A Conceptual Framework Exploring the Effect of Employee Perceptions of Corporate Social Responsibility on Psychological Capital, Employee Engagement, and Performance

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Abstract

While extensive literature attests to the financial advantages of CSR, there remains a dearth of systematic reviews exploring its non-financial impact. This study aims to address this gap by critically examining existing literature on employee perceptions of CSR during the pandemic and its effects on psychological capital, engagement, and performance, thereby enhancing our understanding of the role of CSR in fostering employee well-being and performance during crises. In this study, we conducted a systematic literature review. Guided by the PRISMA Statement (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) review method, dominant academic databases including Scopus, ProQuest, Science Direct, Research Gate, and Google Scholar as secondary sources of the database were explored to identify related articles. We analyze their methodological and theoretical approaches. Based on their key findings, we build a research model based on the categorization of dominant research findings and their connections. The review mainly focused on employee perception of CSR during a pandemic and its effect on employees. Given the current global situation, understanding how CSR initiatives affect employees' well-being and performance during such challenging times is crucial. The study offered several significant contributions for practical purposes and a body of knowledge to encourage companies and organizations to implement activities that promote employee psychological capital and engagement to increase their performance. The study provides valuable insights for organizations seeking to enhance employee well-being and performance through CSR initiatives, especially during the pandemic.

Keywords: Corporate Social Responsibility, Employee psychological capital, Employee engagement, Employee Performance

1. Introduction

"Corporate social responsibility (CSR) is the practice of looking out for the environment and other people while simultaneously adding value to the business. CSR is demonstrated by the plans and procedures a business adopts to operationalize its interactions with and effects on the welfare of all of its major stakeholders and the environment” (Glavas, 2014).

India, a nation of diverse contrasts, showcases a myriad of inconsistencies. On one side, it shines as one of the globe's largest economies, actively participating in global affairs. Conversely, it grapples with pressing issues such as economic inequality, accentuated by a glaring gap between the affluent and the marginalized. The necessity for robust Corporate Social Responsibility (CSR) initiatives stems from this stark wealth disparity. Moreover, the seismic impact of the COVID-19 pandemic, declared a global crisis by the World Health Organization (WHO), further exacerbated socio-economic conditions worldwide, India being no exception. An analysis of 138 articles delving into employee perceptions of corporate social responsibility (CSR), psychological capital, engagement, and performance from 2003 to 2020 is presented. This review aims to elucidate the landscape of CSR perception amidst the pandemic in India and forecast the trajectory of research in this
domain. Prior studies are scrutinized to unravel the multifaceted dimensions, conceptual frameworks, and impacts of employee CSR perceptions. Additionally, a concise elucidation of psychological capital among employees is provided, alongside an exploration of its interplay with engagement and performance. This study illuminates a critical research gap overlooked in previous literature, identified through meticulous literature assessment. The need for this study is supported by Jones (2017) who mentioned understanding the impact of CSR on an organization’s stakeholders has received surprisingly little attention. Through various classification schemes concerning the distribution of published articles across different journals, contexts, and periods, this systematic review provides an understanding of the current state of employee performance concerning the employee perception of corporate social responsibility practices during COVID-19. Previous research has presented numerous conceptualizations, dimensions, antecedents, and implications of employee perception of CSR, employee psychological capital, and employee engagement.

