Effects of corporate social responsibility and internal marketing on organizational commitment and turnover intentions

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ABSTRACT

This study examined the effects of four aspects of corporate social responsibility (CSR) (i.e., economic, legal, ethical, and philanthropic responsibility) and five aspects of internal marketing (IM) (i.e., welfare system, training, compensation, communication, and management support) on employees' organizational commitment (OC) and turnover intentions (TI) in the casino industry. Based on survey data collected from 310 employees working for a casino company, the relationships were examined using confirmatory factor analysis, second-order factor analysis, and structural equation modeling. The results indicate that both employees' perceptions of CSR and IM are positively related to their OC and negatively to their TI, suggesting that adding CSR programs to existing IM programs is likely to improve desirable employee work attitudes such as OC, which in turn contributes to decreasing TI. This study makes a contribution to the literature by conceptually and empirically evaluating CSR and IM dimensions simultaneously in the casino environment.

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1. Introduction

Corporate Social Responsibility (CSR) programs have spread throughout the hospitality industry including casino operators such as MGM Resorts International, Las Vegas Sands, and Caesars Entertainment. Although there are different definitions and dimensions of CSR in current use, Carroll's (1991, 1998) definition with four CSR dimensions has been commonly adopted: a company should (1) make goods or services for consumers to yield a satisfactory profit in the process (economic responsibility), (2) comply with laws and regulations stated by governments in its operations (legal), (3) meet expectations of stakeholders and protect them regardless if these activities are not codified into law (ethical), and (4) meet stakeholders' expectations on the company's engagement to enhance human welfare or good will (philanthropic).

For example, casino resorts and hotels in Las Vegas such as the Palazzo, Aria Hotel, Mandarin Oriental, and Vdara Condo Hotel were constructed following the Leadership in Energy and Environmental Design (LEED) guidelines. LEED is an independent, non-profit, third-party rating system established by the U.S. Green Building Council (USGBC). LEED-certification provides benefits for the environment (ethical responsibility) and attracts a growing population of environmentally conscious customers (Johnston and Breech, 2010). Not only these well-known operators in a mature gaming market like the U.S., but also those in emerging gaming markets have been actively involved in CSR programs. For instance, in South Korea, there are 16 casinos for foreign customers and one casino where Korean citizens are permitted to gamble. The local casino was legalized in 2000 to revitalize the economy of the declining mining areas. As a result, approximately 3 million people visited this local casino in 2014 (Korea Casino Association, 2015a), and 3570 people were employed by this casino by 2015 (Korea Casino Association, 2015b). This casino company has redistributed its profits to the society by implementing various CSR programs such as environmental sustainability, responsible gambling, and scholarship for local students from low-income families (Lee, 2015).

In addition to the increasing number of hospitality companies implementing CSR programs, CSR has been considered a prominent concept in academia (Lockett et al., 2006; Walsh et al., 2003). However, the majority of CSR studies have focused on customers (external stakeholders), and less attention has been paid to employees (internal stakeholders). A survey of more than 1000 executives revealed that leaders believe their company can benefit from CSR

by attracting both potential and existing employees (Economist, 2008). Especially, the turnover rate in the hospitality industry including casinos is expected to increase as the economy begins to recover (Deloitte, 2012), and previous studies support that employees with high turnover intentions are likely to have low organizational commitment (Meyer et al., 1993; Tett and Meyer, 1993). Thus, to reduce turnover rate, it is vital to understand the impact of employee perceptions of CSR on employee commitment levels in this industry.

Moreover, none of CSR studies in the contexts of hospitality and casino has empirically examined the effects of both CSR programs and internal marketing (IM) on employees' work attitudes. Furthermore, previous studies have been inconsistent about the relationship between CSR and organizational performance, finding both significant and insignificant relationships (Griffin and Mahon, 1997; Heinze et al., 1999). Therefore, the purpose of this paper is to explore the influence of CSR and IM on employees' work attitudes through the lens of social identity theory (Ashforth and Mael, 1989; Pratt, 1998; Tajfel and Turner, 1985) and Carroll's social performance model (1991, 1998). In particular, the objectives of this study are to examine whether (1) CSR is comprised of four dimensions (i.e., economic, legal, ethical, and philanthropic) and IM is comprised of five dimensions (i.e., welfare systems, training, compensation, communication, and management support), (2) these two higher-order factors (i.e., CSR and IM) positively influence employees' organizational commitment, and (3) employees with stronger organizational commitment have lower turnover intention in the casino context.

