

# DOES CORPORATE SOCIAL RESPONSIBILITY ENHANCE TRUST AND QUALITY OF WORK LIFE OF WORKERS?

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## ABSTRACT

*In recent decades, corporate social responsibility has emerged as a crucial goal in business. Several researchers have agreed that it is a win-win business strategy which contributes to the financial well-being of the firm. However, the question of how corporate social responsibility contributes to the well-being of workers is still unanswered, especially in transitioning markets like Vietnam. Realizing this role of corporate social responsibility in business, this study investigates the impact of corporate social responsibility on both trust in organization and quality of work life of workers in Vietnam. Based on a data set collected from 501 employees working for various firms in Ho Chi Minh City, Vietnam, the study finds that corporate social responsibility directly and indirectly (mediated by trust in organization) enhances quality of work life of workers. The findings of the study suggest that the government and management should pay close attention to corporate social responsibility and make efforts to communicate its corporate social responsibility mission and activities to their employees.*

**Key words:** corporate social responsibility, trust in organization, quality of work life

## INTRODUCTION

In recent decades, corporate social responsibility has emerged as a crucial goal in business and several researchers have agreed that it is a win-win business strategy which contributes to the financial well-being of the firm (Amstrong and Green, 2013; Singhapakdi *et al.*, 2015). In business, research on corporate social responsibility has not only come from different disciplines but also from different conceptual bases and level of analysis (Aguinis and Glavas, 2012). However, the question of how corporate social responsibility contributes to the well-being of workers is still unanswered, especially in transitioning markets like Vietnam.

Vietnam's transition to a market-oriented economy has produced stunning results: the country has joined the World Trade Organization; a fairly predictable and effective business system has emerged; and, a consumer society is gaining momentum (e.g., Shultz, 2012). Several international institutions such as Asian Development Bank, UNDP, World Bank, have championed Vietnam as a model for development. Even during the Asian financial crisis of the late 1990s and the more recent global crisis, Vietnam has managed to produce remarkable growth rates and has remained a favoured investment target.

The emergence of business people and institutions has been instrumental to the aforementioned successes, yet Vietnam still has much work to do. The social responsibility of business is perhaps a crucial issue that Vietnam needs to consider. Firms doing business in Vietnam, as in other countries around the world should be socially responsible for their business behaviour. Realizing that corporate social responsibility is under researched Vietnam, this study investigates the impact of corporate social responsibility in quality of work life of workers in Vietnam.

## RESEACH METHOD

### *Hypothesis formulation*

Figure 1 depicts a conceptual model hypothesizing the relationships between corporate social responsibility, organizational trust, and quality of work life of workers.

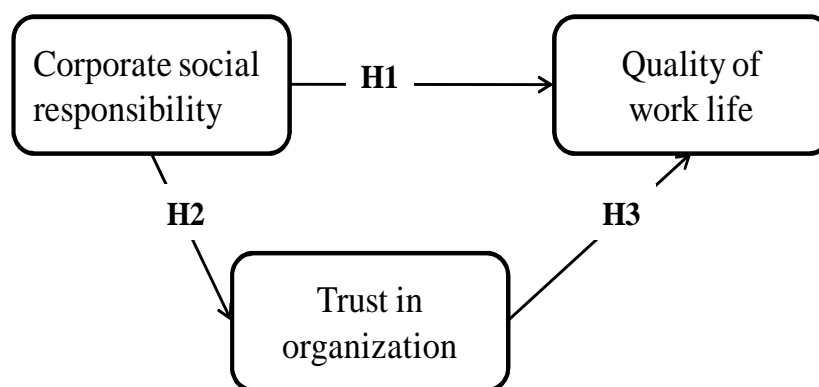


Figure 1: Conceptual model

### **Corporate social responsibility and quality of work life**

There are several perspectives on corporate social responsibility because scholars study this concept through different disciplinary and conceptual lenses (Aguinis and Glavas, 2012). Basing our approach on stakeholder theory, we adopt Wood's (1991) definition of corporate social responsibility which is "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's social relationships." The scope of social responsibility is still controversial, however, several scholars suggest that a firm's social responsible behaviours should focus on its stakeholders (Henriques and Sadorsky, 1999; Lee *et al.*, 2012).

