

Original Research Article

The Impact of Corporate Social Responsibility on Employee Satisfaction in an Insurance Industry in Trincomalee District

ABSTRACT

The current research is intended to identify the impact of Corporate Social Responsibility on Employee satisfaction in an insurance industry in Trincomalee district. The concept of Corporate Social Responsibility (CSR) has gained much attention in recent years. It provides companies with a significant approach for achieving employee satisfaction and considered a source for enhancing competitive advantage.

Data was collected using a research method, questionnaire survey. This research found that, the majority insurance Industries consider their CSR to society and CSR to their working environment undertaking various measures to conserve resources as well as satisfied their employees within the organization. Insurance Industries provided little support to most internal CSR practices identified in this study. The conceptualization of the study demonstrated independent variables (Corporate Social Responsibility) of Economic responsibility, Ethical responsibility, Legal responsibility and Philanthropic responsibility how to effect on dependent variable of employees satisfaction in an insurance Industries. A quantitative analysis was conducted with 100 of sample. The data was collected though distributing questionnaire among respondent. Further, univariate analysis and bivariate analysis were carried out through SPSS (21.0).

The findings revealed that corporate social responsibility and satisfaction is in high level and corporate social responsibility moderately and positively influence on satisfaction. Furthermore, study found that there was positive and significant relationship between corporate social responsibility and employee satisfaction in an Insurance Industry in Trincomalee district. The recommendations were provided, in order to further improvement in highest returns to their stakeholders, comply with all state laws and regulations, be compromise ethical norms of the society to achieve corporate goals, Strive to provide community betterment. This study will be more beneficial both existing insurance industries and newly joint who will be doing the business in insurance industry in Sri Lanka.

Keywords: Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility, Employee Satisfaction

1 INTRODUCTION

This study investigates the impact of Corporate Social Responsibility on Employee Satisfaction in Insurance Industry Trincomalee District. CSR may come from various dimensions. The dimension of CSR from the study by Turker (2009) had identified five dimensions, which are CSR to social, CSR to employees, CSR to customers, CSR to government and CSR to environment. CSR is one of the most important factors in an insurance industry, Sri Lanka.

Corporate Social Responsibility (CSR) has been defined as, activities that protect and improve both the welfare of society as a whole and the interest of the organization. For the last few years, there has been a great of work on the external impact of CSR, but it is also important to understand the internal impact of CSR. Nowadays employee dissatisfaction has gained a great importance in the Organization. “A major challenge for enterprises today is to attract and retain skilled workers” (European Commission, 2001. p. 9). In this regard, socially responsible organizations should provide different kinds of support to their employees and should minimize the negative outcomes for the enterprises themselves and for their employees (Stropnik, 2010).

Further, CSR has become an important part in most of the organizations and companies. Being a good corporate citizen is an important aspect of the corporate identity, values and vision. It has been defined in several ways. CSR is action on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law (Waldman, Siegel, & Javidan, 2006). Besides this definition, CSR also been defined as the context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social and environmental performance (Zedeck, 2011).

Employee satisfaction has become one of the major concerns in organizations. Employee satisfaction can be frustrating especially when the departures are unexpected and causing the administrators to spend precious time and effort to recruit, select and train new replacement employee (Buck & Watson, 2002). Therefore, it is crucial for the human resource management to implement some effective plan to enhance the employee satisfaction rate. So, the trained and experiences employee will enhance their satisfaction in the organization to render their best to the organization as long as possible.

Further, employee will be impacted by perception of what the organization is doing to others in addition to perceptions of how the employee is directly treated. It is important to understand the employee’s perception of CSR because they can significantly influence workplace attitudes, behavior and performance (Bargh & Burrows, 1996).

Nowadays organizations have to pay keen attention on employees and always should take steps to keep employees happy. The happy people are more creative, take fewer day off and are less likely to leave their job and they also add value to employers and brings success in a competitive work environment and try to be a satisfied employees (Pryce-Jones & Scott, 2009). This is a main psychological factor that has not been taken into much consideration nowadays in business. If an unhappy employee continues to work in an organization the individual may get depressed and it may result in poor performance. This will also depict a high rate of dissatisfaction, absenteeism, low efficiency and finally cause employee turnover. Therefore CSR is very important to retain the satisfied employees.

