

## The Influence of the Second-Order Stakeholder Dimension of CSR on Employee Engagement: The Mediating Role of Organizational Trust

Siriwan Kaewchird\*

Busaya Virakul\*\*

Kalayanee Senasu\*\*\*

Mayuree Aryupong\*\*\*\*

Arnond Sakworawich\*\*\*\*\*

### Abstract

This study investigates: (a) the second-order construct of corporate social responsibility (CSR) in relation to seven groups of stakeholders; namely employees, customers, shareholders, suppliers, the community, the environment and the government; (b) its impact on employee engagement; and (c) the mediating role of organizational trust in the relationship between CSR and employee engagement. Survey data were collected from 633 employees working in 100 organizations listed on the Stock Exchange of Thailand (SET) with outstanding CSR performance. Empirical testing using structural equation modeling (SEM) showed a direct and positive relationship between CSR and employee engagement. The findings also suggested that organizational trust is a partial mediator between CSR and employee engagement. The practical implication of the research findings is that they enhance management knowledge in improving employee trust and engagement in organizations.

**Keywords:** Corporate social responsibilities, employee engagement, organizational trust, partial mediator, stakeholder management

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\* Graduate School of Human Resource Development, National Institute of Development Administration (NIDA).

E-mail: siriwan\_yd@yahoo.com

\*\* Graduate School of Human Resource Development, National Institute of Development Administration (NIDA).

E-mail: busaya@nida.ac.th

\*\*\* Graduate School of Human Resource Development, National Institute of Development Administration (NIDA).

E-mail: kalaya.kk@gmail.com

\*\*\*\* Martin de Tours School of Management and Economics, Assumption University

E-mail: bbamay@yahoo.com

\*\*\*\*\* Graduate School of Applies Statistics, National Institute of Development Administration (NIDA).

E-mail: arnond@as.nida.ac.th

Received: February 1, B.E.2561 Revised: July 7, B.E.2561 Accepted: July 13, B.E.2561

## อิทธิพลของความรับผิดชอบต่อสังคมในมิติของกลุ่มผู้มีส่วนได้ส่วนเสียในตัวแทนอันดับที่สองต่อความผูกพันของพนักงานในองค์กร: บทบาทของความไว้วางใจต่อองค์กรในฐานะตัวแปรส่งผ่าน

สิริวรรณ แก้วเชิด\*

บุษยา วิกุล\*\*

กัลยาณี เสนาสุ\*\*\*

มยุรี อายุพงศ์\*\*\*\*

อานนท์ ศักดิ์วีระวิทย์\*\*\*\*\*

### บทคัดย่อ

งานวิจัยนี้มีวัตถุประสงค์เพื่อ (ก) ศึกษาความรับผิดชอบต่อสังคม (CSR) ในมิติของกลุ่มผู้มีส่วนได้ส่วนเสียจำนวน 7 กลุ่ม ได้แก่ พนักงาน ลูกค้า ผู้ถือหุ้น ชัพพลายเออร์ ชุมชน สิ่งแวดล้อม และภาครัฐ ภายใต้ตัวแทนอันดับที่สอง (second-order construct) (ข) ศึกษาอิทธิพลของ CSR ภายใต้ตัวแทนอันดับที่สอง ที่มีผลต่อความผูกพันของพนักงานในองค์กร (ค) ศึกษาบทบาทของความไว้วางใจต่อองค์กรในฐานะตัวแปรส่งผ่าน (Mediator) ความสัมพันธ์ระหว่าง CSR และความผูกพันของพนักงานในองค์กร สืบจากพนักงานจำนวน 633 คน จากทั้งหมด 100 บริษัทที่จดทะเบียนอยู่ในตลาดหลักทรัพย์แห่งประเทศไทย และมีความโดดเด่นด้านความรับผิดชอบต่อสังคม การทดสอบเชิงประจักษ์โดยใช้แบบจำลองสมการโครงสร้าง (Structural Equation Modeling) แสดงให้เห็นถึงความสัมพันธ์ทางตรงเชิงบวกระหว่าง CSR และความผูกพันของพนักงานต่อองค์กร ผลการวิจัยยังชี้ให้เห็นว่าความไว้วางใจต่อองค์กรทำหน้าที่เป็นตัวแปรส่งผ่านอิทธิพลบางส่วน (Partial Mediator) จาก CSR ไปยังความผูกพันของพนักงานในองค์กรอีกด้วย ในทางปฏิบัติ ผลการวิจัยเพิ่มความรู้ด้านการบริหารจัดการเพื่อสร้างความไว้วางใจและความผูกพันของพนักงานในองค์กร

**คำสำคัญ:** ความรับผิดชอบต่อสังคม ความผูกพันของพนักงาน ความไว้วางใจต่อองค์กร ตัวแปรส่งผ่านอิทธิพลบางส่วน การบริหารจัดการกลุ่มผู้มีส่วนได้ส่วนเสีย

