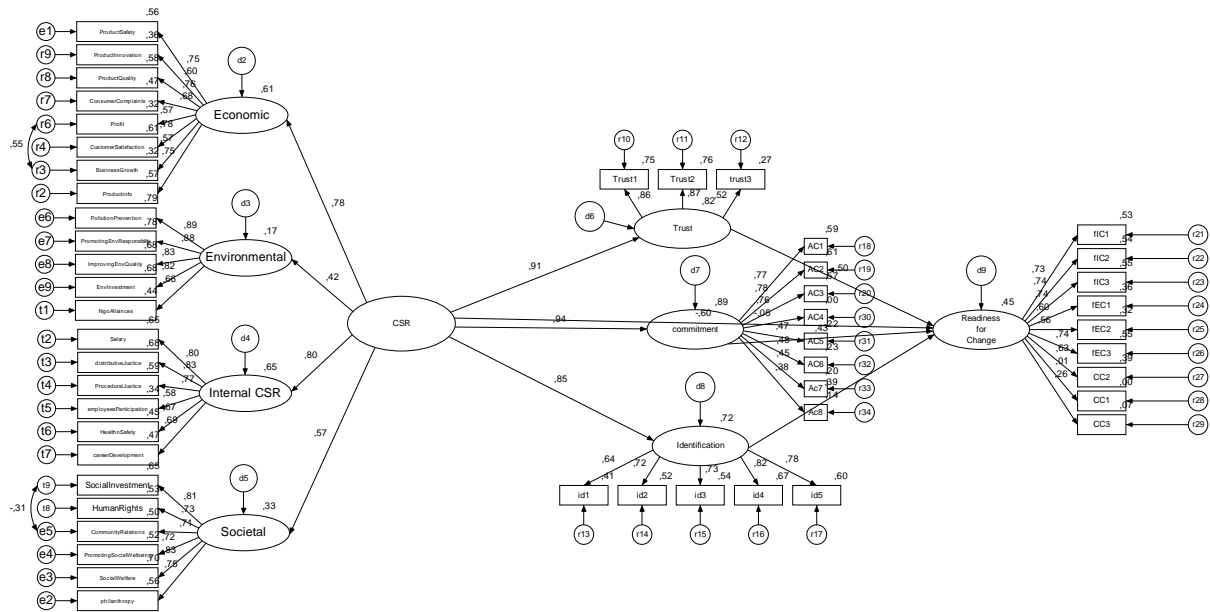
Descriptive Statistics

After removing the respondents with missing values, finally we had 378 respondents. We checked the normality of the data and found that data were not normal, however, kurtosis and skewness of most of the variables were between +1 and -1, so we can say that data were quasi normal.

Testing the Hypothesized model

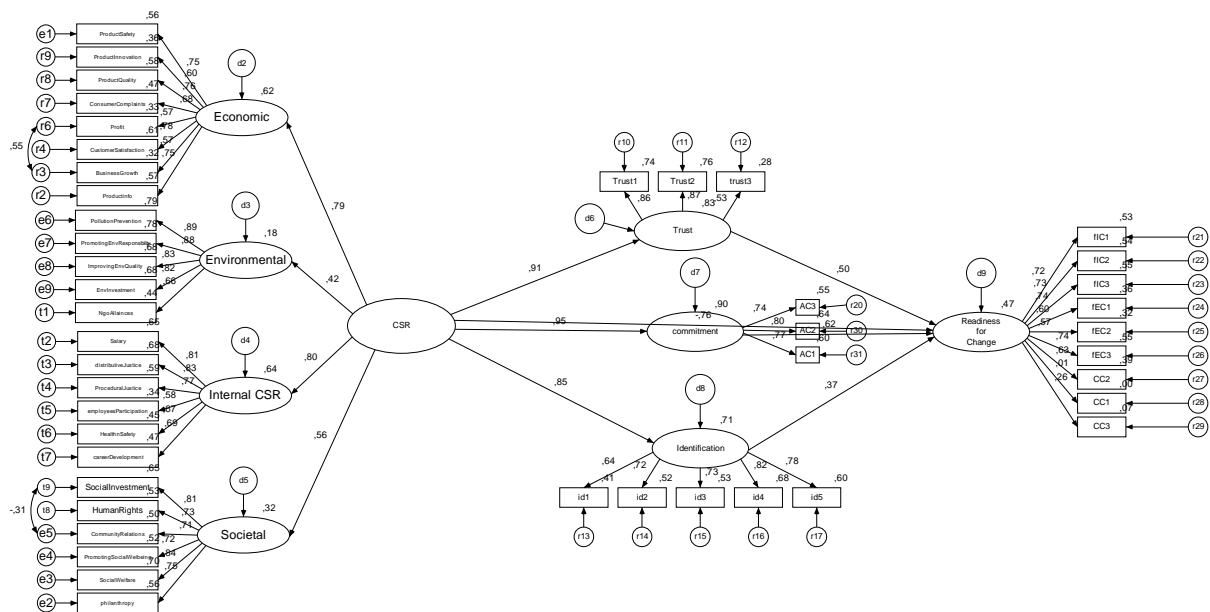
For testing our hypothesized model, we used Structural Equation Modeling (SEM), with the help of AMOS-16. A Structure Regression Model was developed (figure 2) and subjected to analysis using data of 378 respondents. This model did not produce good fit indices. It was observed that 5 out of 8 items of affective commitment had loading less than .50. They appeared to be not the part of affective commitment construct; hence, we dropped these 5 items to improve the fit indices of the model.