In an insurance industry, the inter-relationship between CSR and human resource management (HRM) is of particular relevance. The insurance industry is characterized by certain features. It is distinguished by high staff turnover and relatively flat organizational structures in which employees are less likely to be promoted and/or critically change positions (Furunes & Mykletun, 2005).

There is a lot of news about some Insurance Industry holding charitable activities or supporting welfare foundations. In fact, CSR has been considered an efficient management strategy (Baron, 2003), and is a crucial factor in the company's success. The practice of CSR is an investment in the company's future, so it must be planned specifically, supervised carefully and evaluated regularly. From an outside perspective of companies, it is widely recognized and offered, and positive relationships are made with the government. From an inside perspective of companies, a good reputation is necessary to attract, retain and motivate quality employees. In light of CSR, significant strands of research have investigated whether CSR helps to increase employee satisfaction in an insurance industry (McWilliams, Siegel & Wright, 2001; Orlitzky et al., 2003). Therefore, this study tries to identify whether Insurance Industries in Trincomalee district use CSR activities to satisfy the employees.

1.1 Problems Statement

Corporate Social Responsibility (CSR) has become increasingly more important as a strategic focus in today's workplaces, CSR is also called corporate responsibility, corporate citizenship, and responsible business. It is a concept whereby businesses consider a responsibility to society and environment by taking into account the impact of their activities on suppliers, employees, customers, shareholders, communities and other stakeholders. Tamm, Eamets, and Mõtsmees, (2010) identified four common obligations that encourage companies participation in CSR activities, including: (1) Moral obligation: The duty of the company to show good social conscience and do the right things, (2) sustainability obligation: The ability of the company to operate sustainably and support the environment and community, (3) legal obligation: The company's responsibility to operate in a licensed way and conduct business with the approval of stakeholders in the community, and (4) marketing obligation: CSR initiatives can improve firm's goodwill and lead to better business conditions. Affirmatively, Matten & Moon (2008) showed that, the organizations have increasingly adopted CSR initiatives to be able to compete in the market and meet the growing and dynamic expectations of their stakeholders as well as they use CSR as a strategic to retain and satisfy employees within the organization. Examples of CSR initiatives include donations to charities, community programs, efforts to encourage employee diversity and reduce environmental impact (Albinger & Freeman, 2000).

Employees in an insurance industry come from different educational back grounds and cultural groups. Therefore, they have different competency levels and different expectations. Well-being (Happiness) at work exists when people are happy with what they do, how they are treated and how they get on with others. The satisfaction of employees depend on the quality of working life and welfare services provided by their employers. The feelings of satisfaction and retention are arising from the work itself and work environment. Employees may be affected from personal life issues, work life issues and organizational culture. Nowadays, most of the insurance industries facing employee dissatisfaction, because there is no sufficient social and welfare services from their organizations. Their expected productivity will go down, they cannot achieve their targets on time, they missed their productivity deadlines and those are reasons for damaging their image of the organization. A major challenge for enterprises today is to attract and retain skilled and satisfied workers" (European Commission, 2001. p. 9).

In this regard, socially responsible organizations should provide various kinds of support to their employees and thus minimizing the negative outcomes for the enterprises themselves and for their employees (Stropanik & Humer, 2015). Employee expects CSR works for the quality of their working life and reduce some of their work life issues. Therefore, business has to pay keen attention on factors which can make employee satisfaction. With these circumstances management of the business also seeking for reasons behind these issues because retain satisfied employee is more beneficial than the recruiting a new employee.

Therefore, this study tries to identify whether Insurance Industries in Trincomalee district use CSR activities to satisfy the employees. So, the research question of this study is;

“What is the Impact of Corporate Social Responsibility on Employee Satisfaction in an Insurance Industry in Trincomalee District?”

1.2 Research Questions

01. What is the level of CSR activities and employee satisfaction in an Insurance Industry in Trincomalee district?
02. What is the relationship between CSR and employee satisfaction in an Insurance Industry in Trincomalee district?
03. How does CSR impact on employee satisfaction in an Insurance Industry in Trincomalee district?

