

Employee Perception on the Effects of Corporate Social Responsibility on the Sustainability Performance of Food and Beverage Companies in the Philippines

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Abstract

Most researches on corporate social responsibility (CSR) are based on the impacts it does to its customers or its external outcomes. However, employees' perception on CSR activities and its effects internally is somewhat an uncharted study. Appropriateness of CSR activities to its CS initiatives and its capabilities to practice CSR has a factor on employee engagement and awareness to their company also the sustainability performance. This study tackles how the perception of employees on CSR activities affects the sustainability performance of food and beverage companies in the Philippines. Overall, CSR is a management concept where companies want to balance the social, environmental, and economic which is also called the triple bottom line. It is also concerned with the interaction of the business operation and with their stakeholders. The study utilized structural equation model (SEM) to produce the outcomes, which proved that employee perception on the effects of CSR affects the sustainability performance of the company and the attachment of the employees towards the company. A survey was conducted among 250 employees of two food and beverage companies in the Philippines, which proved that employee perception on the effects of CSR is a factor to the sustainability performance of the company.

Keywords

Corporate Social Responsibility (CSR), Employee Perception, Structural Equation Model (SEM), and Sustainability Performance

1. Introduction

Back then, companies focused all their resources in developing a strategy to increase their profitability. These companies were contented as long as their financial performance was strong, and the company was profiting. However, nowadays having a strong financial performance is not enough to achieve a long-term sustainable growth. The stakeholders form a big part of the company's sustainable growth, which makes it appealing for the companies to engage and be active in CSR ventures. The theory mentioned by (Hamman E.M., Habich A., Pechlaner H., 2009) that the success of a company depends on the enduring relationship with stakeholders and managing them has become an essential tool for value creation.

The Philippines food and beverage industry contributes 16.9% to the GNP (PSA, 2015). Interestingly, an answer to the question "What are the employees' perception of the effects of corporate social initiatives (CSIs) on the corporate sustainability performance (CSP) of food manufacturing companies in the Philippines?" will be worth looking into. Specifically, the study will determine if employee perception on corporate social initiatives has an effect on the company's sustainability performance. Thus, the study aims to accomplish the following objectives: 1.) To assess the corporate social initiatives (CSI's) and CSR capability as perceived by employees of food manufacturing companies in the Philippines 2.) To determine the perceived effects of awareness and engagement of employees on company sustainability performance (CSP) of said companies.; 3) To recommend employee awareness and engagement programs to enhance company sustainability performance (CSP) of said companies.

Corporate executives have a responsibility to stakeholders to justify expenses, including CSR initiatives, in the process of strengthening the organization's financial position (Jo & Harjoto, 2012). Managers aim for organizational sustainability and implement CSR to maintain the corporate advantage and public trust. The benefit of the study is for food and beverage companies that are looking to CSR as a strategic initiative for a long-term growth and profitability. Other industries can also benefit from the study by identifying significant CSR factors like the food and beverage industry that will contribute to the long-term growth and profitability of different players. The recommended employee awareness & engagement programs can be adapted to the nature of operations of other business organizations.

2. Literature Review

CSR is a management concept employed by companies to achieve balance in social, environmental, and economic concerns, which is known as the triple bottom line. CSR has in fact broadened the domain of corporate sector from stockholders to stakeholders (Maqbool and Zameer, 2018). Nevertheless, achieving stakeholder needs is not easy, and sustainability is not simple (Khan and Manwani, 2013). According to (Williams, 2014) each market has 2 driving factors – to increase sustainability and address the societal and financial concern of stakeholders, which all go beyond financial performance. These are known as corporate social responsibility. Which impact initiatives that go beyond financial performance. These are known as corporate social responsibility (CSR) initiatives (Khan and Manwani, 2013).

“Corporate social responsibility involves the conduct of a business so that it is economically profitable, law-abiding, ethical and socially supportive” (Carroll A.B., 1983). The other perspective is that CSR consumes the scarce resources of a company without any substantial return (Friedman M., 1970). According to Margolis et. al (2009), the dominant perspective is that CSR provides a competitive edge, which finally enhances the financial strength of the business. In effect, more organizations are beginning to see the benefits from setting up a strategic CSR agenda (Famiyeh, 2017).

Employees are motivated and more willing to go the extra mile to make the company successful when there is a higher good associated with it. That work becomes meaningful and this makes the company more competitive. CSR initiatives increase organizational citizenship behaviors and improve employee relationships; enhance employee identification with the organization; improve retention and organizational commitment; create a more attractive company culture to prospective employees; improve employee engagement and performance; and increase creativity (Stiller (2012).

