



**UNIVERSITI PUTRA MALAYSIA**

***INFLUENCE OF EMPLOYEE-FOCUSED CORPORATE SOCIAL  
RESPONSIBILITY ON THE TURNOVER INTENTION OF EMPLOYEES IN  
SMALL AND MEDIUM-SIZED ENTERPRISES***

**OKOLOCHA CHIZOBA BONAVENTURE**

**GSM 2016 19**



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RESPONSIBILITY ON THE TURNOVER INTENTION OF EMPLOYEES IN  
SMALL AND MEDIUM-SIZED ENTERPRISES**

By

**OKOLOCHA CHIZOBA BONAVENTURE**

**Thesis Submitted to the Putra Business School, Univerisiti Putra Malaysia, in  
Fulfillment of the Requirements for the Degree of Master of Science**

**December 2016**

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## DEDICATION

I dedicate this thesis to God, my parents and siblings.



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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the Degree of Master of Science

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**OKOLOCHA CHIZOBA BONAVENTURE**

**December 2016**

**Chairman : Tee Keng Kok, PhD**  
**Faculty : Putra Business School, UPM**

The purpose of this research paper is to investigate employee turnover intention among small and medium- sized enterprises in Malaysia (SMEs), where difficulty in retention of employees is recognized as a major issue for SME managers. This study seeks to determine the mediation effect of employer brand on employee-focused corporate social responsibility (CSR) and turnover intention. This study uses positivism through a self-administered questionnaire survey with 498 respondents among small and medium-sized enterprises in Selangor, Wilayah Persekutuan Kuala Lumpur, and Johor. This study is significant in a few ways: Firstly, the findings support the relationship between employee-focused CSR and turnover intention. Secondly, employee-focused CSR was found to positively affect perceived employer brand. Thirdly, perceived employer brand was positively related to job satisfaction but the relationship was found not to be statistically significant. However, the relationship between perceived employer brand and organization identification was positive and statistically significant. Fourthly, job satisfaction and organization identification were found to significantly and negatively affect turnover intention. Lastly, the mediating role of perceived employer brand on employee-focused CSR and turnover intention relationship was significant. The implications of this study from both theoretical and managerial perspective were discussed. The study findings are expected to guide SMEs manager and policy makers on employee related decisions and also provide them with insight on the benefits that could be derived from employee focused CSR. Limitations and directions for future research are also discussed

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Master Sains

**PENGARUH TANGGUNJAWB SOSIAL KORPORAT PEKERJA  
TERHADAP NIAT BERHENTI PEKERJA DALAM INDUSTRI KECIL DAN  
SEDERHANA (IKS)**

Oleh

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**Fakulti : Sekolah Pengajian Siswazah Pengurusan, UPM**

Penyelidikan ini bertujuan untuk mengkaji niat berhenti kerja oleh pekerja di kalangan industri kecil dan sederhana (IKS) di Malaysia, di mana kesukaran dalam pengekalan pekerja diiktiraf sebagai isu yang penting bagi pengurus IKS. Kajian ini bertujuan menentukan kesan pengantaraan penjenamaan majikan terhadap tanggungjawab sosial korporat pekerja (CSR) dan niat berhenti kerja. Sorotan literatur mengenai tanggungjawab sosial korporat, penjenamaan majikan, kepuasan kerja, pengenalan organisasi dan niat berhenti kerja menyediakan asas penyelidikan dan hipotesis berkaitan. Satu tinjauan soalselidik tadbiran sendiri, melibatkan 498 responden IKS berdaftar di Selangor, Wilayah Persekutuan Kuala Lumpur, dan Johor Bahru telah dianalisa. Kajian ini adalah penting dalam beberapa cara: Pertama, hasil kajian ini menyokong hubungan antara tanggungjawab sosial korporat pekerja dan niat berhenti kerja. Kedua, tanggungjawab sosial korporat pekerja memberi kesan positif terhadap tanggapan penjenamaan majikan. Ketiga, penjenamaan majikan mempengaruhi secara positif terhadap kepuasan kerja tetapi tidak signifikan. Walaubagaimanapun, hubungan di antara pengenalan organisasi dan penjenamaan majikan dilihat positif. Keempat, didapati kepuasan kerja dan pengenalan organisasi mempunyai hubungan signifikan secara negative terhadap niat berhenti kerja.

