

## **The Effect of Employee’s Perceptions on Corporate Social Responsibility Activities on Organizational Commitment, Mediated by Organizational Trust**

Lidia Halim<sup>1</sup>, Sumiati<sup>2</sup> and Mintarti Rahayu<sup>2</sup>

<sup>1</sup>(Faculty of Economic and Business, Brawijaya University, Malang, Indonesia)

<sup>2</sup>(Faculty of Economic and Business, Brawijaya University, Malang, Indonesia)

Correspondence concerning this article should be addressed to Lidia Halim, Management Department, Brawijaya University, Malang, Indonesia.

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**ABSTRACT :** Banks is one of public sector which take part in relation with the communities by doing operational activities as a concern to their stakeholders. In banking sector, employees have authorities and powers in affecting the company. The aim of this research was analyze the influence of employee’s perceptions on corporate social responsibility activities to the organizational commitment which mediated by organizational trust. Sample in this research were employees on private banks in Malang by using total sampling and SEM-PLS analysis. The results showed that employee’s perceptions on corporate social responsibility activities directly influenced organizational commitment. The influence of employee’s perceptions on corporate social responsibility activities to organizational commitment enhanced by organizational trust.

**Keywords:** employee’s perceptions, social responsibility, organizational commitment, organizational trust.

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### **I. Introduction**

Corporate social responsibility is a current business topic which is important consideration for most companies (Ramasamy & Yeung, 2009; Loussaief et al., 2014; Mousiolis & Bourletidis, 2015) and attract the academics (Aguinis & Glavas, 2012; Arikan & Guner, 2013). Truscott et al., (2009) stated that financial institution is the most proactive institution in investing on corporate social responsibility’s program whereas other sectors company only have little reaction on this program (Decker, 2004).

In developing countries, social and economic problem is the most sensitive problem especially for banking sector, so this sector have to perform some activities as a concern to corporate social responsibility (Dorasamy, 2013). In line with this concept, private banks in Malang which has many corporate social responsibility activities and reached the best achievements in corporate social responsibility field which encourages researcher to deepen the study related to employee perceptions on corporate social responsibility activities in banking industry. Employees is one of the company's stakeholders who gives support for corporate in achieving short and long term goals, such as awareness on the importance of social responsibility to reach company’s benefit. Most research related to corporate social responsibility based on consumer perceptions as external parties (Lee & Jackson, 2010; Vaaland et al., 2008;). Studies conducted by Ali et al., (2010), Choi & Yu, (2014), Fu et al., (2014) stated that there is significant effect of employee perceptions on company’s social responsibility towards organizational commitment, but research conducted by Turker (2009) showed that there is no relationship between corporate social responsibility’s activities, especially in legal aspects.

Pivato et al., (2008) suggests there is a need of research that mediates the effect of social responsibility on organizational trust which supported by Rupp et al., (2006).

Tyler & Doerfel (2006) reveals trust is formed through symbolic interaction process of actors in organizations that affect organizational commitment. In addition, Tan & Lim (2009) suggest that there was a prediction that employees organizational trust built organizational commitment. Most previous studies related to employee perceptions on corporate social responsibility’s activities in hospitality (Fu et al., 2014; Tsai et al., 2012), university (Rajput, 2015), oil refinery company (Tuzcu, 2014), financial services company (Brammer et al., 2005), but still lack on employee perceptions related to corporate social responsibility in banking industry. Therefore, research in banking industry needs to be considered because services sector also depend on trust and organizational commitment of employees. The purpose of this research are analyze the effect of employee’s perceptions on corporate social responsibility activities related to organizational commitment, employee’s perceptions on corporate social responsibility activities related to organizational trust, organizational trust on organizational commitment, as well as the mediating role of organizational trust related to the effect of employee’s perceptions of corporate social responsibility activities on organizational commitment.

