

## **How does Corporate Social Responsibility (CSR) Impact Employee Turnover in Universities of Khyber Pukhtun Khwa?**

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### **Abstract**

*The purpose of the research study is to fill the gap by conducting an empirical research in the public sector University of Khyber Pukhtun Khwa by knowing the impact of CSR on employee turnover. Data was collected through questionnaires through extensive study of already existing literature. SPSS was used for data analysis. CSR and turnover has a significant weak negative correlation. The study can provide a base for mapping out policy for implementing CSR in public sector Universities for sustainable developments besides reducing employees' turnover rate. There is no substantial work has been done on CSR and turnover in the educational sector especially in public sector of KPK.*

**Key words:** Corporate Social responsibility, Turnover

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The importance of Corporate Social Responsibility (CSR) has been growing in the organizations for the past few decades. Its affect as a business multiplier and building organizational reputation is revealed through several studies. The current study aims to establish a relationship between the CSR and employee

turnover in the organizations. Human resource is considered to be a valuable asset for the organization across the world. In the past few decades the research revealed that employees attracted towards those organizations where the concept of Social Responsibility (CSR) is applicable in practice (Dierkes and Zimmerman, 1994; Murphy, 1995; Zadek, 1998). Most of the research studies suggest that top managers consider employees as their valuable asset and organizations can be successful if their employees are to be retained (PricewaterhouseCoopers, 2007). Regarding the CSR and employee turnover many researchers are of the view that employees prefer those organizations that practice CSR activities (Greening & Turban, 2000)

The gaps in the existing researches are no such empirical study has been conducted so far in Pakistani context to find out impact of CSR on employee turnover in public sector universities. The purpose of the research study is to fill the gap by conducting an empirical research in the public sector University of Khyber Pakhtun Khwa by knowing the impact of CSR on employee turnover by using Carroll's (1979) model.

### **Problem Statement**

The two concepts CSR and employee turnover are important for an organization's success. The problem statement of the research study is to find out the impact of CSR and employee turnover in public sector university of Khyber Pakhtun Khwa, Pakistan.

### **Research Aim and Objectives**

The main objective of the research study is to recognize the impact of CSR towards the employee turnover in sustainable business operation particularly in Khyber- Pakhtun Khwa, Pakistan. There are three objectives centralizing the idea of CSR and its impact.

- First is to define the CSR and the benefits that it can bring to the market, society.
- Second, is to describe the effect of the CSR in employee's turnover.
- And third is to suggest a viable strategy for the implementing CSR in the education sector as for as employee turnover is concerned.

### **Literature Review**

#### **CSR**

A plethora of research is present on the concept of CSR. It was incepted in early 1950's (Bowen, 1953). However, many researchers had conducted studies on the concept and a number of definitions and explanations had been given. The study focused on the definition given by Carroll (1979). According to Carroll, a corporation has four prime responsibilities such as fulfillment of Economic responsibilities, ethical responsibilities, legal responsibilities, and philanthropic responsibilities. In general, the social responsibilities of a firm seem to arise from the contrast of the political and cultural systems with the economic system (Jones,1983). However, Friedman (1970) was of the view that the successful operation of a society was mainly based on the role specialization of its institutions. He states that corporation is an economic institution which ought to specialize in the economic environment ;socially responsible behavior will be fixed by the market through profits. In Friedman's (1970) view business has only one social responsibility and to protect their property rights of its stake holders.

Organizations are seen purely as legal entities incapable of value decisions. A manager who uses a firm's resources for non-profit social purposes is thought to be diverting economic efficiency and levying an "illegal tax" on the organization.

Opponents (Frederick *et al.*, 1992) of this view, criticized the very foundations of Friedman's thesis – the economic model. They claim that the economic model and role specialization of institutions (or systems) are not working as suggested. This comes as a result of the rise of oligopolies in certain sectors; the separation of ownership and management; government's involvement in the economy and conversely industry's involvement in the political process through lobbying. In addition, if corporations do not adopt "social responsibility", government with its potential for inefficiency and insensitive bureaucratic methods may be forced to step in. With respect to Friedman's argument that the legal conception of corporations' articles and memorandums of associations limits a firm's involvement solely to economic roles, it can be claimed that they are broad enough to allow departures from this narrow path.

Social responsibility is also seen as a consequence of and an obligation following from the unprecedented increase of firms' social power (as tax payers, recruiters, etc.) (Davis, 1975). Failure to balance social power with social responsibility may ultimately result in the loss of this power and a subsequent decline of the firm (Davis, 1975). Another school of thought sees social responsibility as a contractual obligation firms have towards society (Donaldson, 1983). It is society in the first place that has permitted firms to use both natural and human resources and has given them the right to perform their productive functions and to attain their power status (Donaldson, 1983). As a result, society has an implicit social contract with the firm. Thus, in return for the right to exploit resources in the production process, society has a claim on the firm and the right to control it. The specifics of this contract may change as social conditions change but this contract in general always remains the basis of the legitimacy of the demand for or assertion of the need for CSR (Epstein, 1987).

Most of the researchers consider this concept a vague one (Fisher, 2004; White, 2004; Hummels, 2004; Smith, 2003). Byer (1972) and Durker (1974) were of the view that corporations should work for the welfare of the society. They argued that being part of the society corporations should return some profit to the society as well in terms of some welfare or charitable deeds. In contrast, Freeman (1970) the opposed the idea by stating that, "the business of a business is to do business". Many researchers including Sturdivant and Ginter (1977); Stanwick and Stanwick(1998); Fombrun, Gardberg, and Sever (2000); Maignan and Ferrel (2001); Bromley, (2002); and Kashyap, Mir, and Iyer (2006) went a step ahead that corporations should also be liable to share its informations with its stakeholders such as government, community, consumer and competitors. According to United Nations Global Compact (2000) legal responsibilities of businesses are working against corruption, bribery etc.