\* คณะพัฒนาทรัพยากรมนุษย์ สถาบันบัณฑิตพัฒนบริหารศาสตร์

อีเมล: siriwan\_yd@yahoo.com

\*\* คณะพัฒนาทรัพยากรมนุษย์ สถาบันบัณฑิตพัฒนบริหารศาสตร์

อีเมล: busaya@nida.ac.th

\*\*\* คณะพัฒนาทรัพยากรมนุษย์ สถาบันบัณฑิตพัฒนบริหารศาสตร์

อีเมล: kalaya.kk@gmail.com

\*\*\*\* คณะบริหารธุรกิจและเศรษฐศาสตร์ มหาวิทยาลัยอัสสัมชัญ

อีเมล: bbamay@yahoo.com

\*\*\*\*\* คณะสถิติประยุกต์ สถาบันบัณฑิตพัฒนบริหารศาสตร์

อีเมล: arnond@as.nida.ac.th

วันที่รับบทความ: 1 กุมภาพันธ์ 2561 วันที่แก้ไขบทความล่าสุด: 7 กรกฎาคม 2561 วันที่อนุมัติการตีพิมพ์: 13 กรกฎาคม 2561

## Introduction

Corporate social responsibility (CSR) has been in the spotlight among academic researchers over the past few decades and a growing number of studies have been conducted on the effects of CSR. However, previous studies have focused mainly on the effects of CSR on stakeholders outside the organizations e.g. customers, shareholders, and the environment; while very little attention has been paid to internal stakeholders such as employees. This is unfortunate as employees are a key stakeholder group and their performance has a critical impact on the organizations for which they work.

When employees perceive that their organization works for the well-being of society in the form of CSR, they feel a sense of satisfaction and like to identify themselves with that organization as it enhances their self-esteem and pride (Tajfel, 1978). According to social exchange theory, this leads employees to feel a sense of obligation to create benefits for their organization in return (Blau, 1964). Therefore, this study expects that CSR will increase employee engagement in the workplace.

Limited research on the effect of CSR on employee engagement did not directly test underlying mechanisms (Glavas, 2016). Previous evidence indicates that employees are more likely to engage in their work when they develop a high level of organizational trust (e.g. Lin, 2010). To address this limitation, this current study empirically tested the effect of CSR on employee engagement via organizational trust. In the context of this study, “trust” refers to the employees’ confidence that the organization will act in ways that are beneficial, or at least not harmful, to him or her (Gambetta, 1988). Recent studies have shown that employee trust can result in increased work engagement and organizational productivity (Brown et al., 2015; Lin, 2010). As a framework for this study, the following research questions were formulated:

1. Do CSR practices affect employee’s level of engagement?
2. Do CSR practices affect employee’s level of organizational trust?
3. Does employee’s level of organizational trust affect employee’s level of engagement?
4. What role does the employee’s level of trust play in the relationship between CSR and employee engagement?

This study complements and contributes to past studies in several ways. First, it extends mainstream research by focusing on the potential impact of CSR at the individual level. Very little empirical research has directly examined CSR from an employee perspective. In addition, a review by Aguinis and Glavas (2012) found that the measurement of CSR at the individual level is still needed. To answer those calls, a measurement of the stakeholder-based CSR construct at the individual level has been developed for this study. To assess multiple constructs of CSR, the second-order model of CSR was developed and tested in this study. Second, this study widens the horizon

of previous CSR research by extending it to the Asian context. Prior research has mainly focused on the U.S. or on other Western countries. Given the differences in the economic and cultural environment, the practices of CSR in developing countries differ greatly from those in developed countries. Third, this study examines the underlying mechanism that links CSR and employee engagement through organizational trust. Few studies so far have investigated the mediating effect of trust on the relationship between CSR and employee engagement (Lin, 2010); therefore, the current study provides a significant contribution to the CSR literature.

## **Hypothesis Development and Research Model**

In the next section, the literature on CSR, engagement, and organizational trust is briefly reviewed. The literature review is followed by the development of hypotheses to explore the relationship between CSR, employee engagement, and organizational trust.

### **A Stakeholder Approach to CSR**

The concept of CSR was first mentioned in 1953 in the publication ‘Social Responsibilities of the Businessman’ by William J. Bowen (Carroll, 1979). He defined CSR as “the obligations of business to pursue policies, decisions or lines of action that are desirable in terms of the objectives and values of our society” (Bowen, 1953: 6). After Bowen, CSR further developed over the decades, going through many transformations. The most significant contribution was made by Carroll in 1979. Carroll (1979: 500) defined CSR as “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. However, Carroll’s approach is quite broad and difficult to measure because discretionary responsibilities change as they are affected by social norms (Glavas & Kelly, 2014). Also, details and guidelines regarding CSR processes and measurement remain inadequate for both managers and scholars (Clarkson, 1995).

Freeman’s work in 1984 offered an alternative approach which captures the dimensions of CSR among different groups of stakeholders. Freeman (1984) defined stakeholders as any group of individuals who can affect, or is affected by, the achievement of the firm’s objectives. Several researchers have indeed favored a stakeholder approach when examining CSR (e.g. Oberseder et al., 2014; Turker, 2009a) because of the comprehensive nature of such an approach. Clarkson (1995) explained that the language of CSR in relation to stakeholder theory is easier to grasp by practitioners as most organizations understand and define obligations and responsibilities regarding their stakeholders. Hence, the concept of CSR in this study is defined as the corporate behaviors that aim to affect the well-being of stakeholders, including employees, customers, shareholders, suppliers, the community, the environment, and the government. Clearly distinguishing between

different groups of stakeholders makes CSR engagements easier to assess and more tangible to employees. The section below discusses each stakeholder in detail.

*CSR towards Employees:* Organizations must act to ensure the well-being and support of their employees; including career opportunities, employee welfare, organizational justice, work-life balance policies, safety, and job security.

*CSR towards Customers:* Organizations try to build and maintain good relations with their customers; including providing product safety, charging fair price, maintaining good quality, and handling customer complaints.