Employee engagement is also an important part of CSR According to Griek (2014), there are different kinds of initiatives like environmental programs, philanthropic efforts, ethical labor practices, and volunteering programs. According to Vandeveld (2015), when a company puts people first and focuses on making positive changes for the communities they work with and serve, consumers notice. In fact, studies show that when companies support social or environmental issues, 93% of consumers have a more positive image of that company. CSR became a trend among multinational companies who advocated CSR beliefs and practices. CSR is relevant in the food and beverage industry as it provides the basic needs of humans as well as having a huge impact on public health. CSR initiatives have become a core part of business activities in the food and beverage industry especially for companies who have a high-value consumer brand.

3. Methodology

The research aimed to establish how employee perception on the effects of CSI became a factor on how employees will engage in CSR practices. The conduct of the research study was guided by the following conceptual framework (Figure 1).

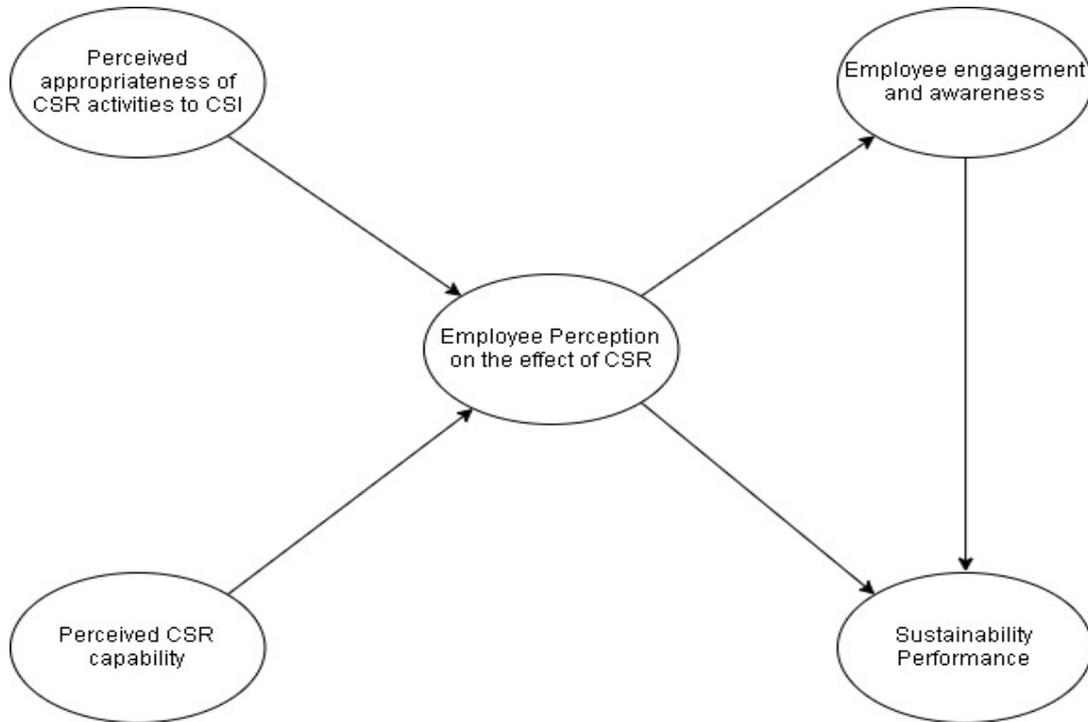


Figure. 1. Conceptual Framework

The framework defines employee perception on the effects of corporate social initiatives (CSI) as a measure to which employees perceive the company's support in doing the activities related to a social cause and also called corporate social responsibility activities. The study conceptualized employee perception with the effects of CSI as a factor of perceived appropriateness of CSR activities to CSI and perceived CSR capability. The main concern was to confirm the benefit of employee awareness and engagement in corporate social initiatives to nurture the company's sustainability performance. The research also focused on perceived appropriateness of CSR activities to CSI, determining the extent with which employees believed that CSR activities are aligned with the overall culture of the company or organization. Consequently, the perceived CSR capability would point to company culture being appropriate with its CSR activities. Moreover, the importance of the alignment of CSI and CSR implementation with corporate identity and culture of the firm would suggest better employee reception of the initiatives that would lead to employee commitment to the CSI and ensuring the success of CSR programs, resulting in a sustainable performance.

3.1 Hypotheses

Based on the above premises, the following hypotheses were posited.

