

Measuring the Influence of Corporate Social Responsibility on Employee Engagement in Islamic Banking Sectors in Malaysia

Suraini Saufi

Department of Muamalat, Kolej Islam Antarabangsa Sultan Ismail Petra (KIAS)

Email: suraini@kias.edu.my

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Abstract

Employee engagement has been a major attention among researchers and corporations for its significant impact on organization overall performance and competitive success. The objective of the study is to determine the influence of corporate social responsibility (CSR) association and participation on employee engagement among 200 Islamic Banking employees in Malaysia. The sample was determined using stratified random sample and data was gathered using research questionnaires. Descriptive analysis was utilized to describe the respondents and the Pearson Product Moment Correlation was used to assess the influence of the independent variables on its dependent. The result indicates the positive significant relationships between variables and supports the hypotheses. This study suggests that CSR association and CSR participation; factors employed in this study influencing employee engagement to the organization, and therefore the factors could be utilized by managers as dimensions to be focused to, in order to promote organizational citizenship among employees.

Keywords: Measuring, Influence, Corporate, Social Responsibility, Employee Engagement, Islamic Banking Sectors, Malaysia

INTRODUCTION

The uncertainty in business environment forces organizations to continuously adapt variety of changes. Rather than emphasizing to the low cost, efficient marketing and quality of supplement, organization nowadays focus to employees as a massive contribution of profit. Previously, many terms represent the behaviour of employees such as employees loyalty, employees satisfactions and employees achievement. However, in the last decade, employee engagement has received a great deal of attention in organizational performance. The great concern is not only from corporate firms but as well as academicians and the practitioner community. Many researchers suggesting that engagement has a significantly positive impact on performance, productivity and organizational advocacy and a significantly negative impact

on intent to quit and absenteeism from the work place. It can increase increased customer satisfaction, profitability & productivity, and reduced employee turnover (Markos and Sridevi, 2010, Harter et al., 2002); heightened job satisfaction, organizational commitment, organizational citizenship behaviour, loyalty and reduced intentions to quit (Saks, 2006; Mani, 2011) and exhibiting tendencies to go the extra mile and perform at superior levels (Bakker, Demerouti & Verbeke, 2004; Schaufeli, Taris & Bakker, 2006; Gierveld & Bakker, 2005). In summary, organization that is successful in supporting and developing engaged employees can achieve significant organizational benefits such as higher retention rates, improved productivity, and increased profit (Shuck, 2010). The above literatures and findings tell us that failure of supporting and developing employee engagement may harmful for organizations throughout the world. It can create not only decrease in organizational profit but also supporting the employee turnover and employee shifting.

In Malaysia it is a common phenomenon that employees shift from one organization to another within a period of five years (Mustapha , 2014). Employees would tend to leave their companies to slightly better pay due to low emotional attachment with their organization. Additionally, Nijhof, de Jong and Beukhof (1998) stated that the achievement of an organization does not only rely on how the organization utilizes its human capitals and competencies but also on how it incites commitment to the organization. Thus, the biggest challenge for Malaysian organizations is to promote a sense of commitment and belonging among their employees. Engagement of employee comprises both of it.

Employee engagement has been defined as "the level of commitment and how hard and how long they worked in their organizations". It is a complex concept involving pathways which promote employee engagement. Companies have to opt for the best practices to determine the likely outcome. Researches have shown the interconnection between employee engagement and Corporate social responsibility initiatives of firms (CSR). CSR is an important factor of competitive market. In this new ear of competition, companies have to adopt social responsibility (Brammer and Pavelin, 2006; Fombrun, 2005; Andriof and Waddock, 2002) which act as a key attribute to judge the company reputation and promote the engagement of employees

PHENOMENON OF THE STUDY

Corporate Social Responsibility

Normally, corporate social responsibility is recognized as corporate citizenship, corporate social performance, and corporate social accountability and precisely explored in recent years by some research scholars. According to Mohr et al. (2001) CSR is "a company's commitment to minimizing or eliminating any harmful effects and maximizing its long run beneficial impact on society". However, in this study the concept of CSR has been considered in two dimensions from the employee perspective which is CSR association and CSR participation. CSR associations are defined as employees' perceptions of the character of the company related to societal issues. CSR participation is the degree to which employees share in the execution of CSR activities or in decision making (Brown and Dacin, 1997).

CSR has become the tinkleword in business literature nowadays. Researchers are investigating the multi-dimensional effects of CSR on business entities. Although there is no agreed definition of CSR (Windsor, 2006; Garriga and Mele, 2004; Waddock, 2003), this obstacle has not stopped the academics and practitioners to measure and conceptualized it. Companies are facing pressures form communities, non governmental regularities, activities

and socially responsible citizens, to behave as responsible corporation of the society. CSR activities are somewhat called business responsibilities. Ahmad et al (2003); Andriof and Waddock, (2002) conceptualized CSR as gesture that emerge as a sense of responsibilities and day to day fundamental activities and its impact on society, business and environment. In this context corporations are using conception of CSR not only to build favourable relationships with government but also with all related stakeholders in order to ensure sustainable business performance including employees.

