



# Effects of corporate social responsibility on employees in the casino industry

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## ARTICLE INFO

### Keywords:

Corporate social responsibility  
Perceptions of the casino industry  
Organizational commitment  
Job satisfaction

## ABSTRACT

The current study examines CSR issues in the casino context from employees' perspectives, especially due to the essential role of employees for business success in service industries. This study first investigates the main effect of employees' perceived CSR on organizational commitment, mediated by job satisfaction. This study further explores this mediated relationship by incorporating employees' perceptions of the casino industry as a moderator, based on social identity theory which appears particularly well-suited to support the proposed moderating effect in the casino context due to the industry's controversial nature. The results support the proposed hypotheses, making theoretical and managerial implications, especially with the finding of employees' perceptions of the casino industry as a new and significant moderator. Such finding also makes a managerial contribution by suggesting the importance of creating and/or improving employees' general perceptions about the casino industry which will eventually help to enhance the employees' commitment to their organization.

## 1. Introduction

Corporate social responsibility (CSR) has been a major focus among researchers and business practitioners during the past few decades. While different approaches have been taken to study the topic of CSR, its impact on various business functions has been of particular interest. One avenue of studies focused on the effects of CSR initiatives on consumers' behavior (e.g., Beckmann, 2007; Gatti, Caruana, & Snehota, 2012). According to Porter and Kramer (2006), CSR initiatives may create a competitive advantage by affecting consumers' behavioral intentions. On the other hand, other researchers examined implications of CSR initiatives on firms' performance. Pava and Krausz (1996) suggested based on their review on previous CSR studies (21 in total) that socially responsible companies performed better than or at least, equally well with less socially responsible counterparts while Orlitzky and Benjamin (2001), from meta-analytic review of 18 relevant articles, reported that CSR contributes to firms' reduction of market and magnification of accounting risks in general. However, interestingly, the tourism literature has consistently suggested an insignificant effect of a firm's CSR initiatives on firm performance, especially in the context of the casino industry (Inoue & Lee, 2011; Kang, Lee, & Huh, 2010; Lee & Park, 2009). According to the literature, a potential explanation of this peculiar finding may be due to the controversial nature of the casino business and unclear motives in its earnings distribution in CSR

activities.

Despite the existence of extensive CSR literature on consumer behavior and firm performance (i.e., stock price), less attention has been given to the research that attempts to elucidate the implications of CSR for employees (Song, Lee, Lee, Lee, & Bernhard, 2013). Attracting and retaining quality employees is an essential component of competitiveness for most tourism and hospitality companies (Guthridge, Komm, & Lawson, 2008). Barney (2001) also asserted that a firm tends to outperform its competitors by retaining valuable and inimitable employees. Accordingly, Park and Levy (2014) called for researches that investigate the effect of employees' perceived CSR on their attitudes and behavior in the tourism and hospitality industry; Lopez-Cabarcos, Machado-Lopes-Sampaio-de Pinho, and Vázquez-Rodríguez (2015) examined the effect of organizational justice on employees' commitment; Park, Song, and Lee (2017) investigated financial implications of restaurant firms' investment in human resources management from the CSR perspective. While the studies investigating the impact of CSR is essential for all businesses, such study is particularly important for casino firms as these firms are often associated with various social issues such as gambling addiction, family abuse, embezzlement, and other crimes (Song et al., 2013). In addition, casino industry-specific studies are important as, although legal, the industry is considered controversial and potentially harmful to the society by a majority of the public (Ratelle, Vallerand, Mageau & Provencher, 2004). However,

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previous CSR researchers paid scant attention to the casino industry.

This study, therefore, introduces casino employees' perceptions about the industry to explain the relationship between their perceptions of CSR and its influence on organizational commitment (OC), mediated by job satisfaction (JS). In other words, this study tests whether perceived CSR's indirect effect on OC through JS depends on employees' perceptions of casino business based on social identity theory (Tajfel & Turner, 1979). It has been suggested that moderating and mediating variables be considered in order to better understand the nuanced examination of CSR links (Rowley & Berman, 2000) and this study attempts to follow this suggestion.

Overall, this study addresses two main questions: (a) Does perceived CSR relate to OC via the mediating effect of JS? (b) Does this relationship vary as a function of the perception of casino industry that employees hold? To the best of our current knowledge, no examination exists of the relationship between perceived CSR and OC through the mechanism of JS in the context of casinos. Moreover, no studies on these relationships have employed the moderated mediation model developed in this study by incorporating employees' perception of the casino industry as a moderator. After reviewing relevant literature and developing hypotheses, this study explains the methodology implemented to investigate the proposed hypotheses. Following sections also discuss results and implications, both theoretical and practical. The limitations and suggested future research will conclude the study.

