

**The Impact of CSR on Employee Performance:
With The Mediation of Employee Trust and Employee Behavior
(A Case Study of Companies in Bekasi and Jakarta)**

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Abstract

The Researches on Corporate Social Responsibility (CSR) tends to focus on stakeholders and external outcomes. The impact of CSR on employee performance is still rarely discussed in many studies. This study aims to determine how the impact of CSR affects employee performance and the role of employee trust and employee behavior as a mediator at 3 companies in Bekasi and Jakarta. Every company has a responsibility to develop its environment through social programs. The research questions in this study are: (1) The impact of CSR on Employee performance, (2) The impact of CSR on employee trust (3) The impact of employee trust on employee performance (4) The impact of CSR on employee behavior (5) The impact of employee behavior on employee performance. The sample used in this study was 246 employees from companies in Bekasi and Jakarta District. Data collection method used in this study was questionnaire and forum group discussions (FGD), while analytical method used was SEM Warps PLS. The findings of this study indicate that CSR does not impact directly the employee performance. The CSR indicator that needs to be considered is ethical, where the companies are suggested to have a CSR department. Where employees have lack knowledge about environmental work, environmental laws regarding material sources, emissions, and so on. So that employees realize and understand the importance of having attention and responsibility to the environment. CSR has a significant impact on employee trust, employee trust has a significant impact on employee performance, CSR has a significant impact on employee behavior, and employee behavior significantly impact employee performance. Employee trust and employee behavior mediate the impact of CSR on Employee performance.

Keywords: CSR, employees trust, employee behavior, employee performance

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1. INTRODUCTION

Jakarta and Bekasi district is one of the major industrial estates in Indonesia, this has caused many villagers to immigrate to Jakarta and Bekasi for work. The conditions of various societies created a gap between indigenous and urban populations, and even many indigenous people lost their livelihoods as farmers. Economic issues forced the farmers to sell their lands to the corporations. This problem creates a gap in the economy, therefore the role of Corporate Social Responsibility (CSR) in companies has significant benefits to help the government in improving the welfare of the people of Jakarta and Bekasi district. The significant growth of CSR is important to determine how CSR can influence various stakeholders such as employees, consumers, investors, suppliers, and the government (Aguinis dan Glavas, 2012).

For more than 20 years CSR issues have become a major concern for companies, governments, and experts from several management disciplines to develop the research of CSR on marketing behavior, employee's performance, and employee behavior (Aguilera et al., 2007, Balmer 1998; Sen dan Bhattacharya, 2001). Shim (2014) found that the stakeholder perspective argued that the company was not only in the interests of shareholders but also for all stakeholders (employees, suppliers, customers, and societies). The company's initiative to carry out CSR will help companies to develop positive identities or positive ethical relationships with key corporate stakeholders such as customers and investors.

CSR is needed to maintain a harmonious relationship between the company and its environment. The obligation to implement CSR is stated in the Law of the Republic of Indonesia No. 40 of 2007 Article 74, which states that companies conducting business activities are obliged to implement CSR.

In studying how is the relationship between CSR and organizational outcomes, researchers recently have been interested in the role of employees (Bolton et al., 2011; Kim et al., 2010), even employees react positively to CSR (El Akremi et al., 2015). CSR has a positive impact on employee behavior (Osveh et al., 2015, p. 176). Furthermore, CSR perception shapes the attitude of an employee and increases their trust in the company (Aguilera et al., 2007, p. 840).

The existence of CSR in a company also has an impact on employee performance as studied by Strike et al. (2006) stated that companies that organize CSR programs can improve company performance. Albinger & Freeman (2000); Greening & Turban (2000), states that the presence of CSR is able to improve the

ability of the company, as well as being able to retain the talents of its employees. Although CSR can have a positive impact on employees, the impact on employee trust and employee behavior is still rarely discussed.