*CSR towards Shareholders:* Organizations must act to ensure the well-being of their shareholders; including highest return, comprehensive communication, dividend policy, and corporate governance.

*CSR towards Suppliers:* Organizations must provide fair terms and conditions for their suppliers, including controlling and monitoring suppliers with regard to employment and working conditions.

*CSR towards the Community:* Responsibilities of an organization toward the community; including paying respect to regional values and customs, contributing to economic development of the region, and honestly communication.

*CSR towards Environment:* CSR principles in the field of environmental protection include waste management, recycling activities, energy saving, and R&D investment.

*CSR towards the government:* The organization is responsible for complying with the law and governmental rules and paying taxes.

### **CSR and Employee Engagement**

Gallup's global workforce survey in 2017 indicated that only 15% of employees were engaged and employees in Asia showed the lowest level of engagement (Gallup Consulting, 2017). This represents a major barrier to productivity for organizations everywhere. In parallel, there is a counter-trend emerging in which employees are increasingly engaged at work due to CSR. According to Glavas (2012), *My Sustainability Programs* at Walmart, through which employees proactively shaped their own jobs to be more socially and environmentally responsible, became

the main source of employee engagement. Therefore, scholars have recently begun exploring the CSR–engagement relationship. Yet, little is known about why, how, and when employees are engaged by CSR.

Employee engagement does not have a generally accepted definition that can be used as a common reference. The first definition of engagement found in academic literature is that of Kahn (1990: 695) which defined personal engagement as “the harnessing of organization members’ selves to their work roles”. For the purpose of this paper, the preferred definition is provided by Schaufeli et al. (2002), which identifies engagement into physical and cognitive components. Vigor refers to the outpouring of energy and mental strength during work, the courage to make a supreme effort in completing a job and work diligently in the face of difficulty. Dedication is a strong feeling related to meaning, enthusiasm, pride, inspiration and challenge. Absorption refers to a pleasant state of being immersed in one’s work, a state in which time passes by quickly and a reluctance to detach from the work being done.

There are several indicators that CSR plays an important role in affecting employee engagement in their workplace. Recently, Glavas (2016) conducted a survey of 15,184 employees in a large professional service firm in the USA and found a positive relationship between CSR and employee engagement. In contrast, Ferreira and Oliveira (2014) found no significant relationship between CSR and employee engagement in a study conducted in Portugal.

Social exchange theory provides a theoretical understanding of the relationship between CSR and employee engagement. When employees perceive that their organization works for the well-being of society in the form of CSR, they feel obliged to reciprocate these voluntary CSR investments due to generalized reciprocity norms, even if these activities are not directly focused on them (Farooq et al., 2013). Thus, the following hypothesis has been proposed:

*H1: CSR practices have a positive impact on employee engagement.*

### **CSR and Organizational Trust**

In general, scholars agree that trust between individuals and the organization which employs them is a highly important ingredient in the sustainability of the organization and the well-being of its members. Trusting behavior, according to Gambetta (1988), follows on from the employee’s faith and confidence that the organization will perform actions that are honest and beneficial to them. Trust literature has identified many antecedents, such as a company’s ability, honesty and goodwill. These antecedents clearly overlap with perceptions of a company as socially oriented (Pivato, Misani & Tencati, 2008). Therefore, CSR activity sends important signals to employees

about organizational ethics and values and the extent to which it can be trusted. Pivato et al. (2008: 3) proposed that trust is the “first result of a firm’s CSR activities” or the immediate or most proximate outcome of CSR activity.

In the field of HRD, a few studies have examined the relationship between CSR and organizational trust. Lin (2010) studied the role of CSR on organizational trust and found a direct and positive relationship between economic CSR and organizational trust. Dezi and Mehrbani (2016), after reviewing the issue of how CSR affects organizational trust in private hospitals in Iran, determined that all five dimensions of CSR (i.e. economic, legal, humanitarian, moral, and complementary) had a positive and significant impact on employee trust. Thus, the following research hypothesis has been proposed:

*H2: CSR practices have a positive impact on organizational trust.*

### **Organizational Trust and Employee Engagement**

Organizational trust is an essential factor promoting cooperation within organizations and leading to improved employee performance. There are numerous research studies investigating the relationship between organizational trust and positive work outcomes which affect the entire organization. These outcomes include organizational commitment, work engagement, and turnover intention. However, there have been fewer studies carried out on the effect of trust on employee engagement.

Wong, Spence-Laschinger, and Cummings (2010) found a direct positive effect of trust on employee engagement. They pointed out that increased trust results in the free exchange of knowledge, ideas, and information which in turn leads to a climate in which employees are engaged in their work. Similarly, Morrison and Robinson (1997) stated that an organization is obliged to tell their employees the truth about the organization. If they do not, employees feel that they have been treated unfairly and leads to a drop in engagement. In contrast, when employees perceive the words, actions and moral values of their organization as being consistent, they are more likely to be engaged in their work. A possible theoretical explanation for the relationship between organizational trust and engagement is that of the social exchange theory (Blau, 1964). If employees perceive the organization as trustworthy, it is likely that they will reciprocate trust by becoming more engaged in their work. Thus, the following hypothesis has been proposed:

*H3: Organizational trust has a positive impact on employee engagement.*

### The Mediating Role of Organizational Trust

According to the above-mentioned research studies, trust tends to mediate the relationship between CSR and employee engagement. However, a few studies have established that trust is a mediator between CSR and employee engagement. Lin (2010) identified the mediating role of organizational trust when observing the relationship between economic and ethical dimensions of CSR and engagement. On the other hand, Lee et al. (2013) report the mediating role of trust between economic CSR and employee engagement to be insignificant.