This study contributes to the literature by conceptually and empirically evaluating four CSR dimensions and five traditional IM dimensions simultaneously in the casino environment. It also provides a theoretical perspective through social identity theory for explaining why CSR programs impact casino employees' work attitudes and turnover intentions. Casino operators and others in the hospitality industry can benefit from the insights of this study's findings regarding how CSR activities can increase the commitment and retention of their employees. This study offers new avenues of exploration in the emerging field of CSR scholarship. While other studies have tested the impact of CSR activities on their customer and employee attitudes (Brammer et al., 2007; Lee et al., 2013; Turker, 2009), little research has investigated both the impact of CSR and traditional IM on these specific employees' work attitudes (i.e., commitment levels and turnover intentions) in casino or other hospitality settings.

2. Theoretical background and hypotheses development

2.1. Theoretical background

An important conceptual model adapted in this study is Carroll's social performance model (1991, 1998). He noted that CSR could be divided into four dimensions: economic, legal, ethical, and philanthropic CSR. Economic CSR refers to actions that make goods and services and creative lucrative outcomes throughout the process. The economic CSR should be achieved within legal boundaries that the society outlines. Therefore, obeying laws and regulations is considered as legal CSR, the second dimension. Ethical CSR, the third dimension, is beyond the scope of codified regulations and laws, and it is defined as a company's endeavors to fulfill expectations of the society and to be a moral company. Philanthropic CSR, the fourth dimension, is regarded as a company's voluntary activities such as endowing money to charitable organizations, promoting support programs for a low-income group, and having their employees involved in humanitarian programs (Carroll, 1991, 1998).

The underpinning theory of this study is social identity theory (SIT) which suggests that individuals reinforce their self-esteem and augment their self-image by identifying with groups and organizations known for their social responsibility (Ashforth and Mael, 1989; Pratt, 1998; Tajfel and Turner, 1985). SIT can explain why a company's CSR programs can influence both customer and employee attitudes towards the company (e.g., Bhattacharya and Sen, 2004; Maignan and Ferrell, 2001; Maignan et al., 1999). For example, hospitality employees are likely to identify with a company which implements CSR initiatives especially if their values are aligned with these initiatives. CSR initiatives unveil the company's character which is "not only fundamental and relatively enduring but also more distinctive" (Sen and Bhattacharya, 2001, p. 228) than other types of corporate initiatives. In addition, socially-responsible companies are more likely to have positive public reputations (Fombrun and Shanley, 1990) which can make employees feel proud of working for these companies. Consequently, CSR initiatives can play important roles in gaining competitive advantages and supporting employee recruitment and retention (Park et al., 2014).

Previous studies have empirically tested and supported the positive influence of CSR programs on employees' organizational commitment (Maignan et al., 1999; Maignan and Ferrell, 2003; Peterson, 2004). According to O'Reilly (1989), organizational commitment is "an individual's psychological bond to an organization, including a sense of job involvement, loyalty, and belief in the value or the organization" (p. 17), and it involves three phases: compliance, identification, and internalization. In the first phase, employees will accept the influence of others in the company for extrinsic rewards such as compensations. In the second phase, employees will accept the others' influence to keep a self-defining relationship with the company. In the final phase, employees will find the company's values are aligned with their personal values, which can be intrinsically rewarding to the employees.

Another important concept of this study is internal marketing which is useful in developing an organization's competitiveness and improving competencies through motivating employees (Rafiq and Ahmed, 2000). Abzari et al. (2011) stated that internal marketing has been identified as an effective strategy to equip organizations with capabilities and competencies while enjoying environmental opportunities. Other researchers explained that the main aim of internal marketing is fulfilling employees' needs or wants in order to retain employees and encourage them to deliver superior customer service (Berry, 1981; Kotler and Armstrong, 1991). Cooper and Cronin (2000) claimed that internal marketing should be considered for the organization's active efforts for education, reward, and as a way to better manage human resources, in general. Thus, casino companies should treat the concept of internal marketing seriously because employees will be more likely to deliver superior customer service when they are provided with appropriate internal marketing programs such as welfare systems, training, compensation, communication, and management support.

2.2. Hypotheses development

George (2009) asserted that internal marketing programs are important antecedents of business performance indicators (e.g., service quality, turnover rate, customer conscious employees, and organizational commitment). Tansuhaj et al. (1991) claimed that thriving internal marketing programs are closely related to enhanced employee attitudes including organizational commitment, job involvement, work motivation, and job satisfaction. Among these employee attitudes, organizational commitment refers to an individual's psychological affection to an organization that makes employees feel more attached to the organization