The development of this research is in accordance with the evidence of the importance of CSR in relation to the behavior of employees and organizational protectors to improve employee performance. Research on CSR continues to increase, but in this literature, limited to at least three important points, first, the nature of the relationship between CSR and employee performance, both employee trust as a mediator of CSR's impact on employee performance, and thirdly employee behavior as a mediator of CSR's impact on performance employee. Some studies show that CSR responsibilities are included in company performance (Cochran and Wood, 1984, Fombrun and Shanley, 1990), but some researchers have observed that CSR initiatives originate from dynamic and growing stakeholders, which are becoming increasingly common, organizations must compete to serve customers and meet customer expectations (Matten and Moon 2008). There is still a lack of research on CSR involving employees, this is interesting to study further on "The Impact of CSR on Employee Performance: with the mediation of Employee Trust and Employee Behavior".

2. LITERATURE REVIEW

2.1. Corporate Social Responsibility (CSR)

CSR is an activity carried out by the organization voluntarily or with organizational policies with the aim of social change and the sustainability of the organization's environment and positively affecting the organizational environment (Aguilera et al., 2007). a business cannot be separated from the influence of society to achieve economic goals (Crane et al., 2008), the role of CSR in improving the company's business is very important. At present, the role of stakeholders is increasingly dominant in implementing CSR as discussed by Peter Drucker (Lee, 2008). the definition of CSR has been explained by many experts. CSR can be defined as a corporate responsibility that impacts on society (European Commission, 2011). CSR is important for building responsible and sustainable business growth (Moir, 2001).

CSR is the company's activities in achieving balance or integration between economic, environmental and social aspects without ignoring the expectations of shareholders (profits oriented). CSR is also a significant determinant of economic growth (Skare and Golja, 2014).

Several studies have examined the effectiveness of CSR activities in influencing internal stakeholders (Rupp et al., 2006) or employees (Morgeson et al., 2013; Aguilera et al., 2007). CSR activities help organizations to develop their

identities and become positive ethical actions (Dutton and Dukerich, 1991). Organizations that implement CSR will have a strong exchange relationship between the organizational environment and stakeholders (Balmer et al., 2007; Castaldo et al., 2009; Fukukawa et al., 2007). CSR indicators are derived from Farooq et al. (2014), namely (i) employee welfare and support (ii) employee sincerity in their work (iii) strengthening employee perceptions and respect to the organization.

2.2. The Impact of CSR on Employee Trust

Empirical research on employee understanding and his perspective on CSR is still limited to understanding how CSR factors affect general satisfaction (Gavin and Maynard, 1975, Valentine and Fleischman, 2008), but there is still a lack of research on the relationship of CSR to employee satisfaction. In the study of Mayer et al. (1995) state that CSR has a direct impact on the results of individual employees who support the organization, this study shows that employees, when understanding that their organizations are socially responsible have an impact on employee trust in their organization.

According to Rousseau et al. (1998) trust is a psychological state that consists of the intention to accept vulnerabilities based on positive expectations on the intentions or behavior of others. Trust in an organization is an asset for the company. The financial crisis has greatly influenced general trust in banks, institutions and also companies (Tonkiss, 2009). The European Commission (2011) states that CSR is the company's responsibility for its impact on society. The company is responsible for assisting the government in alleviating poverty through the company.

Yanni and Yongrok (2014) found that CSR practices have a significant direct impact on employee welfare and organizational performance, indicating that companies must develop CSR strategies proactively to improve employee welfare and organizational performance, but only developed countries have implemented CSR proactively.

Employees (not just external stakeholders) have a role in corporate social responsibility and play a key role in shaping employee trust in the organization, which in turn affects their attitudes and behavior (Fukukawa et al., 2007; Perrini and Castaldo 2008; Rupp et al., 2006).

CSR initiatives increase trust and develop further relationships between employees and employers (Snider et al., 2003). The importance of future research to analyze employee reactions to CSR and related organizational activities, for example, that employees tend to associate their organizations with current organizational leaders (Dirks and Ferrin 2002).