### 1.1. Social Identity Theory and CSR

Past research on CSR has calculated the effect of CSR on financial results such as corporate financial performance (CFP) (Margolis, 2003) and marketing aspects such as customer relationship management (CRM) (Martens, 2006). CSR has shifted from a one-sided profit orientation to a multi-sided social benefit perspective (Valentine, 2008). While CSR has been gaining popularity, extant literature has primarily focused on stakeholders outside the organization. As organizations aim to enhance employees’ psychological resources, the research focus must be shifted toward examining the impact of CSR on employees. In the given backdrop of CSR activities during the pandemic, this study draws upon the social identity theory (SIT) to examine the linkage between the variables of this study. Social identity theory is an important ‘social psychological theory of intergroup relations and group processes.’ It was conceptualized by the late Henri Tajfel (Tajfel, 1959, 1969). The theory states that ‘group behavior arises from a shared sense of social category membership’ meaning that individuals want a positive social identity to set themselves apart from others and to see themselves positively. As a result, people are more likely to associate with highly recognized and respected institutions. Individuals' psychological need for distinctiveness may be satisfied by membership in organizations known for their CSR activities and marked by unique organizational ideals and practices (Turker, 2009b). Drawing upon the insights from social identity theory, it may be argued that positive CSR perception boosts organizational identification which in turn leads to a desire to maintain one's good identity and membership in a group, thereby enhancing employee commitment (Paruzel, 2020). Individuals have a propensity to link themselves with social groups with comparable values and qualities to fulfill psychological demands of belonging, uniqueness, and meaningful living (Roeck, 2014). When employees perceive their organization's commitment to CSR, they feel more engaged, find their work meaningful, and demonstrate higher levels of commitment. This alignment of personal values with organizational goals enhances job satisfaction, productivity, and loyalty among employees. Studies indicate a significant positive correlation between CSR and organizational commitment (Glavas & Kelley, 2014). According to social identity theory, employees aligning with a company's socially responsible actions tend to show higher levels of organizational commitment (Brammer et al., 2007). Employees' self-image is reinforced when they identify with a reputable organization, making their work more important and rewarding. Hence, drawing upon the evidence from social identity theory and other related studies that have established that the employees' psychology, engagement, and performance are impacted by the social reputation of their employing organization, the authors have proceeded with examining the study variables further.

### 2. Methodology and Approach to the Literature

The objective of this systematic review is to present the current state of employee perception of CSR during a pandemic, employee psychological capital, employee engagement, and employee performance. To achieve the mentioned objective, four dominant
academic databases including Scopus, ProQuest, Science Direct, Research Gate, and Google Scholar as secondary sources of the database were explored to identify related articles. It is also clear from the literature review that research is required to examine the employee perception of corporate social responsibility during the pandemic on employee psychological capital and employee engagement because these aspects reflect the employee overall employee performance. Considering the literature review and the gaps identified, this study develops and proposes a conceptual model that consists of employee perception of corporate social responsibility, employee psychological capital, employee engagement, and employee performance.

2.1. Selection of Articles

To gain insight into the current state of research on the CSR–employee relationship, we applied the methodology of systematic literature review (Danese, 2017). A total of 162 articles were identified through the PRISMA search criteria, of only which 138 studies survived to be taken for final analysis. The systematic review method is divided into four stages (Moher et al, 2009). This study will be used to explain all of the procedures. The initial step was to identify the terms that will be utilized in the search. In general, identification entails searching for any synonyms, similar terms, or variations of the study's principal keywords. Articles were identified in the "article title, abstract, and keywords" section of the said database using keywords such as "corporate social responsibility", “Corporate social responsibility practices during COVID-19 " , “employee perception of corporate social responsibility", "employee engagement", "employee psychological capital", "employee performance". To keep the search process specific to the objectives of the study, the above keywords were used with the subject limits of "Business", "Human resource management", "Social sciences", and "psychology". The identified 162 articles were placed on a single Excel sheet and replicative articles were removed, leaving 145 articles for further analysis. Doctoral dissertations were excluded. After this evaluation, 138 articles that had selected keywords central to the discussion were chosen for final analysis. The rest of the 7 articles used the relevant keywords but were found to be irrelevant to the discussion and were therefore not considered. An overview of the selection process is given in Fig 1. The last search of articles was conducted in July 2020 and all the published articles till that time were included.
2.2. Research Design, Sampling, and Data Collection

The objective of this study is to examine the relationship between employees' perceptions of CSR, employee engagement, psychological capital, and performance. The research question that the authors sought to answer is: Is employees’ perception of CSR during the pandemic positively associated with PsyCap, engagement, and performance? This study used a conclusive, descriptive, and cross-sectional research design. The respondents in this study comprised workers from the hardest-hit sectors, such as transportation, logistics, tourism, hospitality, MSME, automobile, and accessories manufacturing. Data was collected using a random sampling method. 63 filled Google survey forms were used for data analysis.

2.3. Measures and Statistical Techniques

A 3-item scale adjusted by Hur, Kim (Hur, 2015) and Wagner, Lutz (Wagner, 2009) was used to measure employees’ perception of CSR. The PsyCap questionnaire-24 (PCQ-24) constructed by Luthans (2011) was used to study employee PsyCap. To access employee engagement, the UWES (Utrecht Work Engagement Scale) Schaufeli & Bakker (2003) was used. The core self-evaluation scale (Judge, Erez, Bono & Thoresen, 2003) was used to measure employee performance.