## **II. Theoretical Background**

### **2.1 The definition of employee's perceptions on corporate social responsibility activities**

Choi & Yu (2014), Lee, et al., (2013) stated that employee's perceptions related to corporate social responsibility activities is an employee's views about corporate social responsibility as philanthropic, ethical or environmental concern. Lee et al., (2013) reveals the dimension of employee perceptions on social responsibility, such as philanthropic activities, ethical activities and environmental concern.

### **2.2 Definition of organizational trust**

Dursun (2015) defines organizational trust as an employee confidence related to useful and beneficial in the future. In addition, organizational trust represents a relationship between organization and employees. In this research, organizational trust can be measured by five dimensions, such as fair and right treatment for employees, honest and open communication, organization as an active and informative parties, managing relationships with employees and the involvement of employee's aspirations (Lee et al., 2013).

### **2.3 Definition of organizational commitment**

Meyer & Allen (2001), describe the organizational commitment as a employee's psychological attitude in organization which reflects the association between employees and organization. This study measured organizational commitment through three dimensions, such as affective, continuance and normative (Meyer & Allen, 1997).

## **III. Hypothesis**

### **3.1 The effect of employee's perceptions on corporate social responsibility activities to the organizational commitment**

Several empirical study found a positive relationship between employee's perceptions on corporate social responsibility activities to the organizational commitment. Ali et al., (2010) describes that corporate social responsibility activities will attract other companies and employees as well as pride among employees. Based on empirical studies, the first hypothesis in this study is as follows.

H1: Employee's perceptions on corporate social responsibility activities significantly influence organizational commitment.

### **3.2 The effect of employee's perceptions on corporate social responsibility activities to organizational trust.**

Based on research conducted by Rupp et al., (2006), employee's perceptions of corporate social responsibility related to organizational trust. Furthermore, the company's involvement on corporate social responsibility activities will expand fairly corporate social responsibility's efforts internally to employees and in accordance with social responsibility's practices. Based on the conceptual study, the second hypothesis in this study is as follows.

H2: Employee's perceptions on corporate social responsibility activities has a significant effect on organizational trust.

### **3.3 The effect of organizational trust on organizational commitment.**

Some empirical research found a positive relationship between organizational trust and organizational commitment. Research conducted by Tan & Lim (2009), Fard & Karimi (2015), showed that how far employees believe that organization will build organizational commitment in the future. Based on empirical studies, the third hypothesis in this study is as follows.

H3: Organizational trust has a significant effect on organizational commitment.

### **3.4 Organizational trust mediating the effect of employee's perceptions on corporate social responsibility activities to organizational commitment.**

Rupp et al., (2006) revealed that corporate social responsibility activities as an important signal for employees in relation with company's ethics and value, especially as trustworthy companies. Relational factors such as trust can mediate employee's perceptions on corporate social responsibility activities. Based on the empirical study, the fourth hypothesis in this study is as follows.

H4: Organizational trust mediates the effect of employee's perceptions on corporate social responsibility activities to organizational commitment.

#### IV. Research methods

This research is explanatory research with employees on private banks in Malang as research population because this bank gives permission for conducting the research. The research samples are fifty four employees by using total sampling. Customer service, account officer, teller, back office and administrative office support as this research respondents. The data analyzed by SEM - PLS with warpPLS 5.0.

#### 4.1 Research result

##### 4.1.1 Validity and reliability

Validity test criteria were loading factor should be above 0,70 and significant p values less than 0,05. All items in the questionnaire are valid. Moreover, the reliability test using Cronbach Alpha, indicates that all items had Cronbach Alpha value above 0,7. All items in the questionnaire are reliable.

##### 4.1.2 Employee's Perceptions Analysis

Table 1.

Employee's perceptions on Corporate Social Responsibility Activities.