CSR initiatives by companies have an impact on employee reactions, and encourage employees and their positive perceptions (Brammer et al., 2007). Farooq et al. (2014) which states that CSR initiatives affect the trust of employees which in

turn affect employee commitment. The impact of CSR on employee trust encourages organizational commitment (Farndale et al., 2011; Macky and Boxall, 2007; Ruppel and Harrington, 2000). The CSR initiative invites social exchanges between the organization and its employees. CSR perceptions influence various attitudes and behaviors of employees, including trust in organizational leadership (Hansen et al., 2011). Researchers suggest that CSR has an impact on employee trust in the organization. CSR indicators use Hansen et al. (2011) namely Economic, Legal, Ethical, Discretionary, but in this study the indicators used are Economic, Legal and Ethical, while the trust indicators are derived from a three-item scale from Pivato et al. (2008), namely (i) trust my organization, (ii) I can always count on my organization, and (iii) My organization is reliable, but in this study indicators of trust and dependence on the organization were used. The arguments and conceptualization of CSR and trust are adopted in this study. We propose the hypothesis as follows:

H1: CSR has an impact on employee trust.

The relationship between CSR and employee trust can be seen in Figure 1 below.

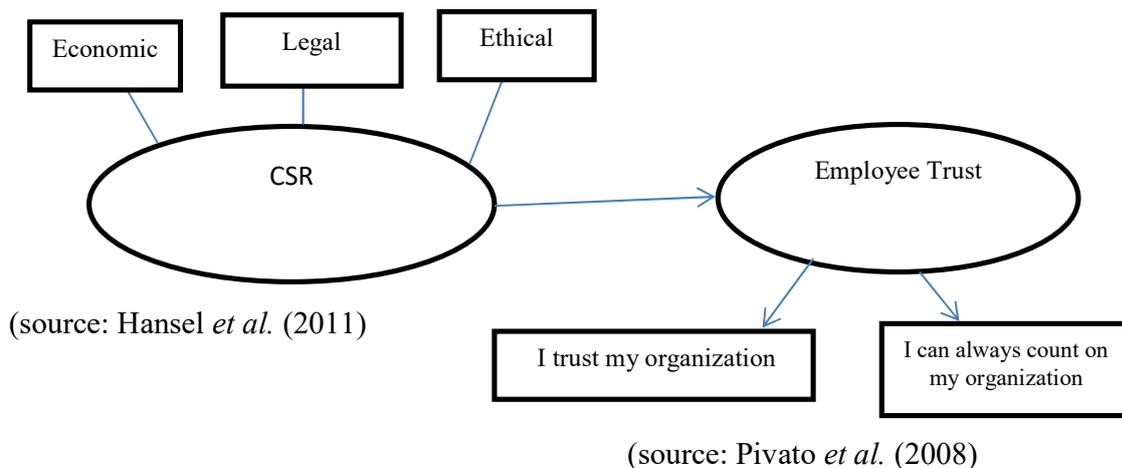


Figure 1. CSR has an impact on employee trust

2.3. The Impact of Employee Trust in Employee Performance

Research on corporate social responsibility (CSR) tends to focus on external stakeholders and reveals slightly about internal effects that might also help explain the relationship of CSR performance to the company and impact on the company's marketing strategy. Based on previous evidence that trust is the key mediator of the results of the antecedent level of CSR on employee performance (Hansen et al., 2011). There is slight evidence of the effect of trust between leaders and

subordinates on employee work outcomes (Kim et al., 2018). Brower et al. (2009) also assume that mutual trust has a positive effect on the work of employees.

