

CSR Affecting Business Performance Through the Mediation of Employee Commitment: A Case Study of Banks in Ho Chi Minh City

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ABSTRACT: This research was conducted to determine the impact of CSR on business performance through an intermediary variable that is employee commitment. A survey of 304 employees working in banks in Ho Chi Minh City was conducted. Data collected was processed by Smart PLS software with Partial Least Squares Structural Equation Modeling (PLS-SEM). Research results showed that economic responsibility, legal responsibility, and ethical responsibility affected the employee commitment with β weights of 0.334; 0.168; 0.205. Philanthropic responsibility did not affect employee commitment. Employee commitment affected business performance with β weights of 0.813. This result showed that bank managers should pay more attention to CSR to enhance employee commitment so that they can improve the bank's performance.

Keywords: Bank, CSR, employee commitment, business performance.

1 INTRODUCTION

CSR in the banking sector is essential (Al-bdour et al. 2010) because banking is a particularly important industry, playing a key role in the development of society through cash flow management, valuable financial assets management, financial risks management, and organizing the payment systems Dar, Bashir, Ghazanfar & Abrar 2014). Therefore, banking plays the role of the "circulatory system" of the economy, which dominates and leads other industries. Many studies have shown that CSR contributes to the sustainable development of businesses, so this is even more essential for businesses operating in high-risk areas such as banks (Friedman 1962). The motto of the bank also emphasizes honesty, integrity, transparency, professional ethics, respect and protection, and brand development, sustainable development, and responsibility to the community, thus it is indispensable to view CSR as a long-term strategy that helps create the bank's value, because it will help build the trust and respect of customers, partners, and the social community.

There have been many studies on CSR. According to Skudiene and Auruskeviciene (2012), employees and stakeholders are being driven by CSR.

Particularly in the service sector, companies in this sector demonstrate the impact of CSR on employees than companies in other industries (Calabrese and Lancioni, 2008). According to Calabrese and Lancioni (2008), employee motivation plays an essential role in the quality of service provided. Moreover, it seems that service industry companies are interested in communicating CSR activities (Calabrese and Lancioni, 2008).

The research question posed here is, "Does CSR affect employee commitment, which in turn affects bank performance?"

Ho Chi Minh City has a very diverse market with many different banks; thus this city was chosen as an ideal location to conduct this research.

Scientists since the 1950s have much studied CSR. According to Mohr et al. (2001), CSR is activities that minimize or eliminate the hazards arising in society as well as maximize the operational efficiency of enterprises for a long time. There are many different views of CSR. The anti-CSR viewpoint said that the sole responsibility of management in managing a business was to maximize profits (Milton Friedman 1962). Supporters of CSR believe that managers must pay attention to the impact of enter-

prises on the common interests of society, not only profit (Drucker 1974).

Although there are many different definitions and perspectives, we can understand most briefly as follows: CSR is a description of a company's obligation to act in a way that serves both the business interests and the common interests of society.

According to Carroll (1991), CSR has four dimensions, including economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility.

Economic responsibility: economics responsibility signifies that firms must make a profit for their owners. According to Carroll (1991), the first issue when talking about CSR is about economic responsibility because profit is significant for every business. It is the first and most important that determines the survival of the business. The profit motive is established as the main driving force for the entrepreneurial spirit of the business.

Legal responsibility: It is described as the next level in this model to describe the development of social responsibility to a new level. Liability exists in tandem with economic responsibilities. Legal responsibility reflects the concept of "encrypted ethics" in the sense that they embody the basic concept of fair economic activities established by state legislatures to ensure that businesses operate activities within the framework of general regulations and preventing enterprises from participating in activities harmful to society (Carroll 1991).

