

# The Marvel of Employee-Centred CSR in Organizational Resiliency

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## Abstract

*Business organizations are awakened and recognized the foundation of resilience during disruption could make a great difference in the organization. Grappling the challenge of the COVID-19 pandemic, this research paper studies organizational resiliency during the pandemic and explores the manifestation of employee-centred CSR on this matter. Quantitative research design was adopted to collect responses from the small medium-sized (SMEs) sector through the purposive sampling technique. The findings reveal that employee-centred CSR practice has a significant role in organizational resiliency. With this, we propose that SMEs could utilise this practice to assist their firms to walk through the current predicament. We would also urge relevant authorities to consider having employee-centred CSR as part of the recovery policy. In the meantime, we suggest studying digitalization strategy carefully, for it to be implemented together with employee-centred CSR for greater organizational resiliency.*

*Keywords: Employee-centred CSR; Organization resources; Organizational resiliency; Pandemic*

## 1. Introduction

If history is a guide, the choices made today in response to weaknesses undercover during the pandemic may well lay the foundations for future resiliency and growth. Amid disruption, adaptability and resoluteness are crucial to building organizational resiliency. This pandemic is a worldwide unprecedented incident that hit hard on every business sector and all individuals. Hence, sourcing for assistance outside from is scarce. Drawing from the strategic management approach of resource allocation, this research studies organizational resiliency specifically a nonfinancial resource allocation through the implementation of employee-centred Corporate Social Responsibility (CSR) practice. This research paper is organized into five main sections. The subsequent sections provide an overview of the literature review, methodology and data collection, results, conclusion and recommendations; limitation and future research.

## 2. Literature Review

Resilience is a concept that emphasizes organizations and individuals' strengths and merits to cope in uncommon situation, such as natural disasters, economic downturn, and prevalent epidemic. From an organizational standpoint, resilience involves the developable ability to recover or rebound from adverse impact of disruption and failure, as well as lessons from the rebounded. In the same vein, resilience refers to the ability of an organization to retain a certain level of performance or attaining expected level of desirable performance during a

changing environment (Verreynne et al., 2018). With Malaysia moving from the pandemic to the epidemic phase, organizational resilience is organization top agenda.

To date, there are an increasing number of companies recognizing the needs of practising CSR for business sustainability and growth. During the pandemic period, it would be challenging to obtain external and additional resources to perform CSR activities. Nevertheless, there are unexplored internal resources that organizations could consider to meet a twin objective that comes with multiple benefits, that is employee-centred CSR. By implementing employee-centred CSR, it helps the organizations to meet the objective of being a socially responsible firm and it mobilizes its' internal resources without sourcing for external resources that are limited during the challenging crisis. In addition, research has evidenced that employee-centred CSR activities bring multiple benefits to the organizations such as increased organizational commitment (Lin et al., 2022; Low and Bu, 2022), and all in all, it positively enhances employee-organization communal relationship (Song and Tao, 2022). Additionally, He and Harris (2020) enlightened that the levels of CSR adopted by organization prior to COVID-19 may have affected organizational resilience.

According to Metwally et al. (2021), during the pandemic, the internal aspect of CSR that focuses on the employees outweighs the external CSR. In this case, we termed it as employee-centred CSR. It denotes the organization practices that are closely related to the employees' physical and psychological well-being. Turker (2009) explicated that these practices focus in satisfying the employee expectations such as safe and healthy working environment, work-life balance, fair and reasonable salaries, and human rights. Employee-centred CSR is pertinent during the crisis simply because it is part of the corporation governance and accountability to its' stakeholders. Moreover, Low and Bu (2021) highlighted the current pandemic is different from past epidemics and financial catastrophes. As such, it induces businesses to act distinctly to tackle the different set of economic and social challenges raised in order to be more resilient. Congruently, many recent studies (e.g., Filimonau et al., 2020; Aguinis et al., 2020; Parker, 2020) examine the interrelations of CSR in the organizational aspects. In facts, employee-centred CSR elements are highly relevant and applicable in current back to work practices. The foundation of employee-centred CSR is grounded in the Stakeholder Theory by Freeman (2001), which focuses on the generation of value for the interest of a diversity of stakeholder. With this mind, employee-centred CSR is assessed through a composite construct that encapsulate various aspects of the employees' welfare covering from employment stability, safe workplace, empowerment, involvement, skills development, balance of personal life; and equality of opportunity. Drawing from Organizational Support Theory (when the employees develop a general perception of the extent to which their organization values their contribution and cares about their welfare, a chain of positive effects are followed. Henceforth, we hypothesize a positive relationship between employee-centred CSR and organizational resilience.