Stakeholders can be classified into four categories: organizational stakeholders, community stakeholders, regulatory stakeholders, and media stakeholders (Henriques and Sadorsky, 1999). Among these stakeholders, employees are an important stakeholder. Stakeholder theory also states that employees' capabilities and commitments are among the key assets that contribute to the long term of a firm (e.g., Carroll, 1991). For that reason, firms pay more attention to the well-being of their employees, i.e., quality of work life (Singhapakdi *et al.*, 2014). Quality of work life can be defined as "employee satisfaction with a variety of needs through resources, activities, and outcomes stemming from participation in the workplace" (Sirgy *et al.*, 2001). In the Vietnamese market, Nguyen and Nguyen (2012) identify three types of needs in the workplace, namely, survival needs, belonging needs, and knowledge needs.

When working for a firm, employees often identify themselves as members of a particular group and they have several expectations about the firm they work for. Socially responsible behaviours are among their expectations (Singhapakdi *et al.*, 2014). A socially responsible firm will make its employees satisfied with their work because they believe that the firm is responsible for the employees' work environment and condition. Also, the firm will make them feel good about themselves because they believe that are a part of the good faith firm (Lee *et al.*, 2012). Thus,

**H1.** *Corporate social responsibility has a positive impact on quality of work life of workers.*

### **Trust in organization**

Trust can be defined as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective

of the ability to monitor or control that other party” (Mayer *et al.*, 1995). Trust evolves through the social exchange between two parties, which is concerned with the general processes and principles that govern the exchange of valued psychological, social and material commodities (Rousseau *et al.*, 1998). Trust connotes something good: an employee’s trust in a firm has been found to be of critical benefit for the firm including organizational commitment, organizational citizenship behaviour, team performance, and organizational performance (Celani *et al.*, 2008). Thus, employees who have higher trust in a firm will be more satisfaction with their work life in the firm.

A socially responsible firm will gain trust from its employees because they, a key stakeholder of the firm, believe that the firm is responsible for their interest and welfare. They also feel proud of themselves because of they are a member of a good firm (Lee *et al.*, 2012).

**H2.** *Trust in organization has a positive impact on quality of work life.*

**H3.** *Corporate social responsibility has a positive impact on organizational trust.*

### **Sample**

A convenience sample of 501 workers working for various types of firms in Ho Chi Minh City, a major business center in Vietnam, was surveyed to test the model. Confirmatory factor analysis (CFA) was employed to validate the measures and structural equation modelling (SEM) was used to test the conceptual model and hypotheses.

The sample included 122 (24.4%) workers working for manufacturing firms, 206 (41.1%) workers working for service firms, and 173 (34.5%) workers working for firms doing business in both service and manufacturing industries. There were 412 (82.2%) workers working for local firms and 89 (17.8%) workers working for foreign invested firms. In terms of firm size, there were 179 (35.7%) workers working for firms which had less than or equal to 100 employees and 322 (64.3%) workers working for firms which had more than 100 employees. In terms of genders, there were 281 (56.1%) male workers and 220 (43.9%) female workers. Finally, there were 239 (47.7%) workers who were less than or equal to 30 years of age and 262 (52.3%) workers who were more than 30 years of age.

### **Measure**

Three constructs were investigated: corporate social responsibility, organizational trust and QWL. Corporate social responsibility and trust in organization were measured as unidimensional constructs. Quality of work life was multidimensional constructs comprising three components, i.e., survival needs, belonging needs, and knowledge needs. Corporate social responsibility was measured by four items, borrowed from Walsh and Bartikowski (2013). Trust in organization was measured by three items based on the scale used by Robinson (1996). Finally, quality of work life was measured by nine items borrowed from Nguyen and Nguyen (2012), a modified scale developed by Sirgy *et al.* (2001).