Akhir sekali, peranan perantara di antara hubungan penjenamaan majikan terhadap tanggungjawab sosial korporat pekerja dan niat berhenti kerja juga signifikan. Implikasi kajian ini dari perspektif teori dan pengurusan telah dibincangkan. Hasil kajian dijangka dapat membimbing pengurus IKS dan pembuat dasar berhubung dengan anfaat yang dapat diperolehi daripada tanggungjawab sosial korporat pekerja. Had dan halatuju penyelidikan di masa depan juga telah dibincangkan.

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Last but not the least, I want to thank all people who have been helping me whose names are not mentioned here in direct or indirectly. Your assistance, I will never forget. Thanks for everything.

I certify that a Thesis Examination Committee has met on 19<sup>th</sup> December 2016 to conduct the final examination of Okolocha Chizoba Bonaventure on his thesis entitled “Influence of Employee-Focused Corporate Social Responsibility on the Turnover Intention of Employees in Small and Medium-Sized Enterprises” in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Master of Science.

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Introduction

Employee-focused corporate social responsibility and employer brand influences employee attitude and behavior. Khan, Zahour and Irum (2014) argued that fairness generated from CSR practices is likely to discourage turnover, improve commitment level, encourage loyalty and boost productivity. Since employee-focused CSR is a means by which employer demonstrate responsible practices to employees such as the equal opportunity to employment, it is expected that such responsible practices will also benefit an employer in terms of improved employer brand.

Employer brand is the application of branding principles to human resource management with the objective of portraying a favorable image of an employer as an employer of choice to employees. Employee-focused CSR has a significant correlation with employer brand in a way that both practices share the same core value, which is promoting employees' work condition and experience. For instance, Kashikar-Rao (2014) pointed out that CSR creates social awareness and sense of belongingness among employees and this contribute to positive employer brand. Therefore, employee-focused CSR is expected to create a positive employer brand which will help bring about favorable employee response or attitudes such as job satisfaction and organization identification with the tendency of enhancing retention rate through minimizing or eradicating turnover intention in small and medium-sized enterprises.

CSR practice is a crucial element for the important sector such as small and medium-sized enterprises. Employee-focused CSR is management practices that stimulate and enhance the relationship that exists between an employer and employee. According to Gould-Williams and Davies (2005, p.2), social exchange theory provide a mutual understanding of both employer and employees about working together for mutual benefit. Therefore social exchange becomes important to small and medium-sized enterprises as this strategic sector has a significant performance in terms of employment of labor. Munasinghe and Malkumari (2012) pointed out that SME is an important sector whose major role in job creation, economic development, and poverty alleviation has been significant across the globe. Therefore SMEs can derive several benefits from employee-focused CSR engagement.

Employee-focused CSR engagement in SMEs can represent strategic benefits. Well-formulated, implemented and sustained employee-focused CSR practices might significantly improve an employer or firms' image, employee job satisfaction, and identification as well as enhance positive job outcome such as employee retention. For instance, Von Weltzien Hoivik and Shankar (2011) has argued that SMEs through CSR initiatives can increase access to talent, better employer-employee relationship and save cost in areas of lower employee turnover. This assertion is in congruence

with that of Ellerup Nielsen and Thomsen (2009) who maintained that CSR is critical to business sustainability regardless of size. However, Ibrahim, Jamali and Karatas-Ozkan (2014) emphasized that the implementation of CSR is a vital tool towards the survival and growth of SMEs. Therefore employee-focused CSR implementation in SMEs will meet the justice needs of employees which will add to positive employer brand, job satisfaction, strengthen organization identification and lower turnover intention.

In this study, the term corporate social responsibility (CSR) and 'responsible business practices' are used interchangeably. According to Nejati and Amran (2013), SMEs in Malaysia is more familiar with the term responsible business practice and corporate social responsibility. Therefore, the aim of using responsible business practice and corporate social responsibility interchangeably in the current study is not to alienate SMEs from employee-focused CSR practices.

## **1.2 Research Background**

Corporate social responsibility (CSR) or responsible business practices is currently an important issue in modern business practices and discourse. It is a set of actions, which has become prominent and of value to stakeholders whose interest can affect or be affected by the firm objectives. This group of stakeholders according to Freeman (1984) includes employees, customer advocates, customers, suppliers, environmentalists, media, local community organizations, governments, owners, and competitors. Stakeholders in this study context are employees of SMEs. Buciumiene and Kazlauskate (2012) argued that a socially responsible organization have a positive influence on employee well-being and working conditions. Therefore SMEs need to integrate employee-focused CSR practices in their business strategy as such can respond to employee needs and subsequently stimulate better employer-employee relationship.

