

RESEARCH ARTICLE

# Corporate Social Responsibility and Work Engagement: Mediating Roles of Compassion and Psychological Ownership

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**Abstract:** Employee work engagement has become a great challenge for today's HR managers globally as hardly 13% of employees are engaged in their work. Therefore, this study investigates the mechanism between corporate social responsibility (CSR) and employee work engagement considering compassion at work and psychological ownership as mediators. We collected data from 251 employees working in the life insurance company using a self-administered questionnaire through convenience sampling. We applied structural equation modeling using AMOS version 24 to test the hypotheses. The results reveal a significant direct association between CSR and employee work engagement. Further, compassion at work and psychological ownership were found to partially mediate the association between CSR and employee work engagement. Our study highlights the significance of CSR to increase employee work engagement by experiencing compassion at work and psychological ownership. This research contributes to the existing literature on CSR and micro organizational behavior literature from the social identity perspective. Furthermore, to the best of our knowledge, compassion at work and psychological ownership have not been examined as mediators between CSR and employee work engagement.

**Keywords:** corporate social responsibility, compassion at work, psychological ownership, employee work engagement

Corporate social responsibility (CSR) impact overall sustainability by contributing economic management, social management, and environmental management (Cazeri et al., 2018). More specifically, organizations express their commitment to society in the form of CSR by exhibiting positive attitudes and acts either locally or globally (Ashley, 2005). This is because businesses have moral responsibilities (beyond what is imposed by law) to care for overall

sustainability. Sustainability refers to the "avoidance of the depletion of natural resources in order to maintain an ecological balance" (Dahlsrud, 2008). Such actions protect and develop a society which sparks the concept of CSR.

The concept of CSR has largely been studied from an organizational perspective. For example, how it may affect organizational financial performance, that is, supply-chain risks (Abner & Ferrer, 2019; Lee &

Park, 2009), or how it may impact the organization's customers, that is, customer satisfaction and loyalty (Lee et al., 2012; Puriwat & Tripopsakul, 2018). However, literature is scant about how CSR impacts organizational employees' job-related outcomes (Islam et al., 2016). It has become important to consider employees because they are the real assets for the organizations and are a source of competitive advantage. In this perspective, Boulouta and Pitelis (2014) suggested that businesses must include CSR as a strategy because the integration of the organization's business strategy as CSR contributes towards overall organizational effectiveness.

Empirical studies examining the effect of CSR on employees' job-related outcomes suggested job performance (Shin et al., 2016), personal initiative, job satisfaction, voice and helping behavior (Ali et al., 2020; Raub & Blunschi, 2014), organizational identification, and pro-environmental behavior (Cheema et al., 2020) as its positive consequences. Amongst these, work engagement remained a neglected variable that further needs to shed light (Farrukh et al., 2020; Lu et al., 2020). Employees' work engagement has become a worldwide issue for managers worldwide (Islam & Tariq, 2018). A global survey on employee work engagement has revealed that only 13% of employees are actively engaged with their work (Gallup, 2013). This means that almost 87% of the employees are not enthusiastically engaged in their routine tasks. Lim (2002) found that employees usually waste two hours per day talking with co-workers and internet surfing other than scheduled lunch breaks, which accumulate a loss of \$400-450bn per annum (Gallup, 2013). Boye and Slora (1993) also revealed that above 60% of employees admitted to time theft, which costs US\$177 billion annually to United States companies (McGee & Fillon, 1995). Similarly, employees spend a significant portion of the day at the workplace but staying disengaged with the work can reduce their productivity, which may negatively affect the employee's well-being and ultimately resulting in a social problem (Rupp et al., 2018).

Literature has suggested that organizations providing a learning culture, leadership, and support may engage their employees in work. However, the same is not working for the organizations; therefore, this study suggests that CSRs may help employees engage in their work. In addition, considering the future calls of Wang et al. (2015) and Chaudhary

(2019), there is a need to study mediating variables that explain the association between CSR and employee work engagement. This study considers compassion and psychological ownership as mediating variables. Chaudhary (2019) identified psychological availability, safety and mindfulness, whereas Lu et al. (2020) identified organizational justice and job satisfaction as mediating variables between CSR and work engagement.