Seven-point Likert scaling, anchored by 1 (strongly disagree) and 7 (strongly agree) was used for all items in this study. The questionnaire was initially prepared in English and then translated into Vietnamese by an academic fluent in both languages. This procedure was undertaken because English is not well understood by all workers in this market. Back translation was undertaken to ensure the equivalence of meanings.

## **RESULTS AND DISCUSSION**

### **Measurement validation**

As previously mentioned, CFA was used to validate the measures based on a data set collected from a sample of 501 workers working for various types of firms in Ho Chi Minh City. The screening process showed that the data exhibited slight deviations from normality. Nonetheless, most of the univariate kurtoses and skewnesses were within the range of [-1, 1]. Therefore, maximum likelihood estimation was used (Muthen and Kaplan, 1985). Constructs validated included: corporate social responsibility, trust in organization, and quality of work life. Two steps of validating measures were employed. First, we used two CFA models to assess the second-order constructs, i.e., quality of work life. We, then, incorporated the two first-order constructs (corporate social responsibility and trust in organization) into the first CFA model to form a final measurement model.

### Quality of work life

Quality of work life consisted of three components: satisfaction with survival needs, satisfaction with belonging needs, and satisfaction with knowledge needs. The CFA results indicate that the measurement model of quality of work life received an acceptable fit to the data:  $\chi^2_{[23]} = 81.10$  ( $p = 0.000$ ), GFI = 0.966, CFI = 0.972, and RMSEA = 0.071. In addition, all factor loadings were high ( $> 0.50$ ) and significant ( $p < 0.001$ ). These findings indicate that the scales measuring the components of quality of work life were uni-dimensional and the within-method convergent validity was achieved.

### Final measurement model

We formed the final measurement model by incorporating the CFA model of quality of work life into the two CFA models measuring corporate social responsibility and trust in organization. The final CFA model received an acceptable fit to the data:  $\chi^2_{[97]} = 441.50$  ( $p = 0.000$ ), GFI = 0.900, CFI = 0.918, and RMSEA = 0.084. The factor loadings of all items measuring the two unidimensional constructs (corporate social responsibility and trust in organization) were high ( $> 0.50$ ) and significant ( $p < 0.001$ ). These findings indicate that the scales measuring corporate social responsibility and trust in organization were uni-dimensional and the within-method convergent validity was achieved. See Table 1 for CFA item loadings, composite reliability, and average variance extracted of the scales validated and Table 2 for the covariance and correlation between constructs.

Table 1. Means, standard deviations and standardized CFA loadings of items

Items	Mean	Std Dev	
Corporate social responsibility: composite reliability ( $r_c$ ) = 0.79 ; average variance extracted ( $r_{vc}$ ) = 0.48			
My firm treats its employees fairly.	4.77	1.57	0.62
My firm is responsible for its customers.	5.82	1.17	0.69
My firm strictly pursues environmental protection regulations.	5.71	1.22	0.70
Overall, my firm is a socially responsible firm.	5.23	1.31	0.75
Trust in organization: $r_c = 0.89$ ; $r_{vc} = 0.73$			
My firm has never promised me what it can't do for me.	4.91	1.63	0.82
My firm always fulfills what it promises me.	4.80	1.59	0.94
Overall, I always trust my current firm.	5.07	1.41	0.79
Quality of work life: <i>Satisfaction with survival needs</i> : $r_c = 0.90$ ; $r_{vc} = 0.75$			
My job provides good health benefits.	5.02	1.57	0.79
I am satisfied with what I'm getting paid for my work.	4.47	1.54	0.92
My job does well for my family.	4.65	1.57	0.88
Quality of work life: <i>Satisfaction with belonging needs</i> : $r_c = 0.67$ ; $r_{vc} = 0.42$			
I have good friends at work.	5.53	1.19	0.50
I have enough time away from work to enjoy other things in life.	5.26	1.45	0.52
I feel appreciated at work.	5.36	1.23	0.87
Quality of work life: <i>Satisfaction with knowledge needs</i> : $r_c = 0.89$ ; $r_{vc} = 0.73$			
I feel that my job allows me to realize my full potential.	4.97	1.38	0.84
My job allows me to sharpen my professional skills.	5.17	1.42	0.87
My job helps me develop my creativity.	4.93	1.46	0.86