CSR according to Raubenheimer and Rasmussen (2013) tends to align business strategy and objectives with the distinct need of various stakeholders such as employees and other stakeholders. As a consequence, stakeholders and managers have recognized the importance of responsible business practice as a relevant concept that requires attention due to its impact on a different aspect of living and field of study. Over the years, corporate social responsibility has gained wide acceptance globally in the business world (Mouria-Leite & Padgett, 2011). It is a significant practice that can promote a company image or offer a long-term commitment in managing firm workers (Raman, Lim, & Nair, 2012). Hence, employee-focused CSR has a long history and relevance in responding to social, economic and environmental concern.

The concept of CSR as a responsible business practice has a long history. According to Truscott, Bartlett and Tywonaik (2009), its' emergence can be traced back to the 1920s, while its presence in academic writings as pointed out by Okoye (2009) can be traced back to 1930s. However, responsible business practices became prominent firstly in larger firms as a result of behavioral and governance issue triggered by

enormous recorded financial and non-financial scandals, environmental degradation, and increasing consciousness of the masses on business role towards socio-economic development and stability. This corroborates with the view of Raubenheimer and Rasmussen (2013) who acknowledge that international scandals such as Enron, Parmalat, World Com, the Gulf of Mexico BP oil spill, banking financial crisis, increase in media exposure, legal guidelines, and stakeholders' expectations have brought to the forefront the quest for CSR to be incorporated as a vital component of business strategy. Okoye (2009) emphasized that awareness of responsible business practices in the global business environment has also attracted a lot of arguments among scholars on social responsibilities expected of corporations. Therefore, employee-focused CSR has emerged to align business strategy, policies with stakeholders' value such as employee psychological needs and working conditions.

Social responsibility requires business managers to juggle between business and social objectives. Bowen (1953) argued that being socially responsible requires business managers to pursue business objectives, formulate policies and take decisions that preserve societal values. Carroll (1979) expressed that social responsibility of business organization is expected to respond to the economic, legal, ethical and discretionary expectation of stakeholders from businesses. Through corporate social responsibility, business managers manage their relationship with stakeholder groups including employees.

CSR as an important global practice has a significant implication on human resource management. As the world has shifted from the industrial era to present knowledge era, the importance of employees to every organization success is enormous. CSR is of great influence towards addressing global challenges and demand such as the quest for skillful human capital and talent pool. Tsai, Tsang and Cheng (2012) pointed out that the importance of CSR to business organizations exceeds wealth maximization to include human resource benefits such as recruitment and retention of skillful human resources as well as instrumental towards propelling employee commitment and productivity.

The practice of employee-focused CSR is crucial because of its positive influence on the attitudinal and behavioral outcome. For instance, when SMEs engage in CSR practice that is employee-oriented, employee welfare are positively affected which subsequently have a positive impact on employee response such as organizational identification and relevant organizational outcome such as lower turnover intention. Khan, Zahoor and Irum (2014) noted that the practice of CSR should generate positive employee behavior, discourage negative employee behavior and motivate employees towards achieving organizational objectives. Hence, the ability to retain talented employees through CSR initiatives can save recruitment and training cost for SMEs.

Employee as one of the primary stakeholders of businesses is an intellectual capital of a company that impacts outcomes of organization goals significantly. This is supported by resource base view theory, which emphasized that a business competitive advantage can be derived from firms' unique resources such as skilled personnel

(Barney, 1991). Hence, in order to derive the benefits associated with employee-focused CSR practices, it becomes imperative that employer and their employees have common shared values. Managers have recognized the importance of CSR but only a few have embraced it in an efficient and effective way especially towards human resource management. This is evidenced in studies carried out by Farooq, Farooq and Jasimuddin (2014), Raubenheimer and Rasmussen (2013), Tsai et al. (2012) and Lis (2012) on CSR role towards human resource management. However, these studies are more general without an in-depth examination of CSR relationship with employer brand. The global recognition of CSR and employee as important stakeholder supported by stakeholder theory, stakeholder salience and resource base view theory has pose a question on the effect and impact of CSR on employees' attitudes, especially when they are major player in propelling CSR strategies and programs (Farooq, Farooq, & Jasimuddin, 2014). Therefore, CSR could be a strategic instrument in establishing a better employer and employee relationship.