H1: *Perceived appropriateness of corporate social responsibility activities to corporate social initiatives affects employee's perception on the effects of corporate social initiatives positively.*

H2: *Perceived CSR capability affects employee's perception on the effects of corporate social initiatives positively.*

H3: *Employee perception on the effects of corporate social initiatives affects employee engagement positively.*

H4: Employee perception on the effects of corporate social initiatives affects company sustainability performance positively.

H5: Employee engagement and awareness affects company's sustainability performance positively.

3.2. Structural Equation Modeling Framework

Structural equation modeling (SEM) was employed to test the hypotheses using AMOS software with the resulting framework shown in Figure 2 below and the definitions of the latent variables can be found accordingly in Table 1. The SEM analysis would determine the significant relationships and model fit for employee perception on the effects of CSR considering the latent variables as indicated.

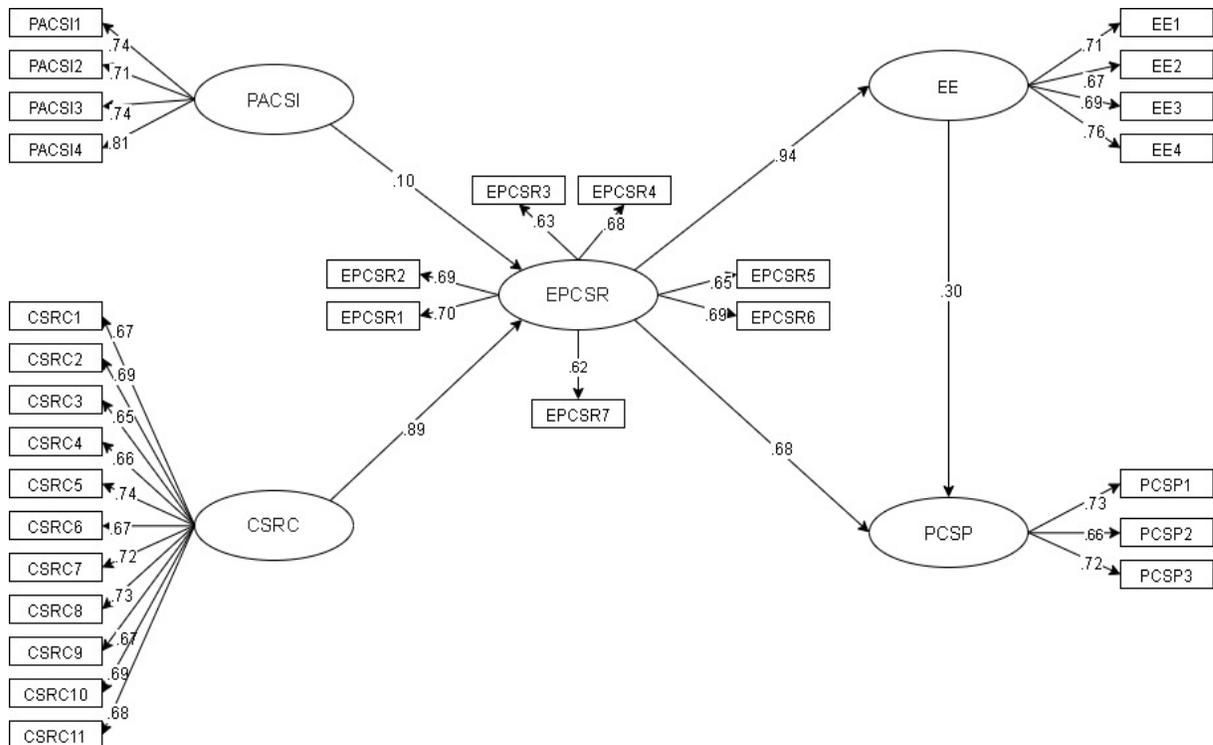


Figure 2: SEM Framework for Employee Perception on the Effects of CSR

Table 1: Definition of Variables

Variables	Description
PACSI	Employee Perception of the Effects of Corporate Social Responsibility on Company Sustainability Performance of Food and Beverage Companies
CSRC	Perceived CSR Capability
EPCSR	Employee Perception on the Effects of CSR
EE	Employee Engagement
PCSP	Perceived Corporate Sustainability Performance
CSR	Corporate Social Responsibility
CSI	Corporate Social Initiatives

3.3. Survey

Due to the limitation of not able to have face-to-face interviews, actual observations and classified information, the survey questionnaire was made as *principal research instrument* in testing the hypothesized causal relationships using the Likert scale to indicate the level of agreement to the perceived effects of the *latent (unobserved) variables*

on other intervening latent variables and their consequent relationships to the *effect variable*. Sample size using the he Raosoft sample size calculator was 500 respondents participated, 250 from Mondelez Philippines Inc. and 250 Universal Robina Corporation. The measured indicators of each latent variable came from respondents' answers to questions (total of 29) that were formulated *based on cited literature and past studies* that dealt with the same nature of inquiry on the *factors affecting CSR and CSP*.