*H1: Employee-centred CSR positively influences organizational resilience.*

Additionally, we are optimistic of the Matthew effects produced by employee-centred CSR, in turn, lead to enhanced employees' psychological well-being.

*H2: Employee-centred CSR positively affects psychological well-being.*

Subsequently, this chain effect led to improved organizational resilience as hypothesized in H3.

*H3: Employees' psychological well-being positively influences organizational resilience.*

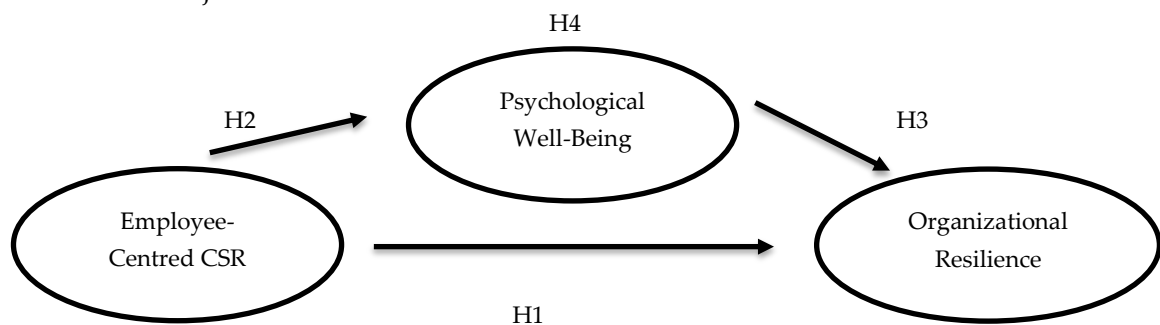
Apart from the direct relationship, it of interest to explore the mediating role of psychological well-being, in between employee-centred CSR and organizational resilience. With this mind, H4 is developed.

*H4: Psychological well-being positively mediates the relationship between employee-centred CSR and organizational resilience.*

### 3. Research Framework

Stakeholder Theory and Organizational Support Theory are the two core theories used to develop this study. Stakeholder Theory highlights the duty of the organization management to address the multiple constituencies of the society. Employee-centred CSR is angled under the purview of Stakeholder Theory for employers to discharge their duties during the pandemic period. Simultaneously, with the great supports rendered by the organizations and employers explained by Organizational Support Theory, the employees are willing to work the extra miles and assist the organizations in various way as form of repayment. These positive attitudes and behaviour augment the organization function and translate to organizational resilience that is crucial in time of crisis. Henceforth, the implementation of employee-centred CSR is believed to positively influence the employees' psychological well-being. We are also optimistic of the presence of mediating effect of psychological well-being between employee-centred CSR and organizational resilience. We foresee that psychological well-being would positively intervene the relationship between employee-centred CSR and organizational resilience.

Against the aforesaid discussion, the following conceptual framework is developed to meet the research objectives:



**Figure 1:** Conceptual framework

#### 4. Research Methodology and Data Collection

Quantitative research design was implemented with the use of questionnaire survey. We used purposive sampling to reach to the pool of targeted respondents who were employed during the COVID-19 pandemic. We asked for their consent and voluntarily participation this research. A total of 128 complete responses were gathered.

We had controlled the issue of Common Method Bias by adopting Jordan and Troth (2020)'s procedural remedy. Each of the respondent was given a copy of the detail research information coversheet to increase the probability of response accuracy. Also, pilot-test was performed and feedback received were incorporated into the final questionnaire before sending out.