This study extends previous studies to answer when and why CSR fosters employee work engagement (Glavas, 2016). In this regard, Chaudhry (2019) suggested that various mediating variables can explain the association between CSR and employee work engagement. More specifically, Farrukh et al. (2020) suggested that future researchers examine the explanatory role of psychological ownership and compassion between CSR and employee work engagement, specifically in the context of developing economies (e.g., Pakistan). Therefore, this study investigates psychological ownership and compassion as explanatory variables through which CSR activities can increase employees' work engagement.

The mediating mechanism can further be supported with social identity theory (SIT; Tajfel, 1974, 1975) that the favorable assessment of an organization is associated with positive employees' work attitudes (e.g., Maignan & Ferrell, 2001). For instance, Shin et al. (2016) argued that CSR could affect employees' adoption of socially responsible behavior within organizations (i.e., compassion at work and psychological ownership). Compassion at work is noticing the pain of organizational members, empathizing with their pain, and acting to display warmth, affection, and kindness to alleviate that pain (Dutton et al., 2010). Whereas, psychological ownership is the feelings of possession among employees for their organization (e.g., "This is my organization"; Pierce et al., 1991). Applying SIT, when employees identify that their organization owns the society and feels the pain for its betterment, they responds with compassion and psychological ownership and perform their work enthusiastically (i.e., work engagement).

This study contributes to the existing literature in four ways. First, we investigated the association of perceived CSR with employee work engagement, which allows us to unfold CSR's significance to increase employee work engagement in the workplace

as employees are the key internal stakeholders of the organization. Second, the research on CSR perception and psychological ownership is scarce; we introduce psychological ownership as a potential employee-level CSR outcome in the existing literature. Third, drawing on social identity theory, we suggest compassion at work and psychological ownership as mediators explaining the linkage between CSR and work engagement (see Figure 1). Therefore, we contribute to the existing literature by developing and testing this unique perspective. Fourth, this study aims to increase the generalizability of current findings on CSR and employee work engagement relationship by using a diverse sample from a developing economy of South Asia.

## Literature Review and Hypotheses Development

### *Corporate Social Responsibility (CSR)*

CSR's concept remained a researchers' choice for a decade and is defined in almost 37 different ways (Dahlsrud, 2008), which indicates that CSR has not yet any single definition despite diverse literature (Glavas & Kelley, 2014). For instance, according to Turker (2009a), CSR is a "corporate behaviors that aim to affect stakeholders positively and that go beyond its economic interests" (p. 189). According to Sarkar and Searcy (2016, p. 1433), "CSR implies that firms must foremost assume their core economic responsibility and voluntarily go beyond legal minimums so that they are ethical in all of their activities and that they take into account the impact of their actions on stakeholders in society, while simultaneously contributing to global sustainability." Farid et al. (2019) viewed CSR from different perspectives as "context-specific organizational action and policy that takes into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance" (p.3). The definitions, as mentioned above, have identified CSR as a multidimensional construct that considers various stakeholders. Thus, this study followed the stakeholder approach by considering government, employees, customers, and social stakeholders such as the natural environment, future generations, non-governmental organizations, and society to cover the holistic view of CSR as suggested by Turker (2009b).

CSR has implications for the psychological and behavioral outcomes of the employees (Baldo, 2013). Employees usually participate in day-to-day activities related to CSR, observe the results, and develop their perception regarding the entire organizational CSR approach. The role of employees is vital to define the extent to which organizations are socially liable. Aguinis and Glavas (2012) noted that employees should be involved in participating and facilitating the CSR programs to allow the organization to execute the CSR events as primary stakeholders successfully. Likewise, if employees might get aware of these CSR activities, their perception of CSR might directly and strongly influence their reaction toward CSR initiatives (Gangone & Gănescu, 2014). Findings of existing research have revealed that organizational attractiveness is also increased through favorable evaluation of CSR initiatives by the employees (Tsai et al., 2014).