Indicators	Average score	Outer Loading
Employee's perceptions on philanthropy corporate social responsibility		
Social problem's solutions	4,48	0,785
Has strong awareness on corporate social responsibility	4,46	<b>0,852</b>
Enough contribution for local communities	4,17	0,705
Fund allocation for philanthropy activities	4,39	0,784
Non profit oriented companies	<b>4,52</b>	0,850
Encouraging employees to involve in voluntary activities.	4,41	0,765
Average		<b>4,4</b>
Employee's perceptions on ethical corporate social responsibility		
Emphaze on corporate social responsibility importance to employees	4,61	<b>0,817</b>
Training program related to employee's ethic	<b>4,76</b>	0,651
Employees must give complete and accurate information to customers	<b>4,76</b>	0,634
Companies have complete ethic codes	4,74	0,645
Well known as trustworthy companies	<b>4,76</b>	0,718
Average		<b>4,73</b>
Employee's perceptions on environmental concern corporate social responsibility		
Environmental awareness as one of company's mission	<b>4,19</b>	0,75
All company's operational activities considers environmental preservation	4,17	<b>0,82</b>
Average		<b>4,18</b>
Average of employee's perceptions on corporate social responsibility		<b>4,44</b>

Table 1 shows that the average of employee's perceptions on corporate social responsibility activities is 4.44 (good category). The lowest average of employee's perceptions on corporate social responsibility activities related to employee perceptions about the environmental concern. It's due to bank's environmental mission, but employees can't describe fully about environmental social responsibility because lack of information (environmental awareness, tree planting and the preservation of a sustainable environment).

The highest average is employee's perceptions of corporate social responsibility activities related to ethical activities. This condition occurs because fully understanding about ethical social responsibility activities which encourages sense of belonging. Furthermore, indicator "has strong awareness on corporate social responsibility", "emphaze on corporate social responsibility importance to employees", and "all company's operational activities considers environmental preservation" have the highest outer loading because of the importance role in establishing employee's perceptions on corporate social responsibility activities variable.

Table 2.

Employee's perceptions on Organizational Trust

Indicators	Average score	Outer Loading
<b>Organizational Trust</b>		
Fair and right treatment for employees.	4,43	0,853
Honest and open communication.	4,50	0,837
Organization as an active and informative parties.	4,44	0,853
Managing relationships with employees.	<b>4,56</b>	0,768
The involvement of employee's aspirations.	4,33	<b>0,880</b>
Average of employee's perceptions on organizational trust		<b>4,45</b>

Table 2 shows that the average of employee's perceptions on organizational trust is 4.45(good category). The lowest average of employee's perceptions on organizational trust related to the involvement of employee's aspirations. This condition occurs because not all employees have an authority in giving critics and suggest for the company.

The highest average is employee's perceptions of organizational trust related to managing relationship with employees. This condition occurs because the company makes a good relationship with employees through gathering. The company can form a solid team work and reduce the conflict so employees have self motivated to work and trust the company.

Another interesting finding was found in indicators stating "the involvement of employee's aspirations" has the highest outer loading because of the importance role in establishing employee's perceptions on organizational trust. High value outer loading because of the answer variation from employees.

**Table 3.**  
**Employee's perceptions on Organizational Commitment.**

Indicators	Average Score	Outer Loading
Affective Organizational Commitment.		
Pleasure to have career.	4,54	0,883
I am part of an organization.	4,50	0,831
Employees have personal attachment with the organization.	4,50	0,886
Average		4,51
Continuance Organizational Commitment.		
Feeling guilty when leaving the company.	4,37	0,818
Persist in the company because the greatest benefit.	4,31	0,877
Average		4,34
Normative Organizational Commitment.		
Feel guilty when taking a new job outside the organization.	4,46	0,881
Being loyal to the organization.	4,19	0,529
Average		4,33
Average of employee's perceptions on organizational commitment.		
		4,39

Table 3 shows that the average of employee's perceptions on organizational commitment is 4.39 (good category). The lowest average of employee's perceptions on organizational commitment related to normative organizational commitment. This condition occurs because most employees are still at basic level in a career, so employees can't loyal to the organization over a long time. Screening and employee contract system makes the value of normative organizational commitment haven't reach the maximum results.