The measurement scales of all constructs were adapted from existing literature; thus, the initial reliability and validity of the measures are ascertained. Employee-centred CSR (10 items) were studied, Organizational resilience plan (4 items) were extracted from Filimonau et al. (2020) and Psychological well-being (6 items) were adopted from Pradhan and Hati (2019). Seven-point Likert scale was used for all the items with 1 indicating strongly disagree and 7 indicating strongly agree.

#### 5. Results

The data gathered was analysed using Partial Least Square Structural Equation Modelling (PLS-SEM). PLS-SEM analysis comes with two stages with stage 1 entails the measurement model assessment and stage 2 involves the structural model assessment. The results for measurement model are presented in Table 1 and Table 2. Table 1 shows that all the item factor loadings are in the range of 0.793 to 0.950, Cronbach's Alpha values fall in the range of 0.938 to 0.970, composite reliability values in between 0.951 to 0.974; and AVE higher than 0.500, thus meeting the required thresholds suggested by Hair et al. (2017).

**Table 1:** Measurement model assessment

Construct	Item	Loading	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Employee-Centred CSR	ECSR1	0.892	0.970	0.974	0.790
	ECSR2	0.891			
	ECSR3	0.885			
	ECSR4	0.871			
	ECSR5	0.905			
	ECSR6	0.877			
	ECSR7	0.837			
	ECSR8	0.888			
	ECSR9	0.934			
	ECSR10	0.907			
Organizational Resilience Plan	ORP1	0.926	0.952	0.966	0.875
	ORP2	0.950			
	ORP3	0.937			
	ORP4	0.929			

Psychological Well-Being	PWB1	0.890	0.938	0.951	0.764
	PWB2	0.793			
	PWB3	0.917			
	PWB4	0.904			
	PWB5	0.893			
	PWB6	0.842			

Discriminant validity measures the extent to which each latent variable of the construct is distinguishingly differentiated from other constructs in the research model (Hair et al., 2014). Its' result is found in Table 2. According to Henseler et al. (2015), the HTMT statistics should not exceed 0.90 or 0.85, dependent over whether the constructs are conceptually comparable. Table 2 shows that none of the HTMT values are greater than 0.90 (Henseler et al., 2015; Gold et al., 2001). Moreover, all the values of the confidence interval do not have a value of 1 in between, which suggested that all HTMT values are significantly different from 1 (Henseler et al., 2015). With this, it is concluded that the discriminant validity for the present study is established.

**Table 2:** Discriminant validity: HTMT approach

Construct	ECSR	OR	PWB
ECSR			
OR	0.863 (0.779, 0.928)		
PWB	0.664 (0.536, 0.799)	0.663 (0.524, 0.791)	

Note: ECSR=Employee-centred CSR, OR = Organizational resilience, PWB = Psychological well-Being.

Before proceeding to the structural model assessment, we examine the issue of collinearity using variance inflated factor (VIF). Table 3 shows the outcome of collinearity test with all the VIF values fall below 3.3. This concludes the absence of collinearity in the model.

The bootstrapping procedure was performed by using 1,000 resampling to generate the t-values in assessing the statistical significance of the path coefficients. The path co-efficient assessment as highlighted in Table 4 shows that all the hypotheses (H1 to H4) proposed in the research were supported with p values below 0.05 and t-statistics above 1.965. This indicates that both Employee-centred CSR and Psychological Well-Being are significantly related to organizational resilience with  $\beta = 0.728$  and  $\beta = 0.162$  respectively. Likewise, Employee-centred CSR was also found to be positively related to Psychological Well-Being with  $\beta = 0.644$ . In terms of the hypothesised mediation relation of Employee-centred CSR between Psychological Well-Being and Organizational Resilience, it was supported.

We continue to examine the coefficient of determinant,  $R^2$ , the predictive relevance,  $Q^2$  and the effect size,  $f^2$ . The results are presented in Table 3. The  $R^2$  for Organizational resilience is 0.708, which indicates that 70.8% of the variance in Organizational resilience can be explained by the significant independent variables of Employee-centred CSR between Psychological Well-Being. According to Chin (1998), the  $R^2$  value of 0.708 is higher than 0.33, indicating a high level of acceptance. In respect of  $Q^2$ , the overall values are above 0 indicate that exogenous constructs possess predictive capacity over Organizational resilience. The results further show that Employee-centred CSR between Psychological Well-Being have small effect size on Organizational resilience  $f^2 = 0.062$  and  $f^2 = 0.052$  respectively.