4. Results and Discussion

The first objective of the study was to assess the CSR capability and CS initiatives of the two food and beverage companies in the Philippines as perceived by their employees. Results of the survey pointed to employees indicating that the company they work in was capable of conducting and participating in CSR activities. Also, 51.95% of the companies' employees, with the demographics described in Table 2 below, agreed on the appropriateness of CSR activities to their CS initiatives.

Table 2: Survey Demographics

Variables		Number	%
Total Sample Size		500	100.0%
Gender	Male	259	51.8%
	Female	241	48.2%
Age	20s	274	54.8%
	30s	178	35.6%
	40s	39	7.8%
	50s	9	1.8%
Positions	Senior Manager	18	3.6%
	Manager	51	10.2%
	Staff / Workers	431	86.2%

4.1. Result of SEM Analysis

Table 3: Parameter estimates, and goodness of fit

Goodness of fit measures of the SEM	Parameter estimates	Suggested cut-of
Chi-square statistic (χ^2)	390.581	
Degree of freedom (df)	294	
Normed chi-square (χ^2 / df)	1.329	<2
<i>Incremental Fit Indices</i>		
Normed Fit Index (NFI)	0.955	>0.95
Tucker Lewis Index (TLI)	0.984	>0.95
Comparative Fit Index (CFI)	0.988	>0.96
<i>Goodness-of-fit index</i>		
Goodness-of-fit index (GFI)	0.946	>0.90
Adjusted Goodness of Fit Index (AGFI)	0.920	>0.90
<i>Badness-of-fit index</i>		
Root Mean Square Error of Approximation (RMSEA)	0.026	<0.07

As presented in Table 3, the model fit test index norm was smaller than 2 (norm $\chi^2 = 1.329$, $p = 0.000$) with p-value not greater than 0.05 [29]. The incremental fit indices showed good results, with NFI = 0.955 (must be greater than 0.95) and TLI = 0.984 (must be greater than 0.95). Also, the CFI value of 0.988 met the suggested requirement

that it must be greater than 0.96 [31]. The goodness of fit index and adjusted goodness of fit index values were GFI = 0.946 and AGFI = 0.920, which were greater than the recommended cutoff 0.90 [32] and 0.90 [29] respectively. As for the complementary badness of fit index, the value of RMSEA = 0.026 was lower than the meeting the requirement of less than 0.07 [33]. With these SEM results, the model was generally effective and acceptable.

4.2 Hypothesis Test Results

H1. *Perceived appropriateness of corporate social responsibility activities to corporate social initiatives affects employee's perception on the effects of corporate social initiatives positively.*

Based on the results of the SEM, it showed a positive impact ($\beta = 0.10$, $t = 1.786$, $p < 0.05$). This means that when employees perceive and see that the company culture is appropriate to the company's CSR activities, employees would perceive that as positive and favorable.

H2. *Perceived CSR capability affects employee's perception on the effects of corporate social initiatives positively.*

Looking at the SEM results ($\beta = 0.89$, $t = 10.668$, $p < 0.05$), there is significance between the two such that when the perceived CSR capabilities more positive, they see the CSR activities more favorable.

H3. *Employee perception on the effects of corporate social initiatives affects employee engagement positively*

The result was statistically significant ($\beta = 0.94$, $t = 14.995$, $p < 0.05$), pointing out that when employees perceive CSR activities positively, employee attachment to the company increases as well.

H4: *Employee perception on the effects of corporate social initiatives affects company sustainability performance positively.*

With SEM results ($\beta = 0.68$, $t = 3.531$, $p < 0.05$), there is a significant relationship which means that when employees perceive CSR activities encouragingly, the perceived corporate sustainability performance increases.

H5. *Employee engagement and awareness affects company's sustainability performance positively.*

The results showed a significantly positive connection between them at values ($\beta = 0.30$, $t = 1.1517$, $p < 0.05$). Thus, having a better employee engagement and attachment to the company would increase the perceived corporate sustainability performance.