The highest average is employee's perceptions on organizational commitment related to affective organizational commitment. This condition occurs because the ability of private banks to understand the employee's needs such as conducive working environment. In addition, private banks also offers the best facilities for all of the employees. Moreover, indicators stating "employees have personal attachment with the organization", "persist in the company because the greatest benefit", and "feel guilty when taking a new job outside the organization" have the highest outer loading because of the importance role in establishing employee's perceptions on organizational commitment.

## V. Results

### 5.1 Hypothesis Testing Results

This results indicate that employee's perceptions on corporate social responsibility activities has a positive impact on organizational commitment (H1 accepted), employee's perceptions on corporate social responsibility has a significant effect on organizational trust (H2 accepted), organizational trust has a significant effect on organizational commitment (H3 accepted), and organizational trust mediates employee's perceptions on corporate social responsibility towards organizational commitment (H4 accepted). The empirical findings are shown in Figure 1.

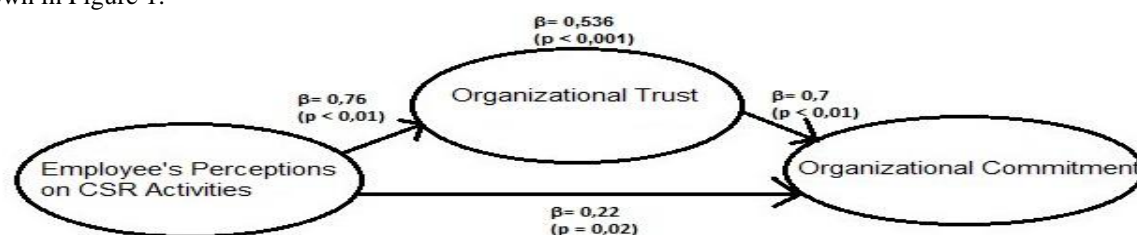


Figure 1.

The results of the SEM-PLS model

## **5.2 Analysis**

### **5.2.1 The effect of employee's perceptions on corporate social responsibility activities to the organizational commitment**

The results showed that there is a significant relationship between employee's perceptions on corporate social responsibility activities with organizational commitment. This condition occurs because employees can describe fully the activity of ethical social responsibility private banks. This corporate consistently reminds employees to give accurate and detail information to costumers, has training programs to improve the operational activities, so employee performance can be effective and efficient, and known as credible company.

Employee's perceptions on corporate social responsibility activities can influence employee's commitment. This conditions can generate employee engagement and employee concern for the company. These results are consistent with previous research conducted by Ali et al., (2010), Choi & Yu (2014), Fu et al., (2014), which stated that employee's perceptions on corporate social responsibility activities significantly influence organizational commitment.

### **5.2.2 The effect of employee's perceptions on corporate social responsibility activities to the organizational trust.**

The results showed that there is a significant relationship between employee's perceptions on corporate social responsibility activities with organizational trust. This condition occurs because employees understand and feel the implementation of corporate social responsibility activities, then they will react to these events. Especially, employees who have different personalities with another will adapt to the organization which being ethical and trust the organizations.

In fact, private banks is able to make good relationships with employees through gathering, having honest and open communications, and responsible to the working environment. When private banks make some efforts, it can be regarded as a trustworthy company because attracts employee's attention. This good relationship between company and employee such as the involvement of employee's aspirations can reduce the conflicts that occur in the workplace, companies can easily identify the issues, improve morale and boost its effectiveness and efficiency in company as well as helping companies to understand the expectations of other stakeholders about corporate social responsibility activities. This result are consistent with conceptual study conducted by Rupp et al., (2006) which stated that the aspect of corporate social responsibility can potentially improve organizational trust.