Trust between subordinates and leaders shows the relationship of social exchanges that have an impact on behavior change so that the performance of subordinates in completing tasks increases due to a sense of belonging (Cropanzano and Mitchell 2005). Gouldner (1960) states that trust in leaders results in higher work performance of subordinates, and raises a sense of organizational ownership and is more committed to the organization when employees believe in the character of their leader, they tend not to worry and trust each other. The hypothesis in this study, we propose as follows:

H2: Employee trust has an impact on employee performance

The relationship between employee trust and employee performance can be seen in Figure 2 below:

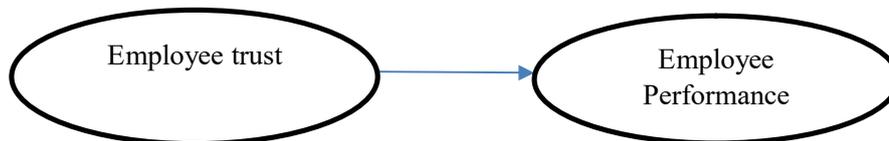


Figure 2. The relationship between Employee trust and employee performance

2.4. The Impact of Employee Behavior on CSR

The role of employees is defined as a unique construction consisting of cognitive, emotional, and behavioral components related to individual performance (Shuck et al., 2011). Emotional aspects are how employees feel about their company, their leaders, and coworkers while behavioral factors are a component of added value reflected in the amount of their work effort (Lockwood, 2007). Attitudes and behavior are key to this study understanding the true impact of the organization (Balmer et al., 2007; Berrone et al., 2007; Pivato et al., 2008).

CSR activities provide understanding to employees about ethics, company values and the extent to which they can be trusted (Rupp et al., 2006). Corporate social responsibility (CSR) is a good indicator of the legitimacy of the company, stating that there is an obligation for companies to focus more on CSR. CSR as a driver for employees and employee involvement is very important. (Gross and Holland, 2010). Companies that implement CSR for the welfare of society, can lead to increased self-esteem and organizational pride (Hogg and Terry, 2000).

Schaufeli et al. (2002) stated that employee involvement in CSR will produce positive thoughts and satisfying work results which are characterized by

enthusiasm, dedication, and earnest work. Several studies have provided empirical evidence that CSR has a large impact on employee attitudes and behavior (Rupp et al., 2006). This shows that employees feel the company is implementing CSR on the basis of its responsibility to the organizational environment so that employees will behave positively towards the organization and work effectively.

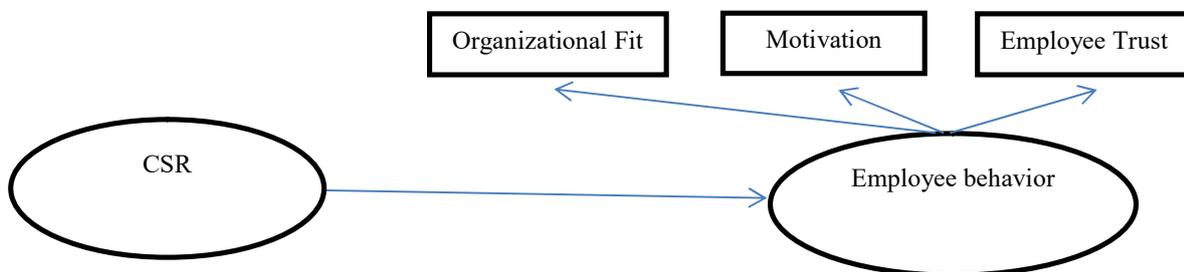
Many previous studies have shown that CSR can make employees and their attitudes focus more on organizational commitment (Ali et al., 2010). Given that employees have an important role in the organization and as a key to success, employees tend to influence CSR programs in the organization and always react differently at work as a result of the presence of CSR (Koh and Boo, 2001; Peterson, 2004).

Cropanzano and Mitchell (2005) state that there is a relationship between the perception of CSR, reaction attitudes, and employee behavior. The success of an organization depends on the ability of stakeholders in their business strategy because stakeholders provide the resources and benefits that are important for the survival and success of the organization (Roeck and Delobbe, 2012).