Employee Engagement

Employee engagement (EE) is relatively a new concept in the business literature, therefore the universally acceptable definition of employee engagement is still lacking. Many researchers and academicians define EE according to their findings and conclusions. Among the famous definition is ; EE is the emotional commitment towards an organization (Baumruk 2004, Richman 2006 and Shaw 2005). Truss et al. (2006) elucidate it as passion at work. The positive consequences of EE have lead the organization to give it due importance (Saks 2006). May et al. (2004) have explained that engagement is related to wellbeing. Towers (2003) explored in his research that employees tend to explicit more engagement in non-profit organization.

PAST EVIDENCES

Research scholars have investigated the influence of corporate social responsibility on various stakeholders including consumers, investors and employees as well. Ali et al. (2011) analysed the influence of CSR in investor satisfaction and loyalty. In the context of employee behaviour he found significant relationship between CSR and employee retention. However, the influence of CSR on employee engagement is relatively under examined. The present study fills this gap. The influence of CSR has been examined employee engagement with the corporation refers to the process through which it develops and maintains social responsibility. Motivation is persist by engaged employee. Hence, commitment is course of action that binds an individual towards certain targets (Meyer & Herscovitch 2001: 301). Commitment will initiate positive outcome, thus enhance employee commitment to the organization. Social exchange theory according to Blau (1964) suggests that commitment is conditional to the perception of the benefits that they receive from the organizational membership (Shore and Wayne 1993; Wayne et al. 1997). Is ethical behaviour is motivated by its climate? It has deep rooted debate on it. There are evidences that have shown benevolent environment elicit greater employee commitment (Cullen et al. 2003). The following hypothesis can be developed on the basis of above conceptual discussion.

H1: Higher employee engagement level can be achieved by higher level of corporate social responsibility association.

H2: Higher employee engagement level can be achieved by higher level of corporate social responsibility participation.

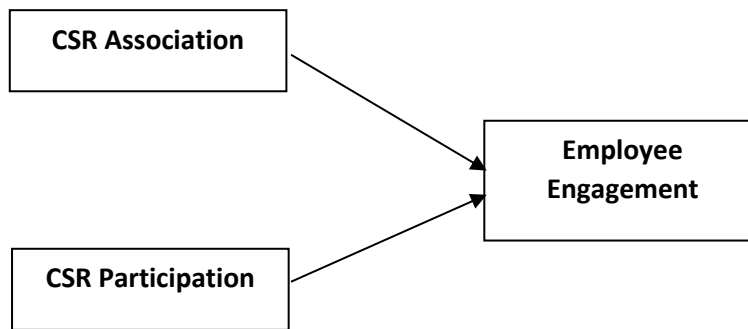


Figure 1: Research Framework

Figure I depict the research framework presented in this study. The model is developed on the basis of above conceptual and theoretical discussion.

RESEARCH METHODS

Research Design and sampling

This correlation research was conducted to determine relationships between CSR participation and CSR association factors on employee engagement among employees of Islamic banking sector. Organisations in the Islamic banking sector were targeted for the study. The sampling strategy involved stratified random sample and data was gathered using research questionnaires. Initially, a list of 18 organisations in this sector was gathered from the Central Bank of Malaysia's directory in 2010. They included local and foreign Islamic banking institutions in Malaysia. Each of the listed organisations was mostly the headquarters of the institution. A 200 of data will be targeted to achieve the number for analysis (Hair, 2010).

The sampling process went through Stratified sampling strategies when subpopulations within an overall population vary, it is advantageous to sample each subpopulation (stratum) independently. The sampling started by selecting the respondent from the list at random and then every k^{th} element in the frame was selected, where k , the sampling interval (sometimes known as the *skip*); n is sample N is population size; this was calculated as:

$$n = \sum k^{\text{th}} / N \times 100$$

or

no	stratified of institution	no. of firm (k)	%	no. of sample (n)
1	1,000 - 5,000	5	27.78	55.55556
2	5,001- 10,000	7	38.89	77.77778
3	10,001- 15,000	2	11.11	22.22222
4	15,001-20,000	3	16.67	33.33333
5	20,001 and over	1	5.56	11.11111
	Total	18	100	200

Unit of analysis and Malaysia in scope

There are a number of reasons for choosing the Islamic banking institutions as the unit of analysis for this study. First, in the context of development, the financial sector including Islamic banking sector has become an important pillar of strength in the economy of Malaysia (Tham & Loke, 2012). The financial sector is one of the largest contributors to GDP in the services sector, making an 11.8 per cent contribution in 2011 (Economic Report, Ministry of Finance, Malaysia 2012).