3. Results

3.1. Research Gap Identified from the Systematic Review of Articles

3.1.1 Further Investigation and Empirical Validation of the Relationship Between Employee Perception of Corporate Social Responsibility (PCSR) and Behavioral Outcomes

Traditionally, CSR research has concentrated on the business and institutional levels of study, examining the relationship between CSR and firm-level outcomes such as financial success (Aguinis, 2012). However, with the advent of a behavioral viewpoint on CSR, termed "micro-CSR," conceptual and empirical study has developed in the last decade (Rupp, 2015). Studies examining the relationship between CSR and behavioral outcomes such as employee performance are lacking (Chaudhary, 2018). Only a few studies have looked into the impact of corporate social responsibility on employees (Rupp & Mallory, 2015). More research into employee perception variables in CSR is needed, because with employee perception, employee engagement will improve, and with employee engagement, CSR will run more smoothly and can improve employee performance (Setyaningrum, 2018). Therefore, a need exists to develop and test an (empirical) model that examines the relationship between employee perception of CSR and employee performance during a pandemic.

3.1.2 Investigating the Role of Employees in CSR

Hansen (2011) claimed that most study on the subject of corporate social responsibility focuses on external stakeholders and outcomes rather than how corporate social responsibility links to internal stakeholders such as employees and the ensuing impact of this relationship on performance. CSR is defined as the fulfillment of an organization's commitments to a variety of internal and external stakeholders. However, not all stakeholder groups have received equal attention in the literature in the past (Rupp, 2015). A surprising lack of attention has been devoted to understanding the influence of CSR on an organization's internal stakeholders (Jones, 2017). According to Aguinis' (2012) multilevel survey of the status of CSR research, only 4% of CSR-related articles in 17 highly recognized management and organization journals addressed the topic at the employee level of analysis. Aguinis (2012) found that the CSR literature was mostly macro-focused and ignored CSR's multilayer character in their review of CSR. However, even though increasing attention has been given to CSR, a large amount of research has focused on stakeholders outside the corporation. Less focus has been paid to the internal stakeholders such as employees (Iqbal, 2012). Therefore, there is a need to examine the effect of CSR on internal stakeholders.

3.1.3 Investigating Employee Perception of Corporate Social Responsibility (PCSR) During Pandemic

In response to the COVID-19 pandemic, companies swiftly adapt by selecting CSR initiatives, often overlooking their impact on employees (Aguinis,
While employees often participate in CSR efforts, there's limited exploration of their comprehension of CSR and their role in it (Jones, 2017). Hence, this study aims to examine employees' perceptions of CSR amid the pandemic and its influence on their performance. Upon literature review, it's evident that there's abundant CSR research available. Despite various studies and case analyses of CSR initiatives in India during the pandemic, there's a gap in research regarding the impact of PCSR on employee performance in Indian companies. This study seeks to explore the relationship between PCSR, employee psychological capital, employee engagement, and employee performance.

### 3.2. The Proposed Conceptual Model and Hypothesis Development

The conceptual model in the study is proposed based on the research gap identified to investigate the linkage among the variables identified in the study as illustrated in Figure 2.

![The Proposed Conceptual Model](image)

**Figure 2** The Proposed Conceptual Model

#### 3.2.1 Hypothesis Development

The following section explains the relationship between the constructs based on which the following hypotheses have been developed.

#### 3.2.2 Employee Perception of Corporate Social Responsibility and Employee Psychological Capital

CSR is an organization's volunteer efforts or policies to promote positive social change and environmental sustainability (Aguilera, 2007). CSR impacts workplace behaviors and attitudes positively. Luthans (2007) defines psychological capital as an individual's positive psychological condition of development marked by hope, optimism, resilience, and self-efficacy. Employees' psychological capital reflects their ability to be hopeful, resilient, confident, and optimistic. In today's global business environment, which is defined by strong competition and uncertainty, these psychological abilities are extremely important. When opposed to pessimistic people, optimists are more inclined to see the world positively. They have been discovered to believe that wonderful things will happen to them even while they are in difficult circumstances. Employee psychological capital, including self-efficacy, hope, resilience, and optimism, was effectively enhanced by CSR by improving satisfaction with corporate COVID-19 responses (Mao, 2020). Therefore, we propose how employee perception of CSR (PCSR) is positively related to their attitudes, behaviors, and, as
this article implies, their PsyCap. H1: Employee perception of corporate social responsibility (PCSR) is positively related to employee's psychological capital.