FIGURE 2
Hypothesized Structural Regression Model Tested by AMOS



The new model is shown in figure 3, in which affective commitment was measured by 3 items. The fit indices of new hypothesized model were also not good but acceptable because these were reaching the recommended values (chi square 3222.2, degree of freedom 932, Normed Chi Square 3.45, GFI .72, IFI .79, CFI .79 and Rmsea value was .80). the fit indices were found better than the original model . To verify that new model is better than the original, we applied chi-square difference test and found that new model was better at significance of .01. We, therefore, selected new hypothesized model to test the hypotheses and to predict the results.

FIGURE 3
New Hypothesized Structural Regression Model Tested by AMOS



In our hypothesized model, we proposed seven direct relationships. The results obtained by the Structure Regression model are given in the table-2. Estimates show the strength of relationship between two variables. All hypotheses relating to direct relationship between independent and dependent variables were accepted except one i.e. direct relationship between CSR and readiness for change.

TABLE 2
Standardized Regression Estimates Depicting Direct Relationship between Variables

Hypotheses	Independent Variables	Dependent Variables	Estimates	Significance
Hypothesis-1	CSR	Organizational Trust	0.913	.001
Hypothesis-2	CSR	Organizational commitment	0.948	.001
Hypothesis-3	CSR	Organizational Identification	0.845	.001
Hypothesis-4	Organizational Trust	Readiness for Change	0.5	.018
Hypothesis-5	Organizational commitment	Readiness for Change	0.617	.093
Hypothesis-6	Organizational Identification	Readiness for Change	0.372	.003
Hypothesis-7	CSR	Readiness for Change	-0.761	not Sig

Mediating Role of Trust, commitment and identification

After examining the direct effects, we tested mediation role of organizational trust, organizational commitment and organizational identification. To check the mediating role of these three variables between CSR and readiness for change, we applied Sobel Test of Mediation. Results of Sobel test confirmed the mediation of these three variables between CSR and readiness for change.

DISCUSSION

This study was conducted to assess the employees' response to CSR initiatives in South Asian organizations. Research on CSR reveals that CSR has many business benefits for the companies. In the existing body of literature, a considerable attention has been paid to financial performance and consumers' behavior, however, a very limited work is available in employees' domain. This study filled this gap by exploring the effect of employees' perceived CSR on their organizational trust, organizational commitment, organizational identification and readiness for organizational change. Trust, commitment and identification have been considered as key variables in the research of Human Resource Management because they are found to be strong predictors and antecedents of many work related outcomes like work performance, turnover intentions, Job satisfaction and motivation. Readiness for

organizational change is also very significant variable to be studied because of its significance in continuous changing organizations.