### *Employee Work Engagement*

Employee work engagement is defined as "harnessing of the organization members' selves to their work roles; in engagement people employ and express themselves physically cognitively and emotionally during role performances" (Kahn, 1990, p. 694). According to Mone et al. (2018, p. 4), employee work engagement is "the condition of an employee who feels involved, committed, passionate, and empowered and demonstrates those feelings in his work behavior." Organizations need to develop the relationship between employer and employee through various factors that boost employee work engagement, such as working environment, bonuses, adequate work-life balance, job satisfaction, appraisal, successful communication, and career progression, to improve employee work engagement (Robinson, 2010). This study used employee work engagement as a measure of employee attitude, which influences the different valued outcomes in the organizations, such as enhanced economic performance (Galant & Cadez, 2017), increased job satisfaction, reduced turnover intentions (Lu et al., 2016), enhanced affective commitment (Nazir & Islam, 2017), and improved job performance (Ismail et al., 2019).

However, the current study adopted Kahn's (1990) definition of employee work engagement because numerous features like the cognitive, physical, and emotional aspects provide an accurate description of

employee work engagement. If employees are well engaged, then they contribute to the company's growth and perform their job excellently by understanding the company's values and goals.

### ***CSR and Employee Work Engagement***

Organizations are facing a challenge to retain and engage talented employees (Keller & Meaney, 2017). Existing studies have found more job satisfaction amongst the employees working in companies that fulfill their ethical and social responsibilities (Glavas & Kelley, 2014). In contrast, studies have also reported disillusionment, hopelessness, and frustration among employees due to unethical organizational behavior (Andersson, 1996). The ethical temperament of an organization can be signified through involvement in CSR, which reflects the trustworthiness of that organization (Hansen et al., 2011). The significance of stakeholders for an organization is signaled to the employees through organizational involvement in CSR (Rupp et al., 2018). Drawing on the SIT, employees' higher-order needs such as meaningful existence and belongingness can be presumably satisfied through CSR by caring for the external stakeholders, that is, customers, environment, government and society, and internal stakeholders, including employees (Rupp et al., 2006). Therefore, as an additional engagement source, CSR increases the experienced meaningfulness among employees when their morality and relational needs are catered through CSR (Aguinis & Glavas, 2019). CSR can be used as a tactic to motivate employees toward a greater purpose (Rosso et al., 2010). Similarly, a consciousness of organizational identity is increased, and their self-concept is improved among employees when they know that they serve a greater purpose (Grant et al., 2008).

Employee work engagement might increase when the organization's CSR practices resonate with their feeling of accountability for personal actions (Afsar et al., 2020). This CSR- employee work engagement linkage might be explained through the lens of social learning theory (Bandura, 1977). It is argued that role models enhance the learning of norms and behavioral expectations. Employees tend to show intentions to be involved in actions that can make life better for everyone and feel responsible. When organizations act as global citizens and role models, they take various CSR initiatives to improve society's environment and uplift. The employees will follow the behaviors

of leaders and management in their actions in the organizations, where socially responsible actions are emphasized, valued, and regarded as normative standards of conduct, and hence become more engaged. Employees' positive attitudes heighten when an organization displays genuine concerns for the environment and society. This may result in increased engagement levels due to enhanced employees' purpose at work and a sense of meaningfulness (Klimkiewicz & Oltra, 2017).

Engaged employees exert effort to achieve the organization's mission, goals, objectives, and good corporate reputation because they are enthusiastic, energetic, and fully absorbed in work (Harter et al., 2002). The perception of CSR programs and actions of an organization for taking care of the society and planet result in strong identification of employees with the organization. The employees may engage in behaviors aligned with the organizational goals due to increased intrinsic motivation through this perception of pride, prestige, and value (Klimkiewicz & Oltra, 2017). They bring their true selves to increase organizational effectiveness because they want to maintain this reputation and image. Hence, employees are likely to display greater engagement and bring more energy when they perceive organizational involvement in CSR initiatives as favorable (Afsar et al., 2020).