### 3.2.3 Employee Psychological Capital and Employee Performance

According to Chen and Francesco (2003), there is a positive relationship between affective commitment and employee performance, implying that employees who believe a company's behavior toward them is good (e.g., fair treatment, participation in decision-making) may increase their emotional commitment to the company and, as a result, improve their performance. The key to surviving and succeeding in these uncertain times is to provide good engagement opportunities for employees. Social unity, feeling supported by one's supervisor, information sharing, shared aims and vision, communication, and trust can all influence employee engagement and performance. Employees must feel valued and respected, and they must believe that their job is essential and that their opinions are heard. Extremely engaged employees are more profitable and dedicated to the companies where they work (Adhitama, 2020). Therefore we propose how employee psychological capital is positively related to employee performance. H2: Employee psychological capital is positively related to employee performance.

### 3.2.4 Employee Perception of Corporate Social Responsibility and Employee Performance

Employee perceptions of corporate social responsibility (CSR) can predict organizational citizenship behavior and in-role performance (Jones 2011). According to Chaudhary (2018) by catering to employees’ self-esteem and identification requirements, CSR motivates employees to engage in organizationally beneficial behaviors. Employees who have a positive perception of the organization are more likely to go above and beyond the call of duty to advance the organization's interests and aims. CSR issues have been a major concern for firms, governments, and specialists from various management disciplines for more than 20 years, leading to the development of CSR research on marketing behavior, employee performance, and employee behavior (Aguilera et al., 2007).

Furthermore, an employee's perception of CSR is shaped by their view of the organization, which improves their faith in it (Aguilera et al., 2007, p.840). Employees play a crucial role in the company, their performance is a driving force that ensures the business's survival and well-being (Jones, 2011). Therefore, we propose how employee perception of corporate social responsibility is positively related to employee performance. H3: Employee perception of corporate social responsibility (PCSR) is positively related to employee performance.

### 3.2.5 Employee Perception of Corporate Social Responsibility and Employee Engagement

Employees, according to Aguinis and Glavas (2012), played a critical role in bridging the gap between business and society. As a result, when they work in an organization with a strong CSR strategy, they are regarded to be more engaged in CSR. Employees are the primary stakeholders in the organization, as well as an asset, internal customers, and the organization's spokesperson. Their active participation and support are critical to the organization's CSR efforts. Their CSR awareness is a result of observing, remembering, and imitating the organization's CSR practices, as well as the desire to display it as their commitment to CSR (Mahmood, 2018). Employee engagement in CSR, according to Mirvis (2012), is seen to provide social and organizational values, particularly when employees are eager to volunteer through their job duties, relationships with society, and organizational products and services. The impact of CSR on employee motivation, identity, and individual sense of meaning and purpose (Mirvis, 2012) to engage in individual social responsibility is a key relationship between CSR and employee engagement. Employees who work for companies that practice CSR also have more favorable views, such as higher organizational and work commitment (Turker 2009). The impact of CSR on employee motivation, identity, and individual sense of meaning and purpose (Mirvis, 2012) to engage in individual social responsibility is a key relationship between CSR and employee engagement. Therefore we propose how employee perception of corporate social responsibility is positively related to employee engagement. H4: Employee perception of corporate
social responsibility (PCSR) is positively related to employee engagement.

3.2.6 Employee Engagement and Employee Performance

Adhitama (2020) defines employee engagement as an individual's emotional and cognitive, or rational, emphasis on specific job-related goals. Employee engagement is a critical responsibility that drives employee performance, achievement, and improvement over the year. According to some prominent perspectives on employee engagement, engaged employees not only contribute more but also are more loyal and thus less likely to leave the company of their own volition. Whatever the level of comprehension or definitional ambiguity, there is universal agreement that an engaged staff leads to increased retention and productivity, lower stress, better customer satisfaction, and, ultimately, better results (Agrawal, 2016). By emphasizing employee performance, organizations are attempting to become more sensitive to their performance. In this regard, employers seek employees who will go above and beyond their job responsibilities, foster collaboration, and assist co-workers, employers, and customers (Shahin, 2014). Therefore we propose how employee engagement is positively related to employee performance. H5: Employee engagement is positively related to employee performance.