Employee-focused CSR has an influence on human resource management internal marketing practices such as employer brand value proposition, which outcome has implication on retention and recruitment of skillful talents. Ambler and Barrow (1996) opined that employer brand provides employees with functional, economic and psychological employment benefits. Such benefits to employees are important as employees' attitude can have an influence on relevant organizational outcomes. Schlager, Bodderas, Maas and Luc Cachelin (2011) argued that in the service industry, employee interaction with customers has an enormous influence on customer experience. Employees play an important role in every business success as well as in building a relationship with other stakeholders. Hence understanding the strategies to retain and motivate employee creates the need for the present study.

The growing importance of employee-focused CSR has implication for SME managers who in the context of this study are either the owners of the business or individuals appointed by the owners to oversee the affairs of the business either in production or service industry. According to Wee (2013) in Malaysia, SMEs are important to the country's economy as they account for 99.2% of total business establishments. SMEs performance in employment and economic contribution is significant. Star online (2013) classifies SMEs in Malaysia as a strategic sector that contributes significantly to 59% of total employment, 32% of the gross domestic product and 19% of the total export value. Therefore, SMEs just like in another part of the world plays an important role in Malaysia.

The SMEs definition varies across countries, discipline, industries and context. The sector is often defined along the line of financial turnover, ownership structure, the number of employees and assets. According to SME Corporation Malaysia (2014), small and medium size enterprises are small businesses whose sales turnover are limited to RM50 million with workers not exceeding 200 employees for manufacturing sectors, while service and other sectors sales turnover and employee are limited to RM20 million and 75 workers respectively. Employee-focused CSR through its legitimate and persuasive characteristics is very important to SME towards retaining employees. SME Annual Report (2013) pointed out that SMEs in Malaysia



is confronted with challenges of recruitment and retention of skilled labor force needed to drive productivity, innovation and contribute to general societal well-being and nation building. Galbreath (2010) suggested that CSR can be a precious management tool in acquisition and retention of talent. In essence, the importance of employee-focused CSR in SMEs cannot be neglected.

Employee-focused CSR is at infant level in SMEs. Von Weltzien Hoivik and Shankar (2011) described corporate social responsibility in SMEs to be a relatively new topic in research. According to Santhosh and Baral (2015) benefits such as better purchase intention, investment in the organization, organization image, and strong stakeholder-organizational relationship can be derived by organization practicing CSR. Employee-focused CSR should not be undermined in SMEs taking into cognizance their aggregate impact on job creation and economic growth.

Small and medium-sized enterprises are still lagging behind in terms of overall CSR commitment. In SMEs, CSR strategies appear informal and are operated on an ad-hoc basis (Ellerup Nielsen & Thomsen, 2009; Eua-anant, Ayuwat, & Promphakping, 2011). For instance, Sweeney's (2007) comparative study among SMEs and large firm revealed that SMEs described their social responsibility to be of environmental and community concern narrow than that of large firm CSR that takes into cognizance a wide range of stakeholder groups such as environment, employees, community, and customers. Sweeney (2007) pointed out such CSR initiatives in SMEs as "making charitable donations and recycling initiatives" (p.519). This is consistent with Perrini, Russo and Tencati (2007) who pointed out that many SMEs are already engaged in socially responsible activities. However, there is a need to understand how this responsible business practices can be leveraged on in building a good employer brand image, having a satisfied and retained employees whose commitment and unique ideas can contribute to SME's success.

Employee-focused corporate social responsibility is imperative for small and medium-sized enterprises. Amran and Nejati (2012) argued that SMEs aggregate number and impact globally are enormous and crucial. This development creates potential for SME's manager in the integration of employee-focused CSR in their internal marketing (employer brand), which could enhance retention and recruitment purpose through retention and attraction of skillful and talented human resources. Iturrioz, Aragon, Narbaiza and Ibanez (2009) emphasized that considering the close proximity of SME to their stakeholders; such proximity can be capitalized through increasing the level of satisfaction of stakeholders such as employees. For SMEs to achieve optimum growth and development, they need to incorporate employee values, which in turn will enhance the identity of SMEs as an employer of choice, enhance employee job satisfaction and identification that will increase retention rate.