CSR is a natural extension of organizational ethics, which involves stakeholders, in which it can focus specifically on issues and challenges of society. The tendency of CSR to promote socially oriented employees has an impact on employee behavior, and thus also encourages positive social change (De Roeck and Maon 2016; Gond et al., 2017). The Indicators of CSR impact on employee behavior are derived from De Roeck and Farooq (2018) are organizational fit and motivation. In this study there was an update, namely employee trust, this became an employee's lifestyle. The hypothesis of CSR has an impact on employee behavior can be written as follows:

H3: CSR has an impact on employee behavior.

The relationship between CSR and employee behavior can be seen in Figure 3 below:



Source: De Roeck & Farooq (2018)

Figure 3. The Relationship between CSR and Employee Behavior with indicators

2.5. The Impact of Employee Behavior on Employee Performance

Organizational behavior is related to the thoughts, feelings, emotions, and actions of people in preparing a work. Employee behavior is the capacity of mental, physical, emotional and social activities experienced during various stages of human life and influenced by culture, society, values, morals, ethics and genetics (Raza, 2014). Porathe (2009) emphasizes that knowledge and understanding of behavior are very important because they not only affect individual performance but also create a strong impact on the performance of others.

Bonner et al. (2016) found that employee perceptions, ethical leadership, and employee behavior affect employee performance. Employee performance can be seen from employee behavior. The hypothesis of employee behavior has an impact on employee performance can be written as follows:

H4: Employee behavior has an impact on employee performance

The relationship of employee behavior to employee performance can be seen in Figure 4 below:

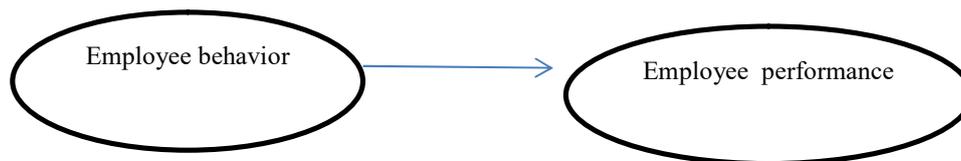


Figure 4. The relationship between Employee Behavior and employee performance

2.6. The Impact of CSR on Employee Performance

Some of the literature on CSR continues to grow regarding the relationship between CSR and company performance, but still not fully understood. Some studies show that CSR does not improve employee performance. Most of the previous studies on the relationship of CSR to management performance have found a positive point (Agle et al., 1999; Heinze et al. 1999), while Orlitzky et al. (2003) state that empirically verifying CSR has provided some positive support for the company's financial performance. CSR programs can help meet the needs of employees (Bhattacharya et al., 2008; Mirvis 2012; Porter and Kramer 2011). The results of research by Rettab et al. (2009) have provided empirical support for the positive impact of CSR on company performance.

CSR will produce professional development of employees and become an important part of the needs of employees (Maurer et al., 2002). Employees have an important role in the organization, their performance forms an important force for the organization and that maintains the survival and well-being of the organization (Jones, 2010). To close this gap, organizations began to focus on the impact of

CSR on performance in organizations. Employees tend to behave according to their perceptions of existing realities (Robbins and Judge, 2015). The subjective perception of an employee towards his organization seems to be very important for positive employee performance.