The studies investigating the association between CSR and employee work engagement are still at the early stages, particularly in developing economies such as Pakistan. Self-determination theory influenced the intrinsic motivation of engagement and was confirmed as a predictor of employee work engagement (Wang et al., 2017). Contrarily, a study on Portugal's private-sector employees revealed that the dimensions of employee work engagement were insignificantly predicted by the external and internal CSR (Ferreira & de Oliveira, 2014). The previous studies have also found a positive association of CSR with employees' attitudes similar to employee work engagement, such as job satisfaction (Duarte et al., 2019; Singhapakdi et al., 2019) and organizational commitment (Rodrigo et al., 2019), which provide additional support for an association of CSR with employee work engagement. Accordingly, we hypothesized that:

H1: CSR has a positive and significant influence on employee work engagement.

### ***The Mediating Role of Compassion at Work***

Compassion has a long association with sociology, medicine, and religion. Still, organizational psychologists have recently paid attention to compassion from the organizational context in the micro-OB literature, whereas macro-OB literature has predominantly discussed CSR for decades (Frost et al., 2006). The role of compassion is pivotal to lessening co-workers' pain in organizational life (Dutton et al., 2002). Researchers have agreed that compassion involves caring for others through behavior and communication and sympathetic awareness of others' pain and sorrow (Moon et al., 2014). Kornfield (2009) defined compassion as "the heart's response to sorrow" (p. 326). According to Kanov et al. (2004), compassion is a relational process that comprises feeling the pain of colleagues, sympathizing with a person suffering from the pain, and eliminating that pain. Moon et al. (2014) also defined "compassion as a response to the suffering of another that involves an individual seeing with the eyes of others, hearing with the ears of others, feeling with the heart of others, and taking action in a way which reveals his or her compassion" (p. 52).

The research has revealed that the organization's actions make sense of the employees, which affects their attitudes and behaviors in the workplace (Cropanzano et al., 2001). The various attitudinal and behavioral responses of employees are evoked by the CSR perception (Rupp et al., 2006). Organizational members have extra favorable identity association with an organization, which positively evaluates their organization because of CSR based on the social identity perspective, which develops intrinsic motivation among members to increase their involvement in discretionary actions like compassion (Zedeck, 2011). Based on the social identity theory, intrinsic motivation to develop organizational identity is further triggered by the CSR perception among employees (Ellemers et al., 2004). SIT explains that categorizing individuals into groups, and people cognitively identify others and themselves (Tajfel, 1975). Employees want to become a member of those groups having a positive identity to increase their respected imaginings and are interested in showing their organization's identity (Ellemers et al., 2004). Employees would become a member of the in-group at the expense of the out-group based on social categorization. This identification with their organization results in prosocial behaviors within the organization, such as compassion (Dutton et al., 2010).

The past research has confirmed that employees' work attitudes are affected by their favorable evaluation of the organization based on the social identity theory (Maignan & Ferrell, 2001). Hence, corporate reputation is improved through CSR (Maignan & Ferrell, 2004). Individuals exhibit positive attitudes and behaviors in the workplace, such as compassion, because they feel proud to identify with their organization due to CSR engagement (Dutton et al., 1994). Contrarily, employees become hesitant to identify themselves with the organization and even leave the organization when they perceive an organization as an uncaring place and find non-social support from colleagues (Ellemers et al., 2004). Employees are more likely to become members of the out-group and leave the in-group when members' identity and organizational identity are undermined due to a negative perception of the organization (Tajfel & Turner, 1979). Thus, the tendency to be involved in voluntary behaviors in the workplace will decrease, such as compassion (Meyer & Allen, 1997). Therefore, we expect that CSR perception drives compassion at work among employees.

The previous studies reveal that CSR activities with various employee outcomes such as affective organizational commitment and creativity are mediated by compassion at work (Abdelmotaleb et al., 2018). Moreover, social identity theory (Tajfel, 1974) proposes that a firm's CSR-specific activities lead to increased motivation to maintain a positive corporate social reputation and pride among employees, profoundly influencing their helping and caring behavior (Dutton et al., 2010). This caring and helping behavior (a reflection of compassion), due to its other-oriented nature, leads employees to work together for the sake of collective benefits and hence enhances employee engagement (Nazir & Islam, 2020). Based on the arguments mentioned above, we can hypothesize that:

- H2: Compassion at work mediates the positive association between CSR and employee work engagement.