The empirical results of the study supported our theoretical framework. A strong positive relationship of 0.91 between CSR and *organizational trust* was found at a .01 significance level. The value of estimate shows a strong positive influence of CSR on the employees' organizational trust. Thus, our first hypothesis was approved. These results are consistent with the results of a recent study by Farooq, Farooq and Reynaud (2009) in which they also found a strong positive relationship between CSR and organizational trust in south Asia. Results also depicted a positive relationship of 0.95 between CSR and organizational commitment at the .01 significance level. So we accepted our second hypothesis that CSR induces organizational commitment in employees. We also found that CSR strongly affects (.85) the organizational identity. It is, therefore, concluded that CSR positively affects the employees' attitude in a way that they not only trust but also are affectively committed to their organizations. They are most likely to emotionally attach with the socially responsible organizations. Our results on commitment are aligned with Brammer et al. (2007); Peterson (2004); and Turker (2008). Brammer et al. (2007) and Turker (2008) found that CSR is a significant predictor of organizational commitment while Peterson (2004) established a positive link between corporate citizenship perception and organizational commitment.

We believe that CSR has an in-built capacity to induce organizational trust and organization commitment. For instance, internal CSR depicts the organization's character as an entity that is fair, honest, benevolent and concerned for its employees. According to social exchange theory, the perceptions of employees that our organization is fair, benevolent and concerned for us compel them to reciprocate the acts of benefit that in turn results in organizational trust (Molm, Takahashi, & Peterson, 2000) and organizational commitment (Brammer et al., 2007). Besides, literature shows that organizational justice, which is an element of internal CSR, also affects the employees' attitude and behavior as illustrated by Aguilera, Rupp, Williams, and Ganapathi (2007) in the following way

“Indeed, the perceived fairness of the working environment has been shown to affect both employee well-being (e.g., job satisfaction, stress, health, emotion) and organizationally relevant outcomes, such as employee commitment, turnover, absenteeism, job performance, citizenship behavior, and counter productivity” (p.840).

As organizational justice is a strong predictor of organizational trust (Cohen-Charash & Spector, 2001 and McFarlin & Sweeny, 1992) and organizational commitment (Meyer & Allen, 1991; Hendrix et al., 1998; and McFarlin & Sweeny, 1992). Thus, the results of this study are consistent with the human behavior literature.

Similarly, CSR initiatives outside the firm like *societal responsibility* and *product & economic responsibility* also affect the organizational trust, commitment and identification. External CSR initiatives not only depict the firm's character as benevolent firm but also develop a perception that the company has more abilities than others. Moreover, this type of ability of a firm has been identified as an antecedent of the *organization trust* (Barber 1983; and Blomqvist, 1997). Aguilera et al., (2007) argue that "employees' perceptions of the firm's external CSR are a special aspect of their more general justice perceptions and that these CSR perceptions shape the employees' subsequent attitudes and behaviors toward their firm" (p. 840).

Data also supported our 4th, 5th and 6th hypotheses. The relationship between trust and readiness for change were significant at .01 while the relationship between organizational commitment and readiness for change was significant at .10. These findings were in-line with the all major studies in the field of change management (for example, Armenakis, Harris, and Mossholder, 1993; Bareil, Savoie, & Meunier, 2007; Bernerth, 2004; Devos, Buelens, and Bouckenoghe, 2007). We also found a positive relationship between organizational identification and readiness for change. To our knowledge there is no study who has examined this relationship. Rousseau (1998), however, argued the positive link between these two variables that we have empirically proved. Our 7th hypothesis was related to direct effect of CSR on employees' readiness for change. We proposed that CSR not only indirectly but also directly affects the employees readiness for change. We argued that antecedents of readiness for change and CSR have many things in common, so CSR must have positive relationship with it. But surprising, we did not found any relationship between these two variables. Our 7th hypothesis was not supported by the data. We also tested the mediating role of trust, commitment and identification between CSR and readiness for change and found these three variables as strong mediators between CSR and readiness for change. These findings imply that though CSR does not have any relationship with readiness for change, however, CSR affects readiness for change through the mediation of trust, identification and commitment. We therefore, concluded that CSR has a significant and strong indirect impact on employees' readiness for change.