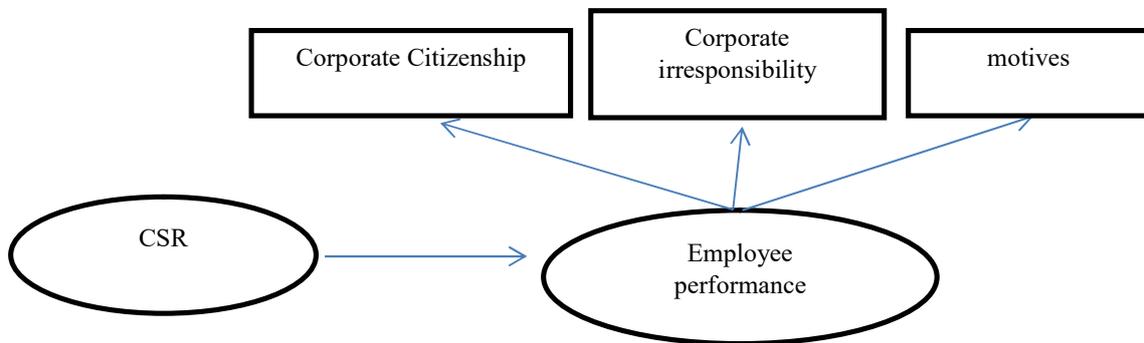
CSR activities in the organization, as well as employee performance, as internal stakeholders are significant main capital for an organization (Williams, Siegel, 2001), but according to Jones (2010) research on employee perceptions of CSR does not affect their performance.

CSR is also useful for employees, where employees who work in the company are also responsible and positively influence the company's performance and associate themselves with it (Tewari, Nambudiri, 2014). CSR is now a major concern for organizations throughout the world, so researchers in various fields of management are beginning to consider the impact on various organizational stakeholders (Balmer 1998). In recent years, CSR initiatives have become more common when organizations compete for customer satisfaction and to meet the expectations of growth and dynamic stakeholders (Matten and Moon 2008). Overall CSR correlates with employee performance (Vlachos et al., 2014).

Research on CSR mainly focuses on institutional and organizational levels with an emphasis on the impact on external stakeholders (Aguinis & Glavas, 2012), there is still a lack of research on CSR that has an impact on internal interests. This last opinion is to investigate one potential mediator, namely organizational trust, in the relationship between CSR performance and better employee performance. Indicators for measuring employee performance are derived from Blowfield and Frynas, 2005; Pedersen and Huniche, 2006 namely corporate citizenship, corporate irresponsibility, and motives. The hypothesis of CSR and employee performance can be written as follows:

H5: CSR Has an Impact on Employee Performance

The relationship of CSR to employee performance can be seen in Figure 5 below:



Source: Pedersen and Huniche (2006)

Figure 5. The Relationship between CSR and employee performance

With the research gap mentioned in the introduction, this study combines employee trust and employee behavior as a mediation of the effect of CSR on employee performance. The framework can be shown in figure 6 below:

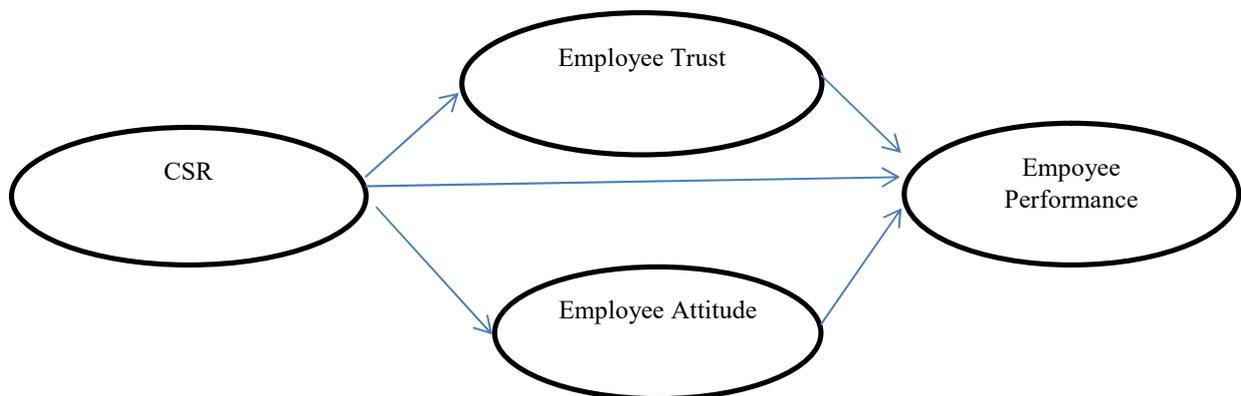


Figure 6. The Relationship between employee trust and employee behavior on CSR and CSR on Employee Performance

This model shows the relationship of CSR to employee performance through the mediation of employee trust and employee behavior which ultimately affects company performance. CSR can improve the welfare of the environment or have a positive impact on employee trust and employee behavior and then improve company performance.