Second, the labour force in the financial sector has grown. According to the Malaysian Economic Report (2012), the financial sector is the source of employment for about 7 per cent of the workforce. This places the financial sector among the four major sectors, which absorb close to 60 per cent of the country's workforce.

Third, according to a research by Towers Perin (2009) employees in banking sectors not achieve 50% of EE level. It showed that this sectors is still having much lacking in performance and can increased more profit if the level of EE can also be increased.

Data Collection Procedure

These institutions were contacted by e-mail and phone call to gain access for their cooperation in answering the questionnaire that will be post to them later. One thousand surveys were distributed to their offices all around Malaysia except Sabah and Sarawak. A total of 215 questionnaires received and only 200 were usable, yielding a response rate of 20%.

Self-administered survey method was used in this research. Respondents were given approximately two weeks in which to respond. An e-mail reminder was sent to the liaison officer who had been selected by the top management. The liaison officer was expected to use the company's internal e-mail during the second week to encourage non-respondents to take part in the survey. After one month, the number of employees responding only 1% and a second e-mail reminder was sent during the fifth week by the liaison officer. E-mail

reminders are crucial in gaining a higher response rate (Sheehan & McMillan 1999). The survey took ten months to complete due to the initial low response rate from all locations.

Measurement and Instrumentation

The primary variable of investigation in this study was the EE. The influence of CSR was gauged on employee engagement. Therefore the dependent variable in this study was EE. The instrument to measure EE is adopted from Schaufeli et al. (2002). The instrument contained 6 items measured on five point Likert scale. The instrument measured employees' response regarding their engagement attitude towards their work and the organization.

The independent variables in this study were CSR associations and CSR participation. The instrument to measure CSR associations is borrowed from Lichtenstein et al.'s (2004), whereas the CSR participation is measure is borrowed from Peterson (2004) and Smidts et al. (2001). The instrument contained 5 items measured on five point Likert scale. All these items were related to different aspect of corporate social performance in the context of employees.

Procedure

Before it is possible to determine relationships between specific constructs or variables, it is necessary to ensure the necessary confidence that the instruments used indeed reflect the variables they have been tasked to reflect within this study. For this purpose, the internal consistency reliability of the items within each instrument was calculated to determine the extent to which the items in each scale measure the same underlying attribute. Cronbach's alpha (α) coefficients were calculated to provide an indication of the inter-item correlations within each given scale. Cronbach's alpha values range between 0 to 1, where values close to one indicate high reliability of the scale, and values close to 0 indicate low reliability (Nunnally & Bernstein, 1994). The implications of performing these calculations are that they enable one to identify and eliminate items that do not contribute to the internally consistent descriptions of scales or subscales, thereby improving the internal consistency reliability of the test (Anastasi & Urbina, 1997). Where there are significant increases in (α) coefficient values when items are deleted, overall scale reliabilities can be flagged and monitored for possible revision through this process.

Pilot Testing of Instrument

A pilot test of the instrument was conducted from October 2013. The respondents were among employees of 10 Islamic Banking around Kota Bharu. 100 sets of questionnaire were distributed to the respondents. The objective of pilot test was also to examine some information regarding:

- i- What is the best approach to ask them in completing the questionnaires?
- ii- Were they motivated to complete the questionnaire?
- iii- Were the statements confusing?
- iv- Were the instructions clear?
- v- How long did it take to complete the questionnaire?

As among the busiest workplace, the questionnaire cannot be answered at the time and most of the company asked for at least a week to complete the questionnaire. The respondent showed their interest in answering the questions as the questions were not confusing and the

direction was clear. A 30 sets of questionnaire were answered. In summary, the reliability results for CSR participation is 0.966 and 0.959 for CSR association.

Field of Study

The good reliability test was followed by the actual data collection for this research. Descriptive analysis was utilized to describe the respondents and the Pearson Product Moment Correlation was used to assess the influence of the independent variables on it's dependent. The results are presented, interpreted and discussed in the following section.

FINDINGS AND DISCUSSIONS

Demographic profile

Distribution of Respondents by Gender

Gender of respondents	Frequency n=200	Percentage
Male	111	55.5
Female	89	44.5
Total	200	100.0

Result from descriptive analysis showed that 55.5% respondents are male and the rest of 44.5% are female.

Distribution of Respondents by Age

Age of respondents	Frequency n=200	Percentage
Below then 20 years old	1	.5
20.1 - 30 years old	75	37.5
31.1 - 40years old	78	39.0
40.1 - 50 years old	40	20.0
Over than 50.1 years old	6	3.0
Total	200	100.0

Their ages are ranging from 20 to 50 years old and most of them (39%) are around 31- 40 years old followed by 37% age of 20-30 years old. A 20% represent the age of 40-50 years old, 5% below 20 years old and the rest is 3% for over than 50 years old.