3.3. Findings

The correlation analysis result (Table 1) indicates that EPCSR is highly positively correlated with employee psychological capital ($r = 0.675$, $p < 0.01$), employee engagement ($r = 0.689$, $p< 0.01$), employee performance ($r = 0.641$, $p <0.01$). Employee engagement is highly positively correlated with employee performance ($r = 0.754$, $p< 0.01$). The largest positive correlation has been found between employee psychological capital and employee performance ($r = 0.821$, $p <0.01$).

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**. Correlation is significant at the 0.01 level (2-tailed).

Source: The Author

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Source: The Author
4. Discussion

This study investigated the relationship between employees' perceptions of CSR and employee psychological capital, engagement, and performance. The findings indicate that there is a positive relationship between EPCSR and psychological capital, engagement, and performance (H1: r = 0.675, H3: r = 0.689, H4: r = 0.641; p < 0.01). The positive relationship between EPCSR and psychological capital indicates that CSR-oriented organizations can better face adversity. The positive relationship found in the study between EPCSR and employee psychological capital is supported by Leal (2015), who argued that employees who have a positive perspective of CSR have a better sense of meaningful work and more positive affect, and these positive feelings “grow” their PsyCap. Companies had to concentrate on developing employee psychological resources by strengthening self-efficacy, hope, resilience, and optimism during the unparalleled time of fighting against the pandemic. It has been shown that perceptions of CSR have consequences on performance at work (Jones, 2011). Psychological capital is a key notion in positive organizational behavior, emphasizing the need for a more optimistic approach to individual and organizational performance studies. The positive relationship found in the study between employee psychological capital and employee performance (H2: r = 0.821, p < 0.01) is supported by Mao (2020). He emphasized that employees may be more confident in their ability to overcome the pandemic’s obstacles if they are satisfied with CSR actions taken during pandemic situations. Employees, according to Aguinis and Glavas (2012), played a critical role in bridging the gap between business and society. As a result, when they work in an organization with a strong CSR strategy, they are regarded to be more engaged in CSR. Employees are the primary stakeholders in the organization, as well as an asset, internal customers, and the organization’s spokesperson. Their active participation and support are critical to the organization's CSR efforts. Their CSR awareness is a result of observing, remembering, and imitating the organization's CSR practices, as well as the desire to display it as their commitment to CSR (Mahmood, 2018). Engagement is seen as a major source of competitive advantage for businesses. Communication, opportunities for employees to feed their opinions upward, and the belief that their managers are devoted to the organization are all identified as significant drivers of employee engagement (Sarangi, 2016). Employees who work for companies that practice CSR also have more positive attitudes, such as increased organizational and work commitment (Turker 2009). The results of the study also confirm a positive relationship between employee engagement and employee performance (H5: r = 0.754, p < 0.01). A pandemic like COVID-19 has triggered an unparalleled global crisis in all industries. Employees aren't just onlookers when it comes to CSR. They are also influenced by such practices both directly (e.g., through wage and occupational health/safety practices) and indirectly (e.g., through organizational policies impacting the local community in which employees live). As a result, how employees view CSR has an impact on their attitudes and behavior (Leal, 2015). CSR has the potential to improve employee attitudes and behaviors, contribute to corporate success, and create a win-win situation. As a result, firms should place a premium on CSR to benefit their employees. CSR awareness connects organizational and individual levels, resulting in a unified CSR model. Moreover, CSR guides companies to safeguard workers and stakeholders while producing socially valuable outcomes (Crane, 2020).

Conclusion

Numerable studies have been done in the past regarding corporate social responsibility and Employee performance, but still, there is a lack of studies that directly or indirectly develop or establish the linkages between EPCSR and Employee psychological capital, engagement, and Performance during a pandemic. Due to the sheer volatile business environment and fierce competition, businesses must meet certain standards by improving their performance to meet such high demands. Otherwise, a slew of difficulties would arise, including the possibility of having to shut down the business. This performance is measured at the business or individual level, with human resources emerging as the most
important aspect in achieving the organization's goals (Muda, 2014). CSR is how the firm thrives in the corporate process to make a positive effect on the public as well as society thus achieving social sustainability in times of crisis. The COVID-19 pandemic brought with it a lot of threats to lives and livelihoods. During such a time of uncertainty, there is a tremendous need to protect and reinforce our society's well-being. Management should consider focusing on corporate ethics and CSR activities, which could result in more favorable consequences for the company. Second, employees play an important part in a company's CSR efforts. Employee participation in CSR should not be overlooked. Employees have a critical role in the organization's CSR implementation because they are major stakeholders.

References