3. METHODOLOGY

This study used a cross-sectional design and data was collected from employees of 3 companies in Bekasi and Jakarta. The first time we conducted interviews with members of the board of directors and conveyed them that the importance of CSR and its benefits for internal stakeholders. We have interviewed from top management to the lowest level; both permanent employees and contract employees. The sample used was 250 respondents, but only 246 were valid. We explained the purpose of the study to the management team and assured them of possible benefits to their company. We assure them that the information will be used solely for research purposes and make a commitment to provide copies of findings. The respondents were asked to answer the questionnaire, about their level of trust in CSR carried out by the company, employee behavior on CSR and CSR on employee performance. We use SEM-Warps PLS analysis, with the results as follows.

4. RESULT AND DISCUSSION

Research on CSR tends to focus on stakeholders and external outcomes, (Hansen *et al.*, 2011; Vlachos *et al.*, 2013), only a few of which reveal internal impacts. This study offers a theoretical model for explaining the relationship between CSR and employee performance and provides empirical evidence for that relationship (Jones, 2010; Wang *et al.*, 2017).

The results of the validity test with Partial Least Square (PLS) can be seen in Table 1.

Table 1. The results of the validity test

	CSR	Empl. Trust	Empl. Attitude	Empl. Performance	Explanation
Economic	0.954	-0.023	0.092	0.119	Valid
Legal	0.952	0.024	-0.096	-0.123	Valid
Ethical	0.101	0.914	-0.107	-0.283	Valid
trust my organization	-0.141	0.775	0.15	0.397	Valid
I can always count on my organization	-0.161	-0.062	0.851	0.246	Valid
Organization Fit	0.127	0.049	0.927	-0.194	Valid
Motivation	0.087	-0.249	0.148	0.841	Valid
Employee trust	-0.095	0.271	-0.161	0.813	Valid

Table 2. The result with PLS

Path Coefisien

	CSR	Empl Trust	Empl. Attitude	Empl. Performance
CSR				
Empl. Trust	0.3			
Empl. Attitude	-0.248			
Empl. Performance	-0.151	0.443	0.365	

P Value

	CSR	Empl. Trust	Empl. Attitude	Empl. Performance
CSR				
Empl. Trust	< 0.001			
Empl. Attitude	< 0.001			
Empl. Performance	0.014	< 0.001	< 0.001	

From the PLS processed above, it can be seen the level of relationship between the research variables using p-value. Correlation coefficient and P-value relationships between research variables are shown in table 3 below:

Table 3. Relationship between Variables

Research Variables	Coefficient	P-Value	Result
CSR → Empl. Trust	0.3	0.001	Significant
CSR → Empl. Behavior	0.248	0.001	Significant
CSR → Empl. Performance	0.151	0.014	Not Significant
Empl. Trust → Emp. Perform	0.443	0.001	Significant
Empl. Behav → Emp. Perform	0.365	0.001	Significant

The results of the analysis are illustrated in figure 7 as follows:

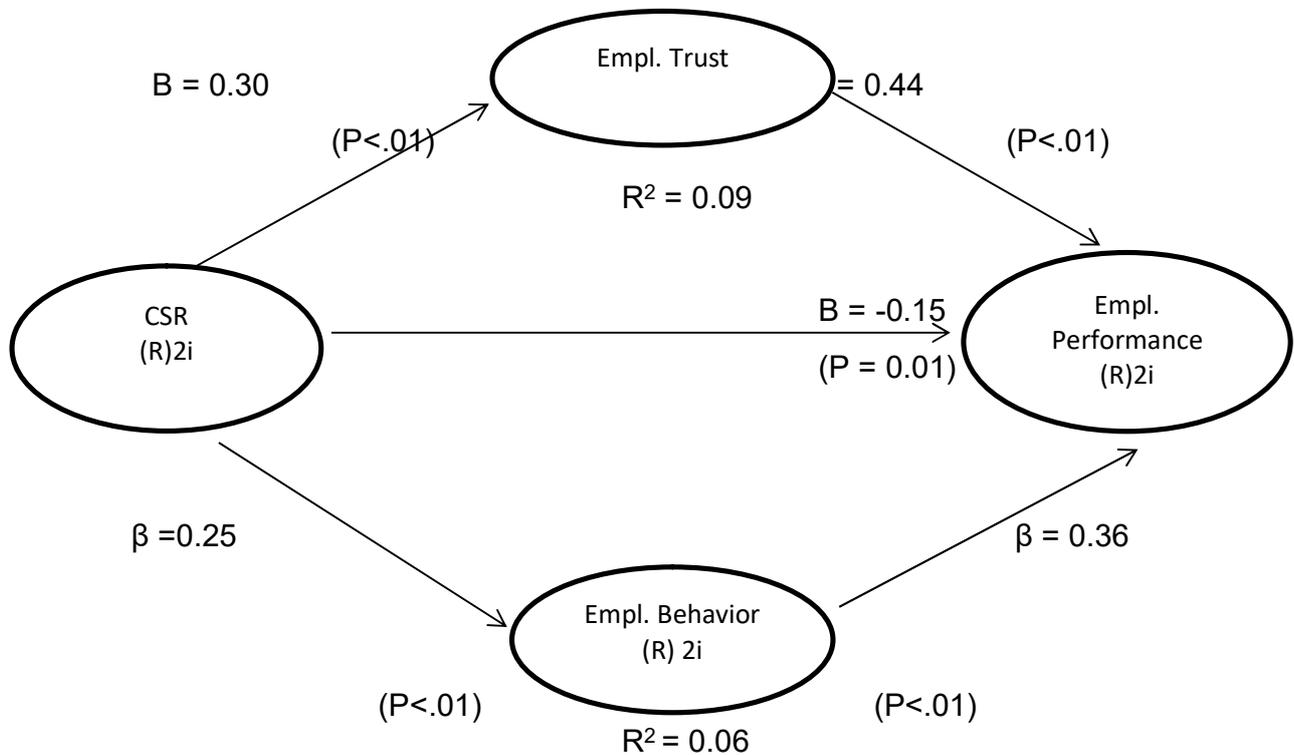


Figure 7. Research Conceptual Framework

5. CONCLUSION

The results of this study explain the relationship between research variables, both directly and indirectly can be associated with theories and the results of previous studies. The results of this study are explained as follows:

1. CSR has a significant impact on employee trust, this confirms the research of Gavin and Maynard (1975), Valentine and Fleischman (2008), Snider et al., (2003), Farooq et al. (2014).
2. Employee trust has a significant impact on employee performance, this confirm Hansen et al. (2011), Kim et al. (2018)
3. CSR significantly impact employee behavior, this confirms the research of Hogg and Terry, 2000), Schaufeli et al. (2002)

4. Employee behavior significantly has an impact on employee performance, this reinforces the Bonner et al. (2016).
5. CSR does not significantly have an impact on employee performance, this confirms Jones' research (2010) but contradicts the research of Vlachos et al. (2014) which states that CSR has an effect on employee performance.

5.1. Limitation

Even though this study offers important contributions and implications, several limitations must be made for future research. First, this study used a scale that was self-reported by respondents, without detailed interviews. Although we apply procedural and statistical methods to minimize errors in research results, further research is needed with additional employee commitment variables in CSR, because with employee commitment, employee performance will increase, and with support from employees, CSR will run better and can improve employee performance.

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