Distribution of Respondents by Highest Academic Qualification

Academic Qualification of Respondents	Frequency n=200	Percentage
Primary/Secondary School	61	30.5
Diploma/Matriculation/ A-level	62	31.0
Bachelor	72	36.0

Professional Qualification/ Postgraduate (Master/Ph.D)	3	1.5
Other	2	1.0
Total	200	100.0

The highest level of education attained by respondents ranged from Sijil Pelajaran Malaysia (SPM) to Postgraduate. Most of the respondents (36%) completed their education with a Bachelor Degree, 31% with Diploma, 30.5 % with Sijil Pelajaran Malaysia (SPM). A 1.5% represented the holder of professional qualification and 2% of them are Sijil Tinggi Pelajaran Malaysia (STPM).

Distribution of Respondents by Position in the Company

Position of Respondents in The Company	Frequency n=200	Percentage
clerk	76	38.0
executive	104	52.0
Manager/ Top Management team	11	5.5
Other	9	4.5
Total	200	100.0

From the study, almost half of respondents (52.0%) are executive, 38% clerk and 5.5% are manager. Meanwhile 4.5% are appointed as sales agents.

Distribution of Respondents by Salary Per Month

Salary of Respondents	Frequency n=200	Percentage
below then RM 1500.00	9	4.5
RM 1501.00 - RM 3000.00	95	47.5
RM 3001.00 - RM 4000.00	66	33.0
RM 4001.00 - RM 5000.00	7	3.5
Over then RM 5000.00	23	11.5
Total	200	100.0

The study showed that 52% of them get the salary below than RM3,000 and the rest of 48% are get paid under RM3,000.

Distribution of Respondents by Duration of services with The Company

Duration of services with the company by Respondents	Frequency n=200	Percentage
Below Then 1 year	33	16.5
1.1 to 10 years	78	39.0
10.1 to 20 years	58	29.0
Over Then 20 years	31	15.5
Total	200	100.0

From the result, 55.5% have being working there for about less than 10 years and 29.0% are more than 10 years, 15.5% were working there over than 20 years.

Distribution of Respondents by Duration of services Under Current Supervisor

Duration of services with the Current Supervisor	Frequency n=200	Percentage
Below Then 1 year	32	16.0
1.1 to 10 years	135	67.5
10.1 to 20 years	17	8.5
Over Then 20 years	16	8.0
Total	200	100.0

From the analysis majority of respondents (67%) had being working with the current supervisor for 1 to 10 years, 16% below than 1 year, 8.5% 10- 20 years and 8% of them over than 20 years.

The influence of CSR participation on employee engagement

The result of the data analysis shows that as the level of CSR participation of employee increased, their level engagement ($r = 0.742$, $p = 0.000$) increased. This finding confirms the relationship and supports the hypothesis that employee who possessed high CSR participation also experienced a high level of engagement.

The influence of CSR association on employee engagement

The result of the data analysis indicates that as the level of CSR association of employee increased, their level engagement ($r = 0.742$, $p = 0.000$) increased. This finding confirms the relationship and supports the hypothesis that employee who possessed high CSR association also experienced a high level of engagement.

In many previous studies indicated that CSR plays an important role to enhance employee attitude and behaviour towards the organisation (Alshbiel & Al-Awawdeh, 2011; Al, et al., 2010; Rettab et al., 2009; Lee et al., 2009; Rego et al., 2009; Branco & Rodrigues, 2006; Lo et al., 2008; Kao et al., 2009; Earl, 2004; Brammer et al., 2007; Maignan et al., 1999). Moreover,

Glavas and Piderit (2009) and Lin (2009) have found that an increase in corporate citizenship will lead to an increase in the levels of engagement. Therefore supports the hypothesis.

Discussion

The interesting finding of this study is the significant effect of CSR participation and association with employee engagement. This circumstances probably because Islamic banking employees in Malaysia believe to the fact that their banks are providing them with good reputation and several initiatives exceeding legal requirements to achieve the balance between life and work, leading to their reporting of high engagement . This finding is similar to Devi (2009) who pointed out that an organisation that helps their employees work in a way which best supports them in balancing their work and home environments are more likely to have engaged employees. The Sirota Survey Intelligence (2007) indicated that there is an impact on employees' attitudes when they perceive the presence of a strong commitment by their employers to CSR. This will raise EE to 86% while a negative perception could lower EE to 37%.

CONCLUSION

The findings suggest the importance of CSR participation and CSR association to enhance employee engagement towards their organization. The more knowledge of understanding of these two factors can increase the level of organizational citizenship amongst employee. Therefore organizations are called to emphasize and enforce on these traits as dimensions to be emphasized to in order to promote engagement amongst their employees.

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