Ethical responsibility: The third level of CSR is an ethical responsibility. Although economic and legal responsibilities have expressed most of the responsibilities required for businesses related to economic and legal constraints, the society also expects businesses to comply with ethical standards, which are not or have not been legalized into legal documents. Ethical responsibility reflects the standards, norms, expectations, or concerns of a wide range of audiences, including consumers, employees, shareholders, and the community. In other words, ethical responsibility is the higher expectation that society requires businesses to achieve than current legal provisions (Carroll 1991).

Philanthropic responsibility: It is the responsibility that businesses engage through conduct activities to improve welfare (Carroll 1991). Communities expect companies to contribute money, facilities, and employee time to humanitarian programs or purposes, but they do not consider companies unethical if they do not take responsibility for this volunteer mission (Shum & Yam 2011). Therefore, charitable activities are often more voluntary for businesses, although there is always the social expectation that

businesses should participate in these activities. These activities are not limited, and depending on the resources of the business that they can contribute and participate.

According to Mowday et al. (1982), employee commitment is a measure of employee awareness of the organization's core values, which will stick with the organization, committing to do its utmost to contribute to the implementation of the short-term and long-term goals of the business.

According to Meyer & Allen (1991), commitment to an organization is seen as a psychological state that ties personal relationships into the organization. Meyer & Allen (1991) proposed the concept of cohesion with an organization of three components: emotional commitment, commitment to commitment, and commitment to ethics.

For any business or in the banking sector, employee performance always determines the success of the organization. This research used the theory of Mowday et al. (1982) as the theory of approaching employee commitment.

According to Kaplan and Norton (1996), the performance of a business is determined based on four essential components: financial aspect, customer-aspect, internal process aspect, and academic and growth aspects. Dyer and Reeves (1995) said that business performance is assessed based on three essential components: financial benefits (profit, revenue, market price), organizational benefits (quality, efficiency), and benefits related to human resources (satisfaction, engagement, and retirement). Corporate performance is related to financial performance and sustainability (de Waal & Coevert 2007). According to Aftab Tariq Dar et al. (2014), business results are a sense of organization and business results will be measured through two factors: profit and revenue.

Many researchers agree that the assessment of the business performance of enterprises under two angles is subjective and objective. Employees' self-assessment of business results based on the Likert scale is subjective, while objective assessments are based on indicators such as revenue, costs, and so forth. Robinson & Pearce (1988) used both assessments and concluded that the results of these two assessments are strongly correlated.

Lee & Bruvold (2003) pointed out that CSR contributes to increased job satisfaction and organizational commitment. Collier & Esteban (2007) also showed that CSR has an impact on employee motivation and commitment. According to stakeholder theory, a company that does CSR well means that it does an excellent job with its employees. So CSR increases employee commitment.

H1a: Economics responsibility can have a positive impact on employee commitment.

H1b: Legal responsibility can have a positive impact on employee commitment.

H1a: Ethical responsibility can have a positive impact on employee commitment.

H1a: Philanthropic responsibility can have a positive impact on employee commitment.

Bakiev (2013) pointed out that business performance is the result of employee commitment. If the majority of employees are committed to the organization and perform their best, it would undoubtedly have a positive impact on organizational performance. Besides, there is a positive relationship between performance resulted from awareness of employee commitment in the public sector.

H2: Employee commitment can have a positive impact on business performance.

2 RESEARCH METHODS

A survey of 304 employees working in banks in Ho Chi Minh City was conducted. Data collected was processed by Smart PLS software with Partial Least Squares Structural Equation Modeling (PLS-SEM)

3 RESULTS AND DISCUSSIONS

Table 1. Demographic Profile of the respondents

Items	Quantity	Ratio (%)
Gender	Male	125 41.1
	Female	179 58.9
Time of working	Under 1 year	55 18.1
	1-3 years	113 37.2
	More than 3 years	136 44.7
Position	Staff	148 48.7
	Expert	119 39.1
	Head/Vice head of department	37 12.2