Regarding legal responsibilities of corporations, Sarbanes-Oxley act, section 406 companies financial officers should abide the code of ethics that is to act with integrity and honesty and avoiding personal and professional conflicts. Similarly, provision of full fair and actual records to governing bodies such as, Securities and Exchange Commission.

### **Employee turnover**

The analysis have found that there are some factors which causes employee's turnover such as satisfaction, organizational commitment and intention to quit(Griffeth et al,2000). Many reasons are indentified by studies explained the reasons for people quitting there jobs. Among these reasons lack of organizational commitment, job dissatisfaction are notable (Firth et al, 2004)

**Economic factors.** Studies revealed that employees' turnover is caused by economic factors, such as low salary or

wages especially for labor turnover (Manu et al, 2004). However, some researchers are of the view that large organizations with better opportunities higher wages proved to be source of employee's attraction towards organization (Idson and Feaster, 1990)

**Job stress.** According to research studies stress has been identified as an important factor for employee turnover. Kahn et al, 1990, have found that role ambiguity leads to misunderstanding and confusion which ultimately causes turnover. Similarly, unclear expectations of colleges or supervisors, ambiguity in performance appraisal mechanisms, work strains and, most importantly, confusion on duties leads to less involvement of employees and dissatisfaction with their jobs. Resultantly, employees quit their jobs (Tor et al., 1997).

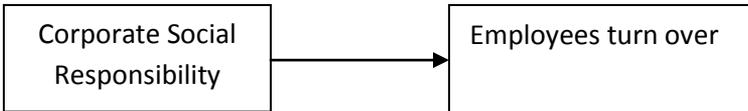
**Pay & Reward.** Fitz-enz in 1990 in his study revealed some factors responsible for employee turnover, such as compensation, extrinsic and intrinsic rewards, human relation and support from the immediate boss, working environment and organizational justice. In another study, Ihsan and Naeem (2009), found pay and salary as key factors for turnover.

### **CSR and Employee Turnover**

CSR and employee turnover has a significant relationship proved by many researchers. When companies fulfill their employees' expectations about CSR, they can achieve better work attitudes, greater productivity, and decreased turnover rate (Trevino & Nelson, 2004; Tuzzolino & Armandi, 1981, p. 21). Most studies concluded that a corporation's ability to retain employees is the sign of organizational success (PricewaterhouseCoopers, 2007). Most of the researchers found that through retaining employees the firm's financial performance can be increased (Huselid, 1995; Guthrie, 2001). Studies showed that work environment and job stress had a significant relationship (Colquitt et al., 2001).

Similarly, congenial working environment has a positive influence on organizational commitment and low absenteeism (Colquitt et al., 2001).

### **Theoretical frame work**



*Figure 1.* Theoretical Relationship between CSR and Turnover

### **Hypothesis**

**H1.** CSR has an effect on employee turnover

### **Methodology**

#### **Sample and Sample Measures**

Primary data was collected through questionnaire from on five point Likert scale ranging from Not- agree to always agree for CSR. While seven point Likert scale was used ranging from (1-not agree to 2-always agree) for turnover. The questionnaires were distributed among the contract and permanent lecturers of Public Sector Universities of KPK to collect information regarding the CSR and Turnover through simple random sampling. Convenience sampling technique was used. 100 questionnaires were distributed out of which 77 questionnaires were returned. Response rate was 77% and SPSS was used for correlation and regression analysis.

### **Findings**

Approximately, 82% male and 18% female responded .the contract lectures were 74% of the total sample and 26% were permanent. The crosstabs shows, that 44 male were contract and 19 were

permanent. Similarly, 13 female were contract and 1 was permanent lecture.

Table 1  
*Correlation between CSR and Turnover*

		TURNOVER	CSR
TURNOVER	Pearson Correlation	-	-.382**

*Note.* \*\*. Correlation is significant at the 0.01 level (2-tailed).

Table 1 shows that there is a significant weak positive correlation exist between the two variables i.e., CSR and Turnover. The Pearson Correlation value between CSR and Turnover is - 0.382 which shows a negative weak strong correlation. The significant value or p: 0.001 which shows the relationship is significant. Hence it implies that the H0 is rejected and H1 is accepted that there is a relationship between CSR and Turnover.

Table 2  
*Regression Analysis*

Hypotheses	Regression Weights	R <sup>2</sup>	Adjusted R <sup>2</sup>	p-value	Hypotheses Supported
H1	CSR → TURNOVER	.146	.135	.004	Yes

*Note.* \*\*p < 0.01

The regression analysis shows in Table 2 that R<sup>2</sup> is 0.146 or 14.6%. It implies that CSR activities can bring 14.6% positive change in avoidance of overall employees’ turnover. From the above results it is deduced that CSR has importance in organizational development by retaining its employees and

reducing the employees' turnover. If the organization practice the CSR activities than the employee turnover will decreased. The organizations should pay heeds to Corporate Social Responsibilities so that their employees should be retained.

### **Conclusion**

To conclude, corporate social responsibility is indispensable for the growth and development of an organization. It should be practiced widely in organizations and should be strategically implemented. Government should pay heed to CSR activities in public sector organizations generally and academic institutions particularly in order to retain employees and minimize the turnover. A viable strategy should be devised by the government and policy makers to introduce the concept of CSR in public sector organizations. By doing so the efficiency of the organizations especially academic institutions can increase many fold. Besides they can attract the customers, elevate their ranking in the society and ultimately increase their profits. Last but not the least the employees of these organizations can be retained and hence loyal to them. Resultantly the turnover ratio will also be lower down.

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