In addition to hypotheses testing, the study has another important contribution. We developed a five dimensional construct of CSR because CSR lacks a systematic measurement framework especially for the use of academic researches. Hopkins (2005) describes some difficulties in this regard as follows:

The available measures of CSR are essentially commercially oriented; data are not given making it difficult for other analysts to build upon the approaches undertaken. Moreover, the basic concept being used is not always defined, and nor is a conceptual framework on which to base a measurement system. The lack of conceptual framework leads to a rather ad hoc approach to the choice of key issues, components and indicators”.

Due to these reasons, it was necessary to develop a reliable and valid instrument of CSR. Our five dimensional construct of CSR is comprised of various sets of firms’ obligations toward five major stakeholder groups.

The results have significant implications for the CSR strategies of firms. The findings that CSR strongly influences the employees’ trust, commitment, identification and readiness for change emphasize instrumental value of CSR and the payoff from corporate investments in it. As discussed earlier that employees’ attitudes and behaviors are seen as intangible resources which are valuable, rare, cannot be perfectly imitated, and have no perfect substitutes (Ballou, Godwin & Shortridge, 2003; and Fulmer, Gerhart & Scott, 2003). These results, thus, imply that CSR develops intangible resources within the firms as employee’s attitudes and behaviors are considered as most valuable resources. Organizational trust, commitment and identification significantly affect the work and job related variables like turnover intentions, job & work performance and extra role behaviors, (Meyer et al. 2002). Consequently, CSR assists in creating a competitive advantage by developing a workforce that effectively carries out the firm’s business strategy, leading to improved business performance (Branco & Rodrigues, 2006). Socially responsible firms thus have high productivity because of motivation, reduced absenteeism and extra role behavior of the employees as well as cost benefits because of low turnover as firms save on costs for recruitment and training of new employees. We have found that CSR significantly contributed toward employees’ readiness for change. Readiness for change is also a resource; it makes the firm more adaptive than others as a result firm acquire a competitive advantage.

The study has important implication for change management. It has suggested a different and unique antecedent of readiness for change that has never been discussed earlier. Secondly, the most change management literature emphasizes organizational change as a discrete effort and

considers it as a phase within the organizational life cycle. For example, Lewin (1947) proposed three distinct stages, unfreezing, moving, and freezing, for a successful change process. These three stages depicts that change is a phase that occurs within a specific time period. Although, the recent researches (Armenakis and Bedeian 1999; Devos, Buelens, and Bouckenooghe, 2007 and Madsen, Miller and Johan, 2005) have moved beyond the Levin's model and identified three factors, content, context, and process, that are common to all changes but still they conceptualize change as a distinct phase occurring at a particular point of time. We, however, argue that in present turbulent and dynamic environment, change is not happening discretely rather it is a continuous process taking place all the time within the organizations. For this reason, it is needed to explore the factors that support the organizations in the face of this continuous change process. Due to inbuilt capacity of CSR to induce favorable employees' attitudes, we propose CSR could be one of the factors that make the employees more receptive for this continuous change.

In addition, the results illustrate that the benefits of corporates' contributions to community are not restricted to external reputation and external stakeholder management but may also be reflected in the behaviour of internal stakeholders (Brammer et al. 2007). A socially responsible firm has ability to develop trust-based and committed relationships with its employees. Sustainable relationships with stakeholders enable the firm to generate sustainable wealth over time (Perrini and Castaldo 2008).

The study, however, has few limitations. First, it has common methods bias as both employees' perceptions of CSR and employees related outcomes are obtained from a single source. Second, we used convenient sampling method for data collection thus sample may not be true representative of population. Third, the data was found to be quasi normal that may have effect on the results of the study.

Study has contributed in the literature in three ways. First is the construct development of employees perceived CSR which is an important theoretical contribution of this study. The study not only has developed a self-reporting measuring instrument of CSR but also validate this instrument in developing world using EFA and CFA. This instrument can be used for the academic as well as managerial purposes. Second, this study has first time examined the link between CSR and employees readiness for change which is an important contribution to the existing literature on CSR as well as change management literature. Third, most of the studies on CSR have been conducted in Western context, to our knowledge it could be the first study

of its nature which is conducted in Pakistan. Thus, the findings of this study have contributed to the body of literature on this burning topic of the day.

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