1.3 Research Objectives

01. To examine the level of CSR activities and employee satisfaction in an Insurance Industry in Trincomalee district
02. To examine the relationship between CSR and employee satisfaction in an Insurance Industry in Trincomalee district
03. To investigate the impact of CSR on employee satisfaction in an Insurance Industry in Trincomalee district?

2. LITERATURE REVIEW

2.1 Corporate Social Responsibility

Corporate Social Responsibility is an independent variable of this study. Corporate Social Responsibility (CSR) has been defined as activities that protect and improve both the welfare of society as a whole, and the interest of the organization. The practice of CSR is an investment in the company's future, so it must be planned specifically, supervised carefully, and evaluated regularly. From an outside perspective of companies, it is widely recognized and offered, and positive relationships are made with the government (McWilliams & Siegel, 2006).

Corporate Social Responsibility (CSR) is a concept based on the idea that corporation should be responsible for all of their stakeholders who involved in the business processes in order to benefit the society (Freeman, 2010). The responsibility is taking voluntary actions to produce positive impact towards the society on top of the ordinary business and legislation obligation. CSR can be described as the continuing commitment by a business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as local community and society at large.

2.1.1 Economic Responsibility

The first responsibility of business is to be a properly functioning economic unit and stay in business. Profitability is key to the organization functions and sustainability. That's why many economic theories dwelled around the topic of profit maximization (Galbreath, 2006). Profitable organization is important to employees because profit is what pays for the employees' salary and bonuses. Profit will also determine the employees' employment. When organization fail to sustain their income, retrenchment and cost cutting measures will be implemented.

2.1.2 Legal Responsibility

Legal responsibilities are the expectation of the society on organization to abide by the law and 'play by the rules of the game' although this can mean additional cost to organization. Organization must fulfill their legal responsibility because any legal actions on the organization can force a financially healthy firms (Bauman & Skitka, 2012)

2.1.3 Ethical Responsibility

Ethical Responsibility is where organization need to do what is right, just and fair even when they are not compelled to by the legal framework. Research findings suggest that, in the long run, ethical organizations financially outperform unethical organizations. Researchers have found that organizations with a strong ethical culture not only attract high quality employees, customers, suppliers, and investors, but also retain their loyalty as well (Matten & Moon, 2008).

2.1.4 Philanthropic Responsibility

Philanthropic responsibility is voluntary activities that are not mandated, not required by law and not even generally expected of businesses in an ethical sense (for example, providing day care center for working mothers and committing to philanthropic donation) (Carroll, 1979). It focuses more on issues within the corporation's discretion to improve the quality of life of employees, local communities and ultimately society in general. Organizational achievement increases correspondingly. When philanthropic behaviors are increased (Basim, SESEn, SOZen, & Hazir, 2009).

2.2 Employee Satisfaction

The Harvard Business Essentials (2002) defined Further, employee satisfaction is one of the critical functions under human resource management. It refers to a pleasant feeling that employee get when they receive something wanted, or when they have done something their wanted to do. Employee satisfaction strategies involves motivate the employees to ensure they stick to the organization for the maximum time and contribute effectively.

2.2.1 Job Support & Recognition

Reward systems of the job ought to be a significant sphere of innovation for employers. The increasing diversity of the workforce, "Job support and Recognition" covers all of those incentives that are not captured under the other categories of retention measures described in this study, and we may tentatively make the observation that while they are not generally seen to be the decisive elements in ensuring good satisfaction, they often do much to sustain a workplace culture that is aware of the contributions of its members, while at the same time helping to reinforce positive behavior.

2.2.2 Compensation & Career Growth

Along with job security, compensation/pay has been one of the top contributor to job satisfaction of employees indicated that it was very important to their job satisfaction. In addition, some commentators hold that competitive compensation packages can signal strong commitment on the part of the company, and can therefore build a strong reciprocal commitment on the part of workers. However, to

the extent that it contributes to retention, competitive compensation is also likely to affect both desirable and undesirable turnover, it will help to retain workers, irrespective of the quality of their contribution to the company. While there is general agreement about the importance of competitive compensation for employee satisfaction, there is also a growing consensus that competitive, or even generous compensation will not single-handedly guarantee that a company will be able to keep its most valuable employees.