### **1.3 Problem Statement**

Turnover intentions of employees' have been a critical issue in firms' financial performance and productivity. According to Wee (2013) "voluntary employee

turnover rate in Malaysia is growing progressively since the year 2008 with 9.3% to 10.1% for the year 2009 and 13% for the year 2010” (p.36). SME Annual Report (2013) pointed out that inadequately educated and skilled workforce are considered as the major constraints to growth and productivity in Malaysia. SME Annual Report (2013) argued that the business community in the country especially the SMEs faces difficulty in recruiting and retaining skilled workers. Turnover which refers to employees leaving the organization or firm, can create a very costly problem ranging from a loss of work efficiency and productivity, increase training cost and selection time associated with hiring new employees and other indirect costs. This implication, therefore, requires managers to universally keep watch on employees’ turnover intention and to continuously introduce remedy measures to curb the overall turnover effect on business and organizational performance. Barney (1991) emphasized that properly managed employees’ may influence the overall business performance, “because the loss of human capital in a firm may have a dramatic influence on firm competitive advantage” (in Galbreath, 2010, p.412). This is in congruence with Huselid (1995) and Guthrie (2001) whose empirical studies found positive correlations between employees’ retention and outcomes such as firms’ financial performance and productivity. Therefore, a proper cognizance and management of skillful employees’ intention not to leave or stay in an organization could enhance organizational success.

Employees are a relevant stakeholder in exercising CSR strategies. Yet employees as the focus of CSR discourse have garnered little awareness in the academic literature (Kimeli Cheruiyot & Maru, 2012; Chon & Yoo, 2013). According to Kimeli Cheruiyot and Maru (2012), employee-focused CSR implementation can be a relevant strategic tool towards enhancing job satisfaction and discouraging turnover intention. Therefore, little knowledge on employee-focused CSR and its implementation strategies might pose a missed opportunity towards human resource management in SMEs considering the normative, legitimacy and persuasive characteristics inherent in CSR. Khan, Zahoor and Irum (2014) suggested that the potential benefits of CSR for employees perception requires an understanding of how employee views about CSR practices in an organization affect their response to the business organization. In the contemporary business settings, employees interact and serve other stakeholders such as customers, local communities, the media, governments, NGOs and the suppliers. This is supported by Schlager et al. (2011) who opined that the practice of social responsibility remains indispensable in human resource management, especially when the interaction of employees with other stakeholders such as customers affect their response to a firm and also employees’ ability in creating brand equity most especially in the service industry. A firm social responsibility significantly affects employees’ behavior (Khan et al., 2014). Therefore, employee-focused CSR could be a relevant tool towards encouraging a favorable employee response to an employer or organization.

Various antecedents have been associated to influence the turnover intention of employees. These antecedents are organizational identification and commitment (Cole & Brunch, 2005), organizational social support (Lobburi, 2012; Kumar, 2014), job satisfaction (Alam & Mohammad, 2010; Mbah & Ikemefuna, 2012), and organizational justice (Kumar, 2014). Also, empirical studies over the years have

established a significant correlation between corporate social responsibility and turnover intention of employees. Some of these empirical findings are evidenced in studies carried out by Galbreath (2010), Hansen, Dunford, Boss, Boss and Angermeier (2011), Chon and Yoo (2013) and Khan et al. (2014). For instance Chon and Yoo (2013) and Bourdeau, Graf and Turcotte (2013) in their studies of employees found an indirect and negative correlation between perceived corporate social responsibility and intention to leave or quit an organization.

However, it appears there is little or no literature on the potential role of employer brand as a mediator in explaining CSR and turnover relationship. This development creates a gap in existing literature on CSR and turnover intention. According to Kashikar-Rao (2014), CSR is emerging as an important component of employer brand in the area of human resource management. Few studies attempted to examine the mediating mechanism that explains corporate social responsibility and turnover intention relationship. For instance, the studies by Hansen et al. (2011) and Chon and Yoo (2013) pointed out the mediating role of organizational trust and commitment in explaining CSR and turnover intention relationship. However, such process upon which CSR influence turnover intention taking into cognizance employer brand and job attitudes appears not to be fully explored. Hansen et al. (2011) recommended the need to investigate more employees' perception and attitudinal behavior that can help explain further the relationship between CSR and turnover intention. Therefore the current study took into cognizance the role of employer brand, job satisfaction and organizational identification in understanding the underlying mechanism that can explain the nature of the relationship that exists between CSR and turnover intention.