There are particular reasons as to why trust plays such a mediating role. First, trust has the ability to transform the employee's expectation of their organization's goodwill and supportive intentions into psychological outcomes (Mayer, Davis & Schoorman, 1995). Trust is regarded as a potential motivating or demotivating factor that triggers psychological attachment (i.e. engagement) or detachment (i.e. disengagement) outcomes in employees. Second, trust relates to the reciprocity and psychological contract breach. Psychological contract breach means that the employee's expectation of reciprocal obligations between himself and the organization has been broken (Rousseau, 1989). When employees experience a breach of their psychological contract, they perceive inconsistencies between the employers' words and actions. As time passes, such employees become increasingly less confident that their contributions will be reciprocated by their organizations in the future. This doubt may lead to a decline in employees' trust. When trust no longer exists, it affects employees' energy and dedication, resulting in a drop in engagement. The proposed hypothesis for investigating the mediating role of organizational trust is displayed and the research model showing all tested variables is demonstrated in Figure 1.

*H4: Organizational trust mediates the relationship between CSR and employee engagement*

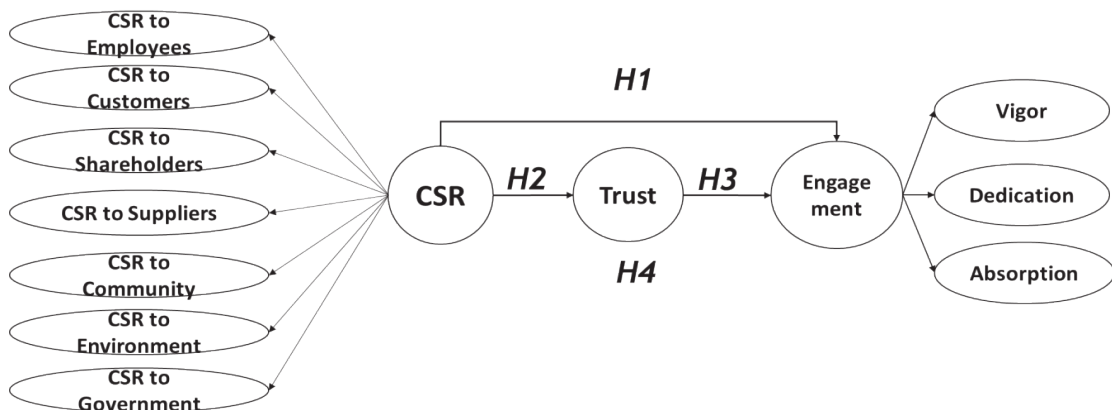


Figure 1. Research Model



## Research Methodology

### Sample

The survey was conducted at 100 organizations listed in ESG100 using convenience sampling methods. ESG100 is the 100 best-performing companies out of 621 publicly listed on the Stock Exchange of Thailand (SET). Performance is measured and certified by the Thaipat Institute in the areas of environment, society, and governance. An online survey link was sent to HR managers who later forwarded the survey web link to at least 15 employees per one organization. A total of 100 organizations were contacted and 68 organizations allowed the researchers to collect data. Respondents were in positions ranging from management to non-management and in different types of functional areas such as sales, finance, human resources, and administration. From 1,500 questionnaires, 633 usable questionnaires were collected resulting in a response rate of 42.20 percent. Table 1 summarizes the demographic profiles of respondents.

**Table 1.** Demographic Profile of Respondents (n=633)

Variable	N (%)	Variable	N (%)
<i>Gender</i>		<i>Experiences</i>	
Male	246 (38.9)	4 years or under	280 (44.2)
Female	387 (61.1)	5-9 years	235 (37.1)
<i>Age</i>		10-14 years	89 (14.1)
21-30	307 (48.5)	15-19 years	22 ( 3.5)
31-40	277 (43.7)	20 years or more	7 ( 1.1)
41-50	41 (6.5)	<i>Department</i>	
51-60	8 (1.3)	HR, Administration	157 (24.8)
<i>Position</i>		Sales, Communication,	239 (37.8)
Staff	606 (95.7)	Strategic management	
Supervisor	27 (4.3)	Finance, Accounting, Logistics	76 (12.0)
		Engineering, Production	64 (10.1)
		Others e.g. Legal, IT	97 (15.3)

### **Measurement-Tool Building**

To measure CSR, sets of questionnaires from previous research (e.g. Glavas & Kelly, 2014; Oberseder et al., 2014; Turker, 2009a) were adapted. It was operationalized as a second-order construct derived from seven groups of stakeholders. The final instrument included 39 items. Eight items measured CSR to employees, seven items measured CSR to customers, five items measured CSR to shareholders, five items measured CSR to suppliers, five items measured CSR to the community, five items measured CSR to the environment, and four items measured CSR to the government.

For employee engagement, 15 items were adapted from the Utrecht Work Engagement Scale (UWES) developed by Schaufeli and Bakker (2003). Employee engagement is operationalized as a second-order construct derived from three constructs including vigor, dedication, and absorption. There are five items relating to each construct. Organizational trust was measured using the seven-item scale developed by Gabarro and Athos (1976). Items were slightly modified to suit the purposes of this study. The questionnaire was translated into Thai language using a forward-backward translation process. All items were measured on a six-point Likert scale ranging from 1 “strongly disagree” to 6 “strongly agree”.