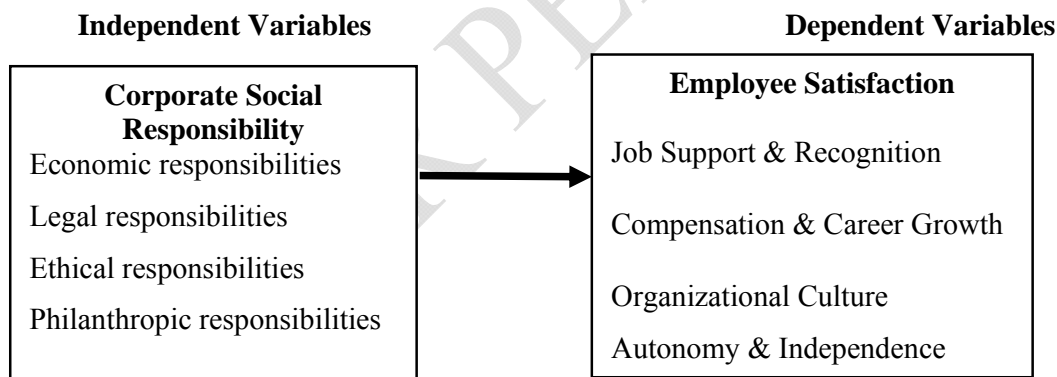
2.2.3 Organizational Culture

There exists a keen interest in the concept of company or workplace ‘culture’ and its connection with an employee’s sense of ‘commitment’ to his or her employer. Authors in the Human Resource field speak increasingly of the need to ensure satisfaction by nurturing ‘affective commitment,’ or, simply put, an employee’s desire to remain a member of a particular organization for motives beyond compensation or obligation (March, & Simon, (1958).A ‘culture of commitment’ is more than just the sum of particular Human Resource policies or satisfaction initiatives. It is related rather to overall organizational culture, in other words, not just particular programs but rather how such programs fall into a company’s overall values, how it communicates with its employees about those values, and how employees perceive their own role within the company and the value that the company attaches to their individual contribution (Hunter, 1986). Because workplace culture depends a lot on how individual perceptions and feelings hold together, it can of course be difficult to say exactly what decisively makes up a particular company’s culture.

2.2.4 Autonomy & Independence

The key to increasing autonomy and independence, and as such empowering staff, has been ensuring staff are properly trained and developed to take on higher responsibility and raising staff levels of technical ability, discretion and autonomy. This recognition has been reflected in the rising investment in qualifications and training by professional staff in the last few years (Edgar, & Geare, 2005).

3 CONCEPTUAL FRAMEWORKS



(Source: Developed for Research Purpose).

3 METHODOLOGY

The total population of the study was 500 of employees in an insurance industry in Trincomalee District. Out of these employees, only 100 employees are selected as sample by using simple random sampling method **because of time limitation**. This study totally depends on primary data. The final questionnaire includes utilized scale is Likert's five-degree range. Regarding objectives of this study unit of analysis is the employees who are working in the Ceylinco Janashakthi, Union Assurance, HNB Assurance, Sri Lankan Insurance co-op, AIA insurance companies in Trincomalee District.

4. DATA PRESENTATION AND ANALYSES

4.1 Reliability Analysis

Overall Cronbach's alpha value for the corporate social responsibility is 0.893 and Overall Cronbach's alpha value for the employee satisfaction is 0.920.