Table 2. Covariance and correlations between constructs

	Cov	Std Dev	Corr	t-stat
Quality of work life ↔ Trust in organization	0.641	0.074	0.645	8.69
Corporate social responsibility ↔ Trust in organization	0.789	0.079	0.722	10.05
Corporate social responsibility ↔ Quality of work life	0.676	0.074	0.766	9.08

Note that this study used a single respondent method which raised the possibility of common method biases (Podsakoff *et al.*, 2003). To assess this possibility, first, a CFA Harman's single factor model test was employed. The CFA one-factor model received a very poor fit to data [ $\chi^2_{(104)} = 1654.93$  ( $p = 0.000$ ), GFI = 0.671, CFI = 0.635, and RMSEA = 0.173], compared to the trait factor model [ $\chi^2_{(97)} = 441.50$  ( $p = 0.000$ ),

GFI = 0.900, CFI = 0.918, and RMSEA = 0.084]. Next, an unmeasured latent variable that was allowed to load on each item into the trait model was investigated. The results indicate that the size and statistical significance of the loadings were almost identical to those reported in the measurement model. In addition, all loadings of the items on the unmeasured latent variable were not significant. The results indicate that the common method variance, if existed, was not a pervasive problem in this study.

### **Structural results and hypothesis testing**

SEM was used to test the theoretical model and hypotheses. The SEM results indicate that the proposed model received an acceptable fit to the data:  $\chi^2_{[96]} = 395.02$  ( $p = 0.000$ ), GFI = 0.912, CFI = 0.930, and RMSEA = 0.079. Note that no improper solution was found in any model: Heywood cases were absent; all error-term variances were significant; and, all standardized residuals were less than |2.58|. Table 3 shows the un-standardized and standardized estimates of the structural paths.

Consistent with H1, a positive relationship between corporate social responsibility and quality of work life was found ( $p < 0.001$ ). H2 proposes that trust in organization has a positive impact on quality of work life. The results reveal that this hypothesis also received support from the data ( $p < 0.001$ ). Finally, H3 proposes a positive relationship between corporate social responsibility and trust in organization. The estimated structural path between corporate social responsibility and trust in organization was significant ( $p < 0.001$ ), thus H2 was supported (Table 3).

Table 3. SEM results

Path	Unstd beta	Std err	Std beta	t-stat
H1: Corporate social responsibility → Quality of work life	0.420	0.065	0.481	6.44
H2: Trust in organization → Quality of work life	0.279	0.053	0.349	5.21
H3: Corporate social responsibility → Trust in organization	0.715	0.061	0.655	11.70

## **CONCLUSION**

Recognizing the importance of corporate social responsibility in business, this study investigates the role of corporate social responsibility on quality of work life and trust in organization in a transitioning market, Vietnam. The results of this study provide some implications for theory and practice. Theoretically, this study documents the effects of corporate social responsibility on quality of work life and trust in organization of workers in Vietnam. Significant positive impacts, direct and indirect (mediated by trust in organization), of corporate social responsibility on quality of work life suggest that corporate social responsibility plays an important role in the quality of work life of workers, not only in advanced economies but also in transitioning economies like Vietnam. These findings encourage more investigations in the area in such markets. In terms of practice, this study confirms that corporate social responsibility promotes quality of work life of employees. Therefore, firms should pay attention to the planning and implementation of corporate social responsibility. Firms should also make efforts to communicate its corporate social responsibility mission and activities to their employees. For example, firms can design training programs which include training in corporate social responsibility.

This study has a number of limitations. First, we investigated only the role of corporate social responsibility in quality of work life of workers. Corporate social responsibility can be an important predictor of several other job factors which should be tested in future research. In addition, the model needs further replication, extension, and critical evaluation in other transitioning markets such as China to provide useful insights. Second, this study looks at corporate social responsibility as a global construct. An examination of the effect of each component of corporate social responsibility (economic, legal, ethical, and philanthropic) on quality of work life will provide further insights into the role of corporate social responsibility of quality of work life of workers. This is also an appropriate area for future research.

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