### **Data Analysis**

The collected data were analyzed using a two-step structural equation modeling (SEM) approach. The first step performed confirmatory factor analysis (CFA) on all data collected to assess the measurement reliability and validity. The next step was to test the hypothesized three structural models formulated: non-mediation model, full mediation model, partial mediation model. Further, a chi-square difference test was conducted to determine the best fitting model. If the difference between any two nested models is significant, this implies that a model with more paths explains the data better. If there is no significant difference among them, the more parsimonious model is preferred as it explains the data equally well compared to the fuller model.

Following Shrout and Bolger’s (2002) suggestions, bootstrap resampling method was performed to establish confidence intervals for testing the statistical significance of the mediation. Mackinnon, Lockwood, and Williams (2004) stated that using the bootstrapping approach would afford greater statistical power than the normal theory approach used in the structural model, hence enabling us to check the results of path analysis. Empirical test results from each stage of analysis are presented next.

### Measurement Validity and Reliability

Although the instruments deployed in this study are well-established to measure each construct, CFA was performed to test their dimensionality and validity in Thailand. Results from AMOS output revealed that the measurement model produced a clear factor structure and fit the data reasonably well ( $\chi^2 = 4665$ , d.f. = 1714,  $\chi^2/\text{d.f.} = 2.72$ , NFI = 0.89, TLI = 0.92, RMSEA = 0.05, CFI = 0.93,  $p < 0.001$ ). However, there were seven items that had standardized factor loading lower than the acceptable benchmark ( $< 0.70$ ) and were therefore dropped from the initial model. After deleting the seven low-factor loading items, the revised model fitted the data better as there was significant improvement of fit indices ( $\chi^2 = 2968$ , d.f. = 1322,  $\chi^2/\text{d.f.} = 2.25$ , NFI = 0.93, TLI = 0.95, RMSEA = 0.04, CFI = 0.96,  $p < 0.001$ ). Loading of all of the items onto their postulated latent variables resulted in Cronbach's alpha of between 0.72 and 0.92. The composite reliability scores were obviously above the threshold value of 0.70 which indicated a high degree of internal consistency of the measurement model.

The next step was to assess the measurement validity using Average Variance Extracted (AVE). The AVEs ranged between 0.61 and 0.81 which were well above the threshold of 0.50. Therefore, it can be concluded that all latent variables in the model can explain more than half of their own items' variance and thus ensure sufficient convergent validity. Also the AVEs square roots were calculated in order to ensure discriminant validity. The AVE square root value for each latent variable was greater than its correlation with the other latent variables representing a great deal of discriminant validity. Overall, the above figures provide evidence that the measurement model is reliable and valid (see table 2). Therefore, it can be concluded that the all constructs are appropriate for further analysis.

**Table 2.** Mean, SD, Cronbach's Alpha, Correlations, and AVE Square Root

	Mean	SD	$\alpha$	1	2	3	4	5	6	7	8	9	10	11
1. CSR to Employees	3.61	1.19	.93	<b>.88</b>										
2. CSR to Customers	3.91	1.18	.94	.66	<b>.88</b>									
3. CSR to Shareholders	3.78	1.10	.90	.64	.69	<b>.86</b>								
4. CSR to Suppliers	3.41	1.19	.76	.69	.74	.71	<b>.78</b>							
5. CSR to the Community	3.82	1.27	.93	.64	.71	.67	.72	<b>.85</b>						
6. CSR to the Environment	3.94	1.29	.95	.71	.67	.63	.70	.67	<b>.88</b>					
7. CSR to the Government	3.66	1.20	.86	.72	.71	.69	.74	.70	.71	<b>.80</b>				
8. Trust	3.74	1.26	.97	.71	.63	.57	.63	.56	.66	.70	<b>.90</b>			
9. Vigor	3.75	1.28	.95	.67	.58	.58	.61	.55	.61	.65	.74	<b>.90</b>		
10. Dedication	3.77	1.29	.95	.67	.60	.56	.62	.54	.64	.66	.79	.79	<b>.90</b>	
11. Absorption	3.79	1.30	.95	.64	.61	.58	.63	.55	.60	.66	.74	.76	.77	<b>.89</b>

**Notes:** SD = standard deviation,  $\alpha$  = Cronbach's Alpha. Correlations are significant at  $p < 0.001$ . All numbers reported on the diagonal are AVE square roots.

### Structural Model Testing

After the measurement model was confirmed, the next stage was to estimate the three nested models: (1) non-mediation model, (2) full mediation model, and (3) partial mediation model. The model fit of these three nested models was then evaluated and a chi-square difference test was conducted in order to determine the better model. Table 3 shows the structural model analysis results of the three nested models and summarizes the path coefficient significance, the degree of model fit indices, and the explanatory power of each model. In order to decide which models fit the data best, chi-square difference tests were performed.