Employer brand, job satisfaction, and organization identification are important to the current study in few ways. Firstly, Schlager, Bodderas, Maas and Luc Cahelin (2011) findings and conclusion pointed out that employee job satisfaction and organizational identification can be derived from the creation of strong employer brand. Therefore positive outcome such as strong employer brand becomes a consequence of positive social exchange and behavior such as CSR practice (Kashikar-Rao, 2014; Dokania & Pathak, 2013). Secondly, De Moura, Abrams, Retter, Gunnarsdottir and Ando (2009) suggested that job satisfaction and organizational identification of employees are very important to organizational success especially in the area of talent management as they provide a psychological anchor that discourages existing employees and great talents from leaving the organization. This can be justified from Homans (1958) social exchange theory perspective that a positive outcome can be derived from a positive social exchange and behavior. Hence, the current research intends to investigate the influence of employee-focused CSR on turnover intention through the mediating role of perceived employer brand. Job satisfaction and organization identification will be investigated in order to establish the process upon which employee-focused CSR influence turnover intention.



## **1.4 Research Objectives**

The main objective of this research is to understand the relationship between employee- focused corporate social responsibility and the turnover intention of employees in SMEs in Malaysia.

Besides the general objective above, this study intends to achieve the following specific objectives:

- a) To examine the relationship between employee-focused CSR and perceived employer brand.
- b) To examine whether perceived employer brand influences employee's job satisfaction and organizational identification and whether job satisfaction and organizational identification influences turnover intention.
- c) To examine if perceived employer brand mediates the relationship between employee-focused CSR and turnover intention.

## **1.5 Research Questions**

This study seeks to answer the following questions:

- Does employee-focused CSR practices lead to lower turnover intention among employees in SMEs?
- What is the relationship between employee-focused CSR and employer brand?
- Will job satisfaction and organizational identification be influenced by perceived employer brand and also influence turnover intention?
- Does perceived employer brand mediate the relationship between employee-focused CSR and turnover intention?

## **1.6 Scope Of The Study**

This study particularly examined the influence of employee-focused CSR on turnover intentions of employees in small and medium-sized enterprises in Malaysia. One variable's serve as an independent variable, namely employee-focused CSR. Employer brand was tested for its mediating effects on the relationship between employee- focused CSR and turnover intention. Also, a direct relationship between employee- focused CSR, employer brand, job satisfaction, and organizational identification were empirically tested to establish the contribution of employee-focused CSR and the process upon which the practice of employee-focused CSR can influence turnover intention.

Employees were chosen as a respondent in this study as their attitude and behavior is directly influenced by a firm CSR actions. The employee is an important stakeholder that is critical to firm success, therefore understanding how to generate positive attitude and behavior in employees will be of great benefit to SMEs growth. The

current study is limited to SMEs because of the strategic role SMEs plays in terms of economic and social performance. For instance, Wee (2013) suggested that 99.2% of established businesses in Malaysia can be categorized as SMEs. Exercising such crucial role such as regional development, income generation, savings generation, stimulation of competition, providing support for large firm, creation of employment and instrumental to the introduction of innovation (Amran & Nejati, 2012). The employee has an influence on firm level outcome such as financial performance or productivity, hence their investigation provided relevant information that could be useful in achieving a favorable organizational outcome in SMEs.

## **1.7 Significance Of Study**

The contribution of this study can be discussed from three perspectives: theoretical, managerial significance and policy.

### **1.7.1 Theoretical Significance**

This research contributes to existing literature on CSR and turnover intention relationship. Scholars have considerably written on the relationship between CSR and turnover intention. Examples of these studies are Galbreath (2010), Khan, Zahoor and Irum (2014), Chon and Yoo (2013), Bourdeau, Graf and Turcotte (2013) and Hansen et al. (2011). According to Hansen et al. (2011) and Khan et al. (2014) there is a need to explore more attitudinal level outcome that reflects both employer and employees interest such as attitudes, perception, image and identity in gaining more understanding of how corporate social responsibility relates to turnover intention. This is because employee attitudes in many ways determine relevant organization outcomes such as retention or lower turnover intention (De Moura et al., 2009). Hence, current research contributes to the body of knowledge through investigating the process upon which CSR influences turnover intention taking into cognizance the mediating role of employer brand and direct effect of employee job attitudes such as job satisfaction and organizational identification in explaining the process of employee-focused CSR and turnover intention relationship.