## 2. Theoretical background and hypotheses development

### 2.1. Perceived CSR

CSR refers to “the commitment of businesses to behave ethically and to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business, the sustainable development agenda, and society at large” (cited in Kitzmuller & Shimshack, 2012, p. 53). According to the stakeholder theory, corporations manage CSR initiatives to influence various stakeholders including shareholders, customers, employees, and communities (Freeman, 1984). Previous CSR research evolved to consider CSR initiatives as primarily relating to shareholders (e.g., the impact of CSR on shareholders' value) and customers (e.g. impact of CSR on customers' behavior).

Recently, the focus of CSR research has extended from customers to employees as the success of firms in service industry relies heavily on service delivery by the employees (Bhattacharya, Sen, & Korschun, 2008; Song, Lee, Lee, & Song, 2015). Tepeci (1999) reasoned that employees made a direct interaction with their customers, thereby representing an integral element for building customers' loyalty. Thus, some researchers began to study the impact of CSR on employees. For example, Bohdanowicz, Zientara, and Novotna (2011) found that firms with better CSR are more attractive to current and prospective employees, and as a result, many firms have begun promoting their CSR initiatives as a means to attract quality employees. However, little research has investigated how specific aspects of an organization's CSR initiatives may influence employees' perception of a company. Thus, to address these areas neglected in the extant literature, this study focuses on casino employees and explains the mechanism by which CSR affects employees' organizational commitment.

### 2.2. Organizational commitment

Organizational commitment is “the relative strength of an individual's identification with and involvement in a particular organization” (Porter, Steers, Mowday, & Boulian, 1974, p. 604). Previous researchers have emphasized the maintenance of organizational commitment by arguing its significant benefits to organizations (Gamble & Huang, 2008). For example, Meyer, Standley, Herscovitch and Topolnytsky (2002) noted that organizational commitment enhances

job performance and employee well-being while reducing turn over intention. Fu and Deshpande (2014) confirmed that organizational commitment has a significant direct influence on job performance. In the hospitality setting, Dhar (2015) found that organizational commitment strongly influences the quality of guest services.

Recognizing the significant contribution of organizational commitment to organizations, previous researchers were interested in identifying the antecedents of organizational commitment. For example, Kim, Song, and Lee (2016) found that perceived organizational support, involving employees' perception that the organization values their contributions and cares about their well-being, significantly affects organizational commitment. Furthermore, Dhar (2015) identified that employee training programs increase hotel employees' commitment level. Previous researchers suggested that employees who have a strong faith in the values and beliefs of an organization and accept its goals and objectives are ready to put extra effort for the organization and considered to have a high level of commitment (Angle & Perry, 1981; Porter et al., 1974). This suggests that if employees perceive their organization to undertake socially responsible activities that are beneficial to stakeholders, they would develop positive attitudes as well as emotions and work productively on the company's behalf (Fu, Ye, & Law, 2014; Rupp, Ganapathi, Aguilera, & Williams, 2006). Hence, this study examines the influence of employees' perception of CSR on OC.

In the literature, researchers discussed multi-dimensions of organizational construct:

1) A strong belief in, and acceptance of, the organization's goals and values; 2) A willingness to exert considerable effort on behalf of the organization, and 3) a definite desire to maintain organizational membership (Herscovitch & Meyer, 2002; Lee, Ashford, Walsh, & Mowday, 1992; Mowday, Porter, & Steers, 1982, p. 27). Besides the definition of Porter et al. (1974), Allen and Meyer (1996) defined organizational commitment as a multidimensional construct that consists of affective, continual and normative commitment. According to Allen and Meyer, affective commitment is defined as an employees' emotional attachment to the organization and his/her desire to maintain relationship with the organization (Lee, Kim, Lee, & Li, 2012; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002), and the literature suggests that affective commitment has the strongest and positive correlation with organizational and employee-relevant outcomes (Meyer, Becker, & Vandenberghe, 2004; Meyer et al., 2002). Therefore, the current study focuses on affective commitment.

### 2.3. The influences of perceived CSR on organizational commitment

The topic of CSR and organizational commitment has received much attention from both academics and practitioners over past few decades (Kitzmuller & Shimshack, 2012). Extant CSR literature generally supports that CSR positively relates to employees' organizational commitment (Brammer, Millington, & Rayton, 2007; Hofman & Newman, 2014; Turker, 2009a). Despite this growing body of literature, most of these previous studies have examined the direct effect of CSR on OC without explaining the mechanisms by which this effect occurs (Farooq, Payaud, Merunka, & Valette-Florence, 2014). Among the few studies examining the indirect effect of CSR on OC, Farooq et al. (2014) developed a CSR model by positing organizational trust and organizational identification as mediators between CSR and affective organizational commitment. In the tourism and hospitality setting, Wong and Gao (2014) investigated indirect effect of perceived CSR on employees' organizational commitment through corporate culture. However, no previous studies have tested indirect effect of CSR through job satisfaction, particularly in the casino setting. Furthermore, based on the social identity theory, this study extends the previous studies by examining the moderating effect of employees' perceptions of the casino industry. More specifically, we propose that the indirect effect of perceived CSR on organizational commitment, mediated through job satisfaction, varies according to different levels of employees' perceptions

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