**Table 3.** Results of the Structural Model Analysis

	Non-Mediation	Full Mediation	Partial Mediation
<i>Paths</i>			
CSR → Engagement	.83***	-	.43***
CSR → Trust	-	.78***	.77***
Trust → Engagement	-	.87***	.53***
<i>Explanatory power (<math>R^2</math>)</i>			
Trust	-	.61	.59
Engagement	.70	.75	.81
<i>Model Fit measures</i>			
$\chi^2$	2482	3176	3072
d.f.	1023	1365	1364
$\chi^2/\text{d.f.}$	2.43	2.33	2.25
NFI	.92	.92	.92
TLI	.95	.95	.95
RMSEA	.05	.05	.05
CFI	.95	.95	.96

**Note:** \*\*\* $p < 0.001$ 

### Chi-Square Difference Testing

Comparing the non-mediation with the full mediation model, result of chi-square different test ( $\Delta\chi^2 = 694$ ,  $\Delta\text{d.f.} = 342$ ,  $p < 0.001$ ) suggested that adding two direct paths (CSR → Trust and Trust → Engagement) does improve the model fit. So it was decided to estimate the additional paths and prefer the larger (full mediation) model.

Further, the full mediation model was compared with the partial mediation model. The result of chi-square different test ( $\Delta\chi^2 = 104$ ,  $\Delta\text{d.f.} = 1$ ,  $p < 0.001$ ) suggested that adding a direct path from CSR to employee engagement does improve the model fit. So it was decided to estimate the additional path. The partial mediation model is the best fit to the data (see Table 4 and Figure 2).

Table 4. Chi-Square Difference Test of Three Nested Models

Model Comparison	$\Delta\chi^2$	$\Delta d.f.$	p-value	Result
Non vs. Full Mediation	694	342	Sig. at $p < 0.001$	Choose Full Mediation Model
Full vs. Partial Mediation	104	1	Sig. at $p < 0.001$	Choose Partial Mediation Model

As Figure 2 shows, all paths were statistically significant. CSR in relation to seven groups of stakeholders leads to significantly higher employee engagement ( $\beta = 0.43$ ,  $p < 0.001$ ) and organizational trust ( $\beta = 0.77$ ,  $p < 0.001$ ). These results support Hypotheses 1 and 2. The results also provide support for Hypothesis 3, which argues that organizational trust is positively related to employee engagement ( $\beta = 0.53$ ,  $p < 0.001$ ). The model explained 59% of the variance in organizational trust and explained 81% of the variance in employee engagement.

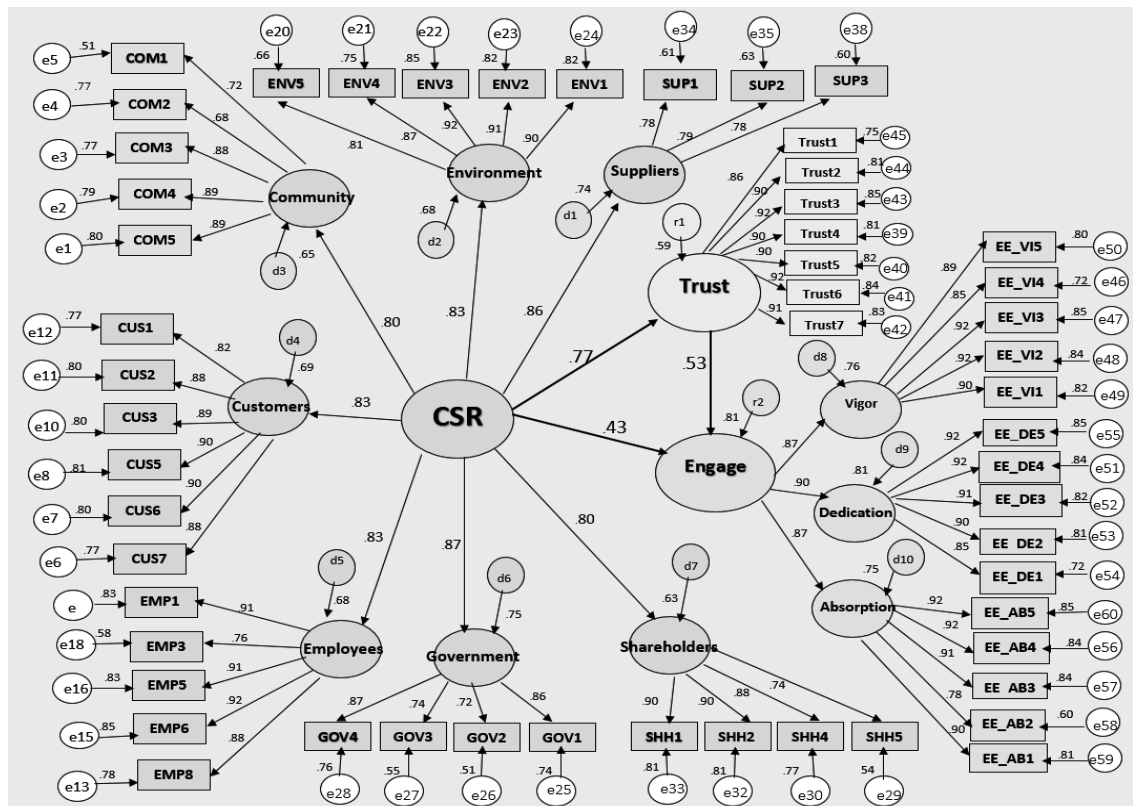


Figure 2. Partial Mediation Model

## Research Findings and Discussion

In this section, the research findings are presented according to the four research questions.