Secondly, most CSR and turnover intention studies appear to focus more on large firms. Such studies are Hansen et al. (2011), Galbreath (2010) and Khan et al. (2014). Findings of research on large firms cannot be replicated in small firms. This is supported by Fraj-Andres, Lopez-Perez, Melero-Polo and Vazquez-Carrasco (2012) who argued extensively that characteristics of a large firm and small firms vary in terms of “number of employees, assets, financial turnover, market share and ownership structure”(p.269). This study contributed immensely to the existing literature on CSR and turnover intention by finding out the process upon which employees-focused CSR practices translate into positive outcome of reduced turnover intention in SME's context taking into cognizance the importance of employer brand, job satisfaction and organizational identification in explaining the process of such CSR and turnover intention relationship.

The present study also contributed to the literature on reduced employees' turnover intention as a consequence of engaging and implementation of employee-focused CSR strategies in SMEs, by integrating social exchange theory, stakeholder theory, stakeholder salience, social identity theory and cognitive dissonance theory into the present research framework. The integration of these five theories into a single research framework gives more explanatory power to the theories and contributes to better understanding of the existing body of knowledge on CSR and turnover intention relationship. This study also extends the work of Khan et al. (2014) by introducing employer brand variable as a mediator for a comprehensive understanding of the reason for the CSR and turnover intention relationship established in their study. Also, the inclusion of job attitudes such as satisfaction and organization identification helps give a clear picture of the process upon which CSR and turnover intention relationship takes place.

### **1.7.2 Managerial Significance**

The findings of the present study will be of immense benefits to SME owners and managers. The findings of this study are expected to guide SME owners and managers' actions and decision on employees' related issue through providing SME owners and managers with empirical knowledge and understanding of employee values and benefits associated with engaging in employee-focused CSR and how such practices are relevant in managing a human resource which includes retention. The findings of this study also have the capacity to enlighten the SME managers on the contribution of CSR towards a positive employer brand relevant for favorable job attitudes and outcomes. Kashikar-Rao (2014) has pointed out employer brand as the strength of an organization.

CSR strategies could help bring about positive employee response and behavior such as improved retention rate (Galbreath, 2010), job satisfaction (Bordeau et al., 2013), employer brand (Kashikar-Rao, 2014), organizational commitment (Chon & Yoo, 2013) and organizational citizenship behavior (Khan et al., 2014). This corroborates with the views of Tsai et al. (2012) that a well-formulated and implemented employee-focused CSR can reduce cost in areas of employee retention and recruitment. This is because according to social exchange theory, the employee will respond to CSR relying on the cognitive evaluation of the favorability of exchange of resources and effort involved in an employer-employee relationship. In addition, CSR as an important concept possesses a moral, legitimate and persuasive attribute that is capable of forming a psychological contract and anchor between an employer and employee.

To the policy makers such as governments, SME owners and managers, the findings of the present research is beneficial as it will help policy makers to incorporate CSR into business strategy and align business strategy and culture with employee work values by providing empirical knowledge on how CSR initiatives could actively serve as agent of brand creation and human resource management. Hence, helping policy maker to engage in policy that is employee oriented which invariably translate to strategic benefits such as positive employer brand, enhanced employee job satisfaction, organizational identification, and reduced turnover intention.

## **1.8 Terms And Definitions**

### **1.8.1 Employee-Focused Corporate Social Responsibilities**

The term corporate social responsibility means different things to different people. In a general sense, employee-focused corporate social responsibility can be describe as those responsible business practices that demonstrate concern for employee feelings and well-being. According to Kimeli Cheruiyot and Maru (2012), employee CSR refers to enterprise commitment to its employees through responsible practices, programs, and strategies. The present study adapted the definition given by Turker (2009). Turker (2009) described corporate social responsibility as “corporate behaviors that aims to affect stakeholders positively and that go beyond its economic interest” (p.413). This implies that corporate social responsibility that is employee oriented is expected to affect employee well-being positively.