4.2 Univariate Analysis

Table 4.1 univariate Analysis of Independent and Dependent variables

Dimensions	Mean	Std deviation	Decision attribute
Economic responsibilities	3.76	0.796	High level
Legal responsibilities	3.97	0.725	High level
Ethical responsibilities	4.04	0.740	High level
Philanthropic responsibilities	4.15	0.704	High level
Corporate Social Responsibilities	3.97	0.615	High level
Job Support Recognition	4.06	0.751	High level
Compensation & Career Growth	4.08	0.718	High level
Organizational Culture	4.03	0.810	High level
Autonomy Independence	4.06	0.792	High level
Employee Satisfaction	4.05	0.680	High level

(Source - Survey Data)

According to table 4.1 overall corporate social responsibility mean value is **3.97** with the standard deviation **0.615**. It shows that, there is high level of corporate social responsibility in an insurance industry in Trincomalee District. It shows that there are high level of economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility of corporate social responsibility in an insurance industry in Trincomalee District.

The overall employee satisfaction mean value is **4.05** with the standard deviation **0.680**. It shows that, there is high level of employee satisfaction in an insurance industry in Trincomalee District. It shows that there are high level of job support and recognition, compensation and career growth, organizational culture and autonomy and independence in an insurance industry in Trincomalee District.

4.3 Bivariate Analyses

4.3.1 Regression Analyses

Table 4.2 Model Summary of Corporate Social Responsibility on Employee Satisfaction
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.804 ^a	0.647	0.643	0.47941

a. Predictors: (Constant), Corporate social responsibility

(Source: Survey Data)

According to table 4.2, the R square statistics 0.647 indicating corporate Social Responsibility of independence variable have 64% impact on dependent variable of Employee Satisfaction. Adjusted R square statistic indicated that the 64.3% of the variation in the Employee Satisfaction is explained by Corporate Social Responsibility. In other words the independent variable of Corporate Social

Responsibility in the regression model account for 64.7% of the total variation in the Employee Satisfaction in an insurance industry Trincomalee District.

Table 4.3 Coefficients' of Corporate Social Responsibility on Employee Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.884	0.315		2.807	0.006
1 Corporate social responsibility	1.048	0.078	0.804	13.400	0.000

a. Dependent Variable: Employee Satisfaction

According to table 4.3 the unstandardized constant statistic 0.884 units show that the model would predict of the independent variables were zero. Regression result indicate that the significant of p value of corporate social responsibility is 0.000 it is less than 0.05 and the b value of Corporate social Responsibility is 1.048 it means the Corporate social Responsibility are positively and significantly impact on Employee Satisfaction.

Based on above table 4.3 the equation for the regression line is:

$$Y = 0.884 + 1.048 X_1$$

Where,

X_1 = Corporate social Responsibility

Y = Employee Satisfaction

According to the regression analysis Corporate Social Responsibility positively and significantly impact on the Satisfaction in an insurance industry in Trincomalee District.

5. CONCLUSIONS AND RECOMMENDATION

5.1 Conclusions

The descriptive statistics, correlation and regression analyses were used in order to come up with findings related to the research problem. The study is conducted with hundred employees throughout the Trincomalee District. Descriptive statistics used to investigate the extent to which level of Corporate Social Responsibility and Employee Satisfaction exist among the insurance industries in Trincomalee District. The level of Corporate Social responsibility and its dimensions of economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility and the level of employee Satisfaction and its dimension are high level in both collectively and separately in selected insurances industry in Trincomalee District.

The results of this study showed that corporate social responsibility and employee Satisfaction are at high level. The results of the regression analysis indicated that there is a positive impact of corporate social responsibility on employee Satisfaction. This study is very important to the insurance industry in Trincomalee District as it contributes to an understanding of the impact of corporate social responsibility on the employee Satisfaction. This study has been the first study conducted in this field in Trincomalee District.

5.2 Recommendation

Corporate social responsibility is very important determinant factor to insurance industry for achieves their targets. Based on the research findings, some recommendation would be given to improve the corporate social responsibility and employee Satisfaction among the employees. Thus, help to increase

the corporate social responsibility and increase the employee Satisfaction in selected insurances industries in Trincomalee District.

For the benefits of future research on corporate social responsibility and employee Satisfaction, a few suggestions are proposed. A further research should be carried out using different instruments for each variable as a mean of comparison. Its purpose is to identify the set of instruments that represent the employees of insurance industry in Trincomalee, the most. Furthermore, the study should also looks at other possible items to be included in the tested instruments that will be more suitable to the employees in Trincomalee.

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