Table 4: Direct effect, indirect effect, and total effect

NUMBER	PATH	DIRECT	P - VALUE	INDIRECT	P - VALUE	TOTAL EFFECT	P VALUE
1	PACSI ---> EPCSR	0.103	0.163	No Path	-	0.103	0.163
2	PACSI ---> EE	No Path	-	0.096	0.160	0.096	0.160
3	PACSI ---> PCSP	No Path	-	0.980	0.160	0.98	0.160
4	CSRC ---> EPCSR	0.895	0.001	No Path	-	0.895	0.001
5	CSRC ---> EE	No Path	-	0.839	0.001	0.839	0.001
6	CSRC ---> PCSP	No Path	-	0.858	0.001	0.858	0.001
7	EPCSR ---> EE	0.938	0.001	No Path	-	0.938	0.001
8	EPCSR ---> PCSP	0.681	0.036	0.277	0.242	0.958	0.001
9	EE ---> PCSP	0.296	0.245	No Path	-	0.296	0.245

4.3. Synthesis

Table 4 shows the direct, indirect, and total effect of each path. SEM indicates that PACSI had significant direct effect with EPCSR ($\beta = 0.108$, $p = 0.163$). Also, PACSI has also significant indirect effects with EE ($\beta = 0.096$, $p = 0.160$) and PCSP ($\beta = 0.980$, $p = 0.160$).

The model also indicates that CSRC has a significant direct effect EPCSR ($\beta = 0.895$, $p = 0.001$). This also shows the significant indirect effects of CSRC with EE ($\beta = 0.839$, $p = 0.001$) and PCSP ($\beta = 0.858$, $p = 0.001$). For the remaining paths, the model also showed that EPCSR has significant direct effects on EE ($\beta = 0.938$, $p = 0.001$) and PCSP ($\beta = 0.681$, $p = 0.036$). EPCSR also showed a significant indirect effect with PCSP ($\beta = 0.277$, $p = 0.001$). Lastly, for EE it has showed a significant direct effect with PCSP ($\beta = 0.296$, $p = 0.245$).

Having known the direct, indirect and total effect of each path the research could now seek to determine the mediating role of EPCSR to the perceived corporate sustainability performance (PCSP) looking at table 6 we could see that EPCSR and PCSP has a total effect of ($\beta = 0.958$, $p = 0.001$) means that EPCSR fully mediates PCSP. Looking at the total effect in table 3 PACSI and EPCSR has the best result with 0.98 and 0.958 respectively which means this is the most impactful latent to PCSP. While CSRC and EE gained the lowest output, which means that this is the part of the CSR program company that seems to be lacking. Some recommendations are to improve employee engagement are by creating a reward system. Rewards system is one of the biggest factors that affect how the employee will engage in their work. Increasing communication to employees leads to high job satisfaction and performance. The company may also conduct a bottom-up approach which gives the employees a firsthand experience in creating CSR programs. A bottom-up approach can show that employees might be more willing to engage in CSR activities which would lead to attachment to the company next is improving performance.

5. Conclusion

The research had formulated five hypotheses through the SEM. A very good-fitting model was produced that showed consistency with the data, hence the employees of the 2 leading food manufacturing firms (unit of analysis) deemed that the corporate sustainability performance (CSP) is directly affected positively by their perceptions on the effectiveness of CSR and positively though minimally on the employee awareness and engagement. In the SEM, the hypothesis produced positive results, which would mean that the model is an excellent representation of employee perception on CSR activities showed that Perceived CSR capability (CSR) and the appropriateness of CSR activities to CSI. (CSRC) had significant direct effects on employee perception on the effects of CSR activities (EPCSI) and a significant indirect effect on Perceived Company Sustainability Performance (PCSP). Appropriateness of CSR activities as corporate social initiatives (CSIs) affects employee's perception on the effectiveness of corporate social responsibility (CSR) positively, CSR capability affects employee's perception on the effectiveness of corporate social responsibility positively (minimally but directly), effectiveness of CSR affects employee awareness and engagement positively.

Through SEM the researchers were able to determine that employee perception on the effects of CSR has an effect to the company sustainability performance, and the effect of employee and engagement is perceived to positively affect CSP though minimally. All that said, the outcome indicates that the company's ability to participate in CSR activities and perceived suitability of CSR activities to CSI resulted in a positive beta correlation to employee perception on the effects of CSR activities contributes to an increase in the company's sustainability performance. Thus, the following improvements are recommended: create a reward system that can be one of the biggest factors in making employees more engaged in CSR programs, increase two-way company-wide communication that can lead to higher level of awareness and ultimately employee job satisfaction and CSR-related performance, and conduct a bottom-up approach in conceptualizing and leading CSR programs which can give the employees a firsthand experience (a bottom-up approach can provide employees opportunity to be creative and to show that they will be more than willing to engage in CSR activities, which consequently leads to a better overall work performance).

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