Table 2: Reliability and Validity of the Constructs

Latent constructs and questions	Source	Item	Outer loading	T Value
Economic responsibility ($\alpha=0.799$; $CR=0.869$; $AVE=0.626$)				
Banks have to maximize profits	Shum & Yam (2011)	KT1	0.839	12.030
Banks pursue other opportunities to enhance profitability		KT3	0.838	8.730
The bank's long-term investment rate is maximized		KT4	0.690	6.647
Banks must ensure sustainable profita-		KT5	0.788	13.306

Cont.
bility

Legal responsibility ($\alpha=0.861$; $CR=0.906$; $AVE=0.706$)

Bank leaders strictly comply with the provisions of law in business. Yong – Ki Lee et al. (2012)

PL1 0.858 12.849

The Bank adheres to the principle of openness and transparency in recruitment and employee benefits

PL2 0.794 10.803

Bank leaders always understand the relevant laws and update employees regularly

PL4 0.882 10.340

The Bank always complies with the law

PL5 0.825 7.486

Ethical responsibility ($\alpha=0.874$; $CR=0.909$; $AVE=0.667$)

Compliance with ethical standards in business Shum & Yam (2011)

DD1 0.833 7.672

Avoid ignoring ethical norms to achieve goals

DD2 0.738 9.680

Complete moral responsibilities

DD3 0.807 6.320

Train employees to comply with professional ethical standards

DD4 0.897 10.293

The bank provides honest information to its customers

DD5 0.799 9.181

Philanthropic responsibility ($\alpha=0.826$; $CR=0.883$; $AVE=0.654$)

Managers and bank staff voluntarily participate in charitable activities in the local community

TN1 0.751 3.624

The bank provides support to public and private educational institutions

TN2 0.860 5.421

The Bank maintains a policy of developing CSR activities over time

TN3 0.804 4.050

The bank fulfills its charitable obligations

TN5 0.817 6.119

Employee commitment ($\alpha=0.867$; $CR=0.900$; $AVE=0.601$)

I am willing to make great efforts to help the bank succeed Mow-day et al. (1982)

CKTC1 0.819 16.109

I tell my friends that this is the best bank to work with

CKTC2 0.744 10.476

I find that my values and the bank's

CKTC4 0.716 17.543

Cont.

are the same

I proudly tell others that I am an employee of this bank
This bank really inspires me the best at work

I am really pleased to have chosen this bank to work

Business performance ($\alpha=0.841$; CR=0.887; AVE=0.612)

Achieve planned market share growth

Achieve profit margin (ROA, ROE, NIM) as planned

Developing many new products and services to meet market demands

Achieve customer satisfaction and satisfaction

Having a lower NPL ratio than the target

CKTC 5	0.774	14.555
CKTC 6	0.756	13.563
CKTC 7	0.838	15.924
HDKD 1	0.756	15.920
HDKD 2	0.777	16.972
HDKD 3	0.797	16.308
HDKD 4	0.808	13.978
HDKD 5	0.772	19.654

Cont.

Philan -> Comm	0.219	0.000
Philan -> Eco	0.316	0.000
Philan -> Ethics	0.184	0.001
Philan -> Legal	0.286	0.000
Philan -> Performance	0.320	0.000

Table 4: Fornell-Larcker Criterion

	Comm	Eco	Ethics	Legal	Per.	Phi
Comm	0.776					
Eco	0.431	0.791				
Ethics	0.339	0.314	0.816			
Legal	0.399	0.431	0.373	0.840		
Performance	0.696	0.531	0.312	0.452	0.782	
Philan	0.195	0.237	0.161	0.242	0.269	0.809

All HTMT values are <0.9 (maximum is 0.805) with the sig. <0.05. All values on the diagonal of the Fornell-Larcker table are different from 1 (the largest is 0.840). Therefore, all latent constructs are discriminant validity (Hair Jr & et al. 2016).