### **Research Question 1: Do CSR Practices affect Employee's Level of Engagement?**

The study results indicate that the second-order construct of CSR in relation to seven groups of stakeholders; namely employees, customers, shareholders, suppliers, the community, the environment and the government is positively and significantly related to engagement ( $\beta = 0.43$ ,  $p < 0.001$ ). These findings are consistent with those of previous research studies by Glavas (2016) and Ferreira and Oliveira (2014) who found that employees were more engaged when they perceived their organizations to be practicing good CSR. However, these previous studies measured CSR by using first-order construct and adopting different dimensions. According to Chen, Sousa, and West (2005), treating one variable as a second-order factor model provides a more parsimonious and interpretable model benefiting both researchers and practitioners in analyzing and applying testing results. Hence, this study extends the literature review of CSR by providing evidence that a second-order construct of CSR is positively related to employee engagement.

Results also show that CSR towards government has the highest value of factor loading, followed by CSR towards suppliers, and CSR towards customers respectively. That is perhaps because the sample was selected from employees that work for organizations listed in the stock exchange market, which are highly regulated and closely monitored by SET. Therefore, their organization seems to follow rules and regulations strictly. Hence, their employees perceive a high level of CSR towards government. This finding is different from previous studies that commonly detected CSR towards the environment and employees at the top ranking (e.g. Glavas & Kelly, 2014; Turker, 2009b).

### **Research Question 2: Do CSR Practices affect Employee's Level of Organizational Trust?**

The analyzed data from outstanding socially responsible organizations suggest that the greater engagement an organization has in CSR activities, the greater the effect CSR has on employee's trust ( $\beta = 0.77$ ,  $p < 0.001$ ). This finding is consistent with previous studies (e.g. Farooq et al., 2014; Hansen et al., 2011). However, previous research measured CSR by using first-order construct and adopting different dimensions. Hence, this study extended the literature review of CSR by providing evidence that a second-order construct of CSR with seven dimensions of stakeholders positively increases employee trust in an organization.

### **Research Question 3: Does Employee's Level of Organizational Trust affect Employee's Level of Engagement?**

The results of this study show a direct and positive relationship between organizational trust and employee engagement ( $\beta = 0.43$ ,  $p < 0.001$ ). The finding is congruent with those of previous studies (e.g. Wong et al., 2010). The noteworthy finding is that the level of trust (Mean = 3.74) is rather low among employees. According to demographic data, the majority of respondents are at the beginning stages of their working careers. Forty-eight percent of them are below 30 years old. Low levels of engagement among young employees are, in fact, not surprising given the results of previous studies (e.g., Mendryk, 2014). Being at the beginning of their careers, younger employees tend to have higher expectations that can lead to low engagement levels if not fulfilled.

### **Research Question 4: What Role Does the Employee's Level of Trust Play in the Relationship between CSR and Employee Engagement?**

The findings reveal that organizational trust plays a critical mediating role in the effects of CSR on employee engagement. This finding is consistent with Lin (2010) that found the mediation of organizational trust partially affected CSR and employee engagement. Employees who perceive value in CSR activities initiated by their organization are more likely to reciprocate these voluntary CSR investments due to generalized reciprocity norms, even if these activities are not directly focused on them. This reciprocity, in turn, enhances their level of engagement. On the other hand, when employees perceive their organization to have failed to fulfill their promises, they perceive an inconsistency between employers' words and actions (Robinson, 1996). Because of this inconsistency, an employee begins to lose confidence that the contributions he makes will be reciprocated by his employer in the future. This doubt may then lead to distrust and disengagement.

## **Implications**

### **Theoretical Implications**

This study contributes some theoretical implications. First, existing CSR literature shows that CSR created both positive and negative influence on organizational outcomes. Research findings in this study confirm the positive relationship between CSR, employee engagement, and organizational trust. Moreover, it confirms the role of trust as the mediating factor between CSR and engagement. It is possible that previous studies in which there was no significant effect of CSR on organizational outcomes may have drawn conclusions too early that CSR has no positive relationship with business values. It may be that CSR has positive impacts, but only through certain mediators.



Second, the validation of the CSR scale also has some implications for research on the psychometric foundations of CSR. Aguinis (2011) stated that the lack of micro-level studies on CSR possibly stems from a lack of useful and valid measures of employees' perceptions of CSR. In this study, CFA was performed in order to confirm the discriminant validity and construct reliability of CSR measurement. Results show that the measurement of CSR in this study is both reliable and valid. In addition, the second-order construct of CSR made it easier to understand why and how CSR perceptions likely influence individuals and organizational outcomes. These changes led to an evaluation of the influence of the general concept that represents several facets of the particular theory, rather than the influence of its dimensions separately. As a result, this study helps justify a multidimensional and hierarchical structure for CSR and shows significant promise for use in future research.

Third, this study was conducted in Thailand, a non-Western country, which presents a significantly different context than those of prior studies conducted in a Western context. Results therefore produce a deeper understanding of CSR, employee engagement, and organizational trust in settings with culture and norms particular to Asian countries.

### **Practical Implications**

The results of this study suggest several implications for practitioners. First, the results of this study provide insight into how to implement CSR policies which are effective in eliminating factors triggering disengagement. Focusing on the well-being of external stakeholders such as the local community appears to be one of the significant factors influencing employee disengagement prevention. The potential benefits of such a policy may, in turn, have a favorable impact on organizational outcomes, including an impact on organizational trust. In fact, organizations that do not have social responsibility are unlikely to boost their employee engagement in the long run (Cartwright & Cooper, 2009). Top management should strive to achieve a 360-degree perspective on CSR and to appropriately publicize their vision of social responsibility through internal communication channels in order to increase employee's awareness and ultimately enhance employee engagement in the organization.