### **5.2.3 The effect of organizational trust to the organizational commitment**

The results showed that there is a significant relationship between organizational trust with organizational commitment. This condition occurs because organizational trust as the employee belief related to beneficial from companies in the future which enhance organizational commitment. When private banks has team engagement program, and make a good relationship through gathering will enhance employee identification. Furthermore, employees who trust the organization will believe with leaders decision that have the biggest effect in organization. This result are consistent with Tan & Lim (2009), Fard & Karimi (2015) which stated that trust will create a personal commitment.

### **5.2.4 Organizational trust mediating the effect of employee's perceptions on corporate social responsibility activities to the organizational commitment.**

The results showed that organizational trust mediates the effect of employee's perceptions on corporate social responsibility activities to the organizational commitment. Some organizational behavior's scholar proposed that trust is the main mechanism of corporate social responsibility to affect employee attitude and behavior. Pivato et al., (2008) stated that trust as the initial results of the activities of corporate social responsibility or the intermediary results of social responsibility activities. Based on reality, organizational trust as mediation effects of employee's perceptions of corporate social responsibility activities to the organizational commitment. Private banks is also involved incorporate social responsibility activities in a sustainable manner that increase employee's trust and belief then have the significant impact on organizational commitment.

## **VI. Implication**

### **6.1 Theoretical implications**

This study provides additional reference related to employee's perceptions on corporate social responsibility activities in an organization. Therefore, future research may explore employee's perceptions on corporate social responsibility activities in service industry, manufacturing, and government that implement corporate social responsibility. In addition, the results of this study found that organizational trust partially mediated and become the basis development of organizational trust where there is still lack of research about employee's perceptions on corporate social responsibility activities to the organizational commitment.

## **6.2 Practical implications**

This results stated that various corporate social responsibility activities generate different employee's attitudes. Overall it can be stated that internal employee's perceptions on corporate responsibility activities stronger than external employee's perceptions on corporate responsibility activities. The conditions can help managers to formulate policies related corporate social responsibility strategies such as maximizing the role related to environmental concern activities involvement. For example energy saving programs (electric, water and paper), supported by socialization of the positive benefits for employees and company. This effort as a competitive advantage because this involvement boost organizational trust and strong emotional bond among employees. When employees are more committed, it can make the company more productive and higher motivation. Furthermore, companies need to consider how to increase organizational trust through maximize aspiration from all levels of employees. Employees who have innovative ideas can enable organizations to formulate the best policy of corporate social responsibility.

## **6.3 Study Limitations and Future Research**

There are two major limitations in our study. First, the results of the study can't generalize because different perception of employees at each office and scope of corporate social responsibility activities. Second, the study focused solely on organizational trust as mediators. Further work should involve other factors that can affect organizational commitment such as employee engagement.

## **VII. Conclusions**

Based on the analysis, the conclusions of this study are as follows:

1. There is a significant relationship between employee's perceptions on corporate social responsibility activities to the organizational commitment. This can be demonstrated through emotional employees bond because of the capabilities of companies to fulfill employee's needs of the employees such as good working environment, employee's welfare, best service to consumers, and able to synchronize the information and implementations. This actions can establish employee engagement and concern to the company.
2. There is a significant relationship between employee's perceptions on corporate social responsibility activities to the organizational trust. This can be shown through employees understanding about the implementation of corporate social responsibility activities, reaction to these events and increase organizational trust.
3. There is a significant relationship between organizational trust and the organizational commitment. This can be explained through organizational trust as the reactions employee belief to favorable future corporate act to enhance organizational commitment. Organizational trust is a result of corporate social responsibility activities that instills employee commitment to the organization.
4. Organizational trust mediates the effect of employee's perceptions on corporate social responsibility activities to the organizational commitment. This can be shown through organizational trust as an indirect process of how corporate social responsibility activities affect organizational commitment.

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