Except for the variable of KT4- “The bank's long-term investment rate is maximized” that has an outer loading of 0.69 (nearly 0.7), the other outer loading variables are >0.7, so they are valid (Hair Jr & et al. 2016). All t-statistics of observed variables are also valid because they are higher than 1.96.

Assessment of internal consistency reliability: All variables have Cronbach's Alpha >0.7 and composite reliability >0.7. Thus, it could be concluded that all latent variables achieve consistent internal reliability (Hair Jr & et al. 2016).

Evaluation of convergent validity: All variables have outer loading >0.7. All AVEs were >0.5. So, it could be concluded that all latent variables are convergent validity (Hair Jr & et al. 2016).

Evaluation of discriminant validity:

Table 3. Heterotrait-Monotrait Ratio (HTMT)

	Original Sample	P value
Eco -> Comm	0.503	0.000
Ethics -> Comm	0.374	0.000
Ethics -> Eco	0.357	0.000
Legal -> Comm	0.449	0.000
Legal -> Eco	0.514	0.000
Legal -> Ethics	0.420	0.000
Performance -> Comm	0.805	0.000
Performance -> Eco	0.641	0.000
Performance -> Ethics	0.358	0.000
Performance -> Legal	0.519	0.000

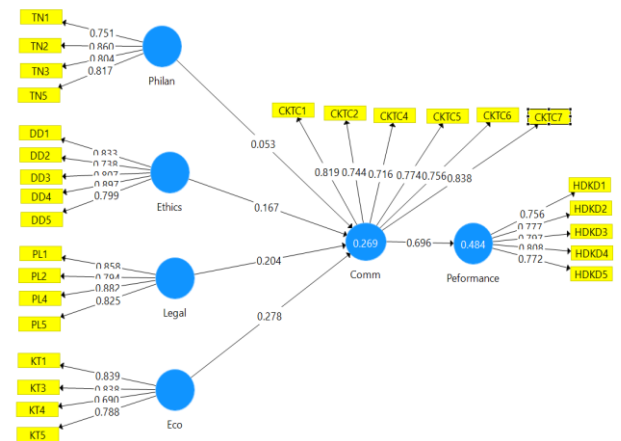


Figure 1. Structural equation model

Table 5. Path Coefficients testing results

	β	P Values	VIF	Hypotheses test
Comm -> Performance	0.813	0.000		Accept H2
Eco -> Comm	0.334	0.000	1.297	Accept H1a
Ethics -> Comm	0.168	0.004	1.205	Accept H1c
Legal -> Comm	0.205	0.006	1.357	Accept H1b
Philan -> Comm	0.043	0.436	1.090	Reject H1d

All VIF coefficients are below 2. It shows that there is no collinearity phenomenon (Hair Jr & et al., 2016). The adjusted R² value of employee commitment is 0.332, meaning that the independent variables explain 33.2% of the variation in the “employee commitment”. The adjusted R² value of business performance is 0.66, meaning that the independent

variable “employee commitment” explains 66% of the variation in the “business performance” (Hair Jr et al. 2016). Economic responsibility has impact factor f^2 of 0.116 that shows this variable has an average impact on the “employee commitment”. Legal responsibility, ethical responsibility, philanthropic responsibility has impact factor f^2 of 0.042; 0.034; and 0.002 showing that these variables have a weak impact on the “employee commitment”. Employee commitment has an impact factor f^2 of 1.947, showing that this variable has a strong impact on the “business performance” (Hair Jr et al. 2016). The value of Q^2 is 0.151 and 0.290 (significantly bigger than zero). This result shows a relevant forecast of the model of endogenous potential variables (Hair Jr & et al. 2016).

4 CONCLUSION

The research results showed that economic responsibility, legal responsibility, ethical responsibility all affected the employee commitment with β weights of 0.334; 0.168; 0.205. Philanthropic responsibility did not affect employee commitment. Employee commitment affected business performance with β weights of 0.813. These results showed that bank managers should pay more attention to CSR to enhance employee commitment in order to improve the bank’s performance.

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