Second, one of the interesting facts mentioned in the study is that CSR concepts keep changing: From Carroll's four dimensions in the 1980s to the more recent focus on responsibilities toward various groups of stakeholders. Any organization that does not adjust CSR policies to keep pace with the changing business environment is likely to face low levels of trust and engagement in their workplace.

Third, with regard to the significant effect of trust on the linkage between CSR and engagement, top management can use trust as a leading indicator to check the level of engagement of their employees. Management should enhance CSR activities by incorporating CSR activities as organizational core values and communicating these values to employees in order to win their trust.

## Limitations

Some limitations of the study should be considered when making inferences based on the findings. First, findings are based on the measurement scale for employee's perception of CSR. In this study, the scale is designed to cover seven groups of primary stakeholders. Although seven groups are more than the number employed in previous studies, it may be necessary to employ even more in the future as the nature and scope of CSR continues to change over time.

Second, caution should be observed in generalizing results as they are derived from a specific culture with specific social norms. Culture is always a significant factor in CSR research as it affects respondents' thoughts and attitudes. Therefore, the interpretation and application of implications of research findings in one country may not be the same as in other countries whose cultural contexts are different. Further studies should be conducted in other countries for cross-cultural comparisons so as to enhance knowledge about CSR.

Lastly, this study focused on organizations with outstanding CSR performance. Future research studies should replicate and cross validate using different sample groups. Studies should compare groups with good CSR performance against groups with poor CSR performance in order to determine if there are any differences between them in terms of the level of their employee's engagement and trust.

## Conclusion

This study is one among the relatively few studies conducted in the field of CSR that focuses on the internal impact of CSR activities. The research findings verify that the second-order stakeholder dimension of CSR is positively and significantly related to employee engagement. Moreover, the relationships between CSR and employee engagement were partially mediated by organizational trust. It is important to keep in mind that employee engagement is not driven solely by employees' personal needs. It is also driven by the organization's involvement in meeting the needs of society. The results of this study can benefit organizations by helping them reduce employee disengagement costs, increase employees' level of trust, and make CSR activities more effective.

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### Appendix A: Sixty-one items of the measurement tool.

<i>CSR to employees: I believe my organization ...</i>	
1	is primarily concerned with employees' needs and wants.
2	(usually makes fair decisions related to its employees.)
3	pays fair salaries and welfare to its employees.
4	(implements flexible policies to provide a good work and life balance.)
5	maintains a safe work environment for its employees.
6	encourages employees to develop their skills and provides career opportunities.
7	(supports employees who want to acquire additional education.)
8	respects the human rights of its employees.
<i>CSR to customers: I believe my organization ...</i>	
9	provides safe products/services, which do not threaten the physical or mental health of buyers.
10	charges fair and reasonable prices for its products/services.
11	treats its customer ethically.
12	(establishes procedures to comply with customer complaints.)
13	provides honest and complete information about its activities & products/services to customers.
14	provides after-sale services that adhere to professional standards of conduct.
15	always maintains good quality products/services.
<i>CSR to shareholders: I believe my organization ...</i>	
16	tries to ensure the company's survival and long term success.
17	strives for the highest returns to their shareholders.
18	(communicates openly and honestly with shareholders.)
19	clearly defines the company's dividend policy and the procedures and deadlines for its distribution.
20	establishes a mechanism for prevention and settlement of possible conflicts between shareholders and the company.
<i>CSR to suppliers: I believe my organization ...</i>	
21	provides fair terms and conditions for suppliers.
22	communicates openly and honestly with suppliers.

23	negotiates fairly with suppliers.
24	(selects suppliers which respect decent employment conditions.)
25	(controls working conditions at suppliers.)
CSR to the community: I believe my organization ...	
26	contributes to the economic development of the region.
27	creates jobs for people in the region.
28	sources products and raw materials locally.
29	communicates openly and honestly with the local community.
30	respects regional values, customs, and culture
CSR to the environment: I believe my organization ...	
31	integrates environmental issues with the organization's strategy.
32	does everything possible to reduce its negative effects on the natural environment.
33	is concerned with the proper management of waste and recycling activities.
34	exploits renewable energy in a productive process compatible with the environment.
35	invests in research and development regarding environmental protection.
CSR to the government: I believe my organization ...	
36	always pays its taxes on a regular and continuing basis.
37	complies with legal regulations completely and promptly.
38	tries to help government in solving social problems.
39	acts legally in all matters.
Trust	
40	I fully trust my organization.
41	My organization is open and up-front with me.
42	I believe my organization has high integrity.
43	In general, I believe my organization's motives and intentions are good.
44	My organization is always honest and truthful.
45	I think my organization treats me fairly.
46	I can expect my organization to treat me in a consistent and predictable manner.
Vigor	
47	At my work, I feel bursting with energy.
48	At my job, I feel strong and vigorous.

49	When I get up in the morning, I feel like going to work.
50	I can continue working for very long periods at a time.
51	At my work I always persevere, even when things do not go well.
<i>Dedication</i>	
52	I am enthusiastic about my job.
53	My job inspires me.
54	I am proud of the work that I do.
55	I find the work that I do full of meaning and purpose.
56	To me, my job is challenging.
<i>Absorption</i>	
57	I feel happy when I am working intensely.
58	I am immersed in my work.
59	I get carried away when I am working.
60	Time flies when I am working.
61	When I am working, I forget everything else around me.

Note: Items in parentheses are 'Deleted scale items'.