**Table 3:** Structural model assessment

	VIF	R <sup>2</sup>	R <sup>2</sup> Adjusted	Q <sup>2</sup>	f <sup>2</sup>	Effect size
ECSR	1.71	-	-	-	0.062	small
OR	-	0.708	0.703	0.629	-	
PWB	1.71	0.415	0.411	0.252	0.052	small

**Table 4:** Hypotheses testing

	Beta Coefficient	Standard Deviation	T Statistics	P Values	Decision
H1: ECSR -> OR	0.728	0.076	9.628	0.000	Supported
H2: ECSR -> PWB	0.644	0.08	8.044	0.000	Supported
H3: PWB -> OR	0.162	0.067	2.431	0.008	Supported
H4: ECSR -> PWB -> OR	0.104	0.053	1.969	0.025	Supported

## 6. Conclusions and Recommendations

This research uncovers the positive chain effects of Employee-centred CSR on organizational resilience. It was noted that when organizations and employers are discharging their roles as a responsible organization, they felt the positive chain effects of leading to good employees' psychological well-being and in turn, it helps on organizational resiliency in time of crisis. With this empirical finding, it reinforced the benefits of implementation Employee-Centred CSR as it strengthens firms' resilience in the case of unanticipated interruptions like the Covid-19 pandemic. In the same vein, organizations that have already adopted future of work practices that observed flexi work arrangement as one of the employee-centred CSR practice could position themselves better and able to continue their operations and adapt rapidly to unprecedented events. Adding on, the employee-centred CSR practices allows the employees to equilibrate between work and non-work responsibilities (Gołaszewska-Kaczan, 2015), thus it gives employees a better work-life balance with work arrangements such as job sharing, flexible work hours and paid time off policies that suit the employees' needs better. Employee-centred CSR practices reduce the stress and unhappiness experience of employees which is explained through the well-being of the employees. Heskett (2022) pointed out that employees are the critical resources of any organizations as they are the driving and leading forces for sustainability. Recent research by Do et al. (2022) supplemented this claim by highlighting employee learning and development, which is one of the Employee-centred CSR aspect, helps to build organizational resilience and thereby leading to sustainability. The aforesaid discussion informs of various research unanimously agrees on the marvel of employee-centred CSR in supporting organizational resilience

While acknowledge on the rising importance of employee-centred CSR practice for organizational resilience, we would also like to recommend the use of appropriate digital transformation strategy. Low and Bu (2022) explored the digitalization strategy in the context of Internal CSR and employees' commitment, they found the significant impetus of digital technologies on employees' commitment. Coincide with the pandemic and the advent of digital technologies, a virtual ecosystem becomes prevalent. As such, technologies resources in virtual ecosystem should be studied carefully and understood in terms of behavioural standards to supports the organization's workflow, workforce, and workplace experience.

## 7. Limitations and Future Research

This research study suffers from a few limitations. Firstly, the research was conducted in a short period of time with small sample size. Owing to the nature of the study, there is no sampling frame available. As such, the small size together with the non-probability purposive sampling setting made this research findings unable to generalise. Secondly, this is cross-sectional research in which data was collected at one point in time. Hence, the findings maybe in the state-of-art status. Adding on, the data was collected during the recovery phase of the pandemic. As time passes on, many countries have started to open up their economy with many relaxations of standard operating procedures.

Based on these limitations stated in current research, we would suggest future research to collect larger samples and adopt a longitudinal study to capture the overall effects of employee-centred CSR. Owing to the nature of the study, for better representation of the findings, weighted PLS-SEM is proposed. This approach assigns sampling weight to each observation and enable the weighted observation to represent the population of interest. Thereby, adding more values to research findings (Low et al., 2021). Future research could also testify the relevancy of employee-centred CSR in the post pandemic time and its' role for organizational resilience. We also recommend that future researchers could study the UN Sustainable Goal together with the three core constructs of current study.

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