### **1.8.2 Small and medium-sized enterprises (SME's)**

The concept of SMEs varies across countries, industries and disciplines. SMEs are often defined in terms of their financial turnover, market share, ownership structure, the number of employees and assets. For the purpose of the present study, this study adapted the definition given by SME Corporation Malaysia because it is conducted in Malaysia. According to SME Corporation Malaysia (2014) “small and medium size enterprise are small businesses who sales turnover are limited to RM50 million with workers not exceeding 200 employees for manufacturing sectors, while service and other sectors sales turnover and employee are limited to RM20 million and 75 workers respectively”.

### **1.8.3 Turnover Intention**

The present study will be looking at voluntary turnover intention. Joarder and Ashraf (2012) defined turnover intention “as employees voluntary cessation of membership of an organization and it's their freedom that they can leave the organization for any reasons such as work environmental factors, career issues or may be influenced by the external opportunities” (p.21). In this study, turnover intention refers to an employee’s intrinsic feeling of leaving his or her current place of work in near future as a result of dissatisfaction or better job opportunities.

### **1.8.4 Employer Brand**

Employer brand represents the value proposition of an employer to either its current or potential employees. Backhaus and Tikoo (2004) categorized employer brand into two categories namely internal and external marketing of employer brand. According to Backhaus and Tikoo (2004) internal marketing of employer brand targets existing employees while the external marketing of employer brand targets prospective recruits. Internal marketing of employer brand is unique identity of an employer generated through a set of values proposition to current employees, which aims at branding an employer as an employer of choice in the minds of existing employees.

For the purpose of the present study, the researcher adapted the definition given by Berthon, Ewing and Hah (2005) who defined employer brand as benefits employee sees in working for a specific organization. Therefore, employer brand is the unique identity of an employer derived from a set of value propositions to employees.

### **1.8.5 Job Satisfaction**

Job satisfaction has to do with the employee's evaluation on the difference between the expected and actual outcome of job experience taking into consideration both intrinsic and extrinsic factors associated with an individual work. This definition is central to various definitions that have been given by different authors. Salleh, Nair and Harun (2012) described job satisfaction as an individual assessment of his or her feelings towards his or her job by taking into consideration the intrinsic and extrinsic aspects of his or her job. According to Elamin (2011), "job satisfaction is a product of satisfaction with a number of different aspects of job" (p.22). This study pays more attention to a comprehensive definition of Job satisfaction given by Spector (1985) who pointed out job satisfaction "to represent a cluster of evaluative feelings about the job" (p.695). Hence, job satisfaction reflects how employee assesses work-related rewards.

### **1.8.6 Organizational Identification**

Organizational identification measures the propensity of an individual identification with a specific organization. This identification occurs as a result of self-reputation that an individual is expected to derive from membership with a specific organization. Riketta (2005) defined organizational identification as "the desire to maintain an emotionally satisfying self-defining relationship with the identification object" (p.306). Vijayakumar and Padma (2014) described organizational identification as an instrument of prediction, upon which employees' work attitudes and behavior are better anticipated and understood. However the present study adapted the definition of organizational identification as defined by Mael and Ashforth (1992) who described organizational identification as the "perception of oneness with or belongingness to an organization, where an individual defines him or herself in terms of the organization(s) in which he or she is a member" (p.104). An individual identification with an organization is contingent on the anticipated benefits associated with being a member of such organization such as enhanced self-esteem.

## **1.9 Thesis Organization**

This study is categorized into six chapters. Chapter One briefly introduced the study with a discussion on the background of this study, the statement of the problem, the research objectives, questions and the significance of the study. Chapter two described and explained the relevant theories applied in the study, review of theoretical and empirical studies related to employee-focused CSR or responsible business practices, turnover intention, employer brand, job satisfaction, and organizational identification. Chapter three discussed a brief overview of the research framework including hypotheses formulation and relevant theories applied. It also discussed the relationship



between employee-focused CSR, employer brand, job satisfaction and organizational identification and how it relates to turnover intention. Chapter four discussed the methodology and research design of this research. Chapter five analyzed the responses and discuss the findings of this study. Chapter six discussed the conclusion, limitations, and implications of this study with a suggestion for future studies discussed as well.

### **1.10 Chapter Summary**

This chapter provides an overview of this research, including introduction, a brief background of the study, the problem statement, the scope of the study, the research questions, research objectives, terms and definitions and the significance of the study. The chapter ends with the organization of this thesis. The following chapter provides a literature review of this study.

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