### ***The Mediating Role of Psychological Ownership***

As noted by Etzioni (1991), ownership is a "dual creation, part attitude, part object, part in the mind, part real" (p. 466). According to Pierce et al. (2003), legal ownership differs from psychological ownership. For example, psychological ownership is generally featured as a self-derived perception of

the individual, while legal ownership is endorsed by the law and recognized by others. The others do not formally recognize psychological ownership, and it is the individual in which boundaries related to ownership are determined and feelings of ownership are manifested. Psychological ownership “relates to employees’ feelings of possession to the organization as a whole; e.g., this is my organization” (Van Dyne & Pierce, 2004, p. 442). The previous studies have found various factors that may increase the psychological ownership of employees. For instance, transformational leadership positively predicts psychological ownership (Avey et al., 2009), which in turn negatively related to their intention to quit (Bernhard & O’Driscoll, 2011), and positively predicted employee job attitudes, including job satisfaction and organizational commitment (Bernhard & O’Driscoll, 2011), and organizational citizenship behaviors (Park et al., 2013). Liu et al. (2012) found participative decision-making as a strong predictor of psychological ownership among employees. Studies have also found that employee participation strongly influences their psychological ownership in profit-sharing schemes or stock ownership (Chi & Han, 2008). Employee autonomy also positively affects psychological ownership, which, in turn, partially mediated the association of psychological ownership with organizational commitment and job satisfaction (Mayhew et al., 2007).

The respective organizations’ social standing is vital for the employees to evaluate their self-worth (Aberson et al., 2000). Employees would become more identified with their organizations when they perceive that employing organizations have attractive and distinctive practices, characteristics, attributes, and values in contrast to competitive organizations (Dutton et al., 1994). When organizations enforce the policies and practices that protect stakeholders’ interests, it may enhance employees’ self-concept and self-esteem (El Akremi et al., 2018). This responsible and distinctive behavior of an organization increases employees’ pride, and they also respect and value the fulfillment of the organization’s responsibility toward the society in front of other stakeholders. The tendency to become identified with the organization among employees might diminish when organizations do not fulfill their social obligations because nowadays, stakeholders in general and particular in society, are well aware of the environmental and social problems

(Cheema et al., 2020). Studies have also found that when employees believe that their organizations fulfill all their stakeholders’ obligations and are genuinely responsible (i.e., CSR), they identify themselves with their organizations (Farooq et al., 2017). Hence, perceiving themselves as members of the socially responsible organization, employees’ organizational ownership may be enhanced (Korschun et al., 2014). Therefore, we argue that the perception of CSR increases the psychological ownership of the organization among employees.

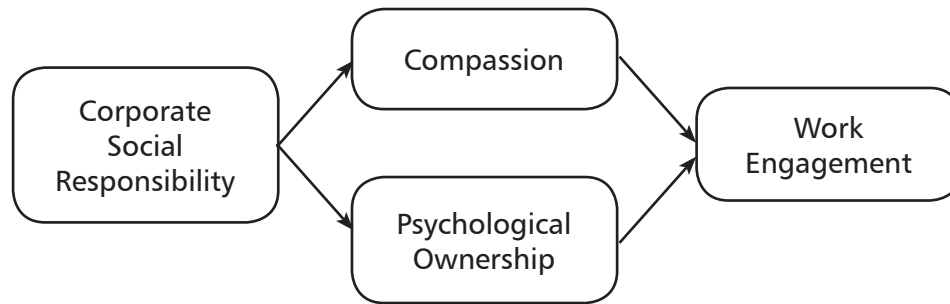
Psychological ownership comprises cognitive and affective elements (Pierce & Newstrom, 2003), which satisfice social and genetic human motives (Pierce et al., 2001). Thus, psychological ownership serves belongingness, efficacy, and self-identity needs (Dai et al., 2020) and is mostly seen as encouraging employees towards tasks (Brown et al., 2014). The need for efficacy and belongingness drives the individual from identifying with a group or organization. Collective belongingness enhances the feelings of safety among the individual as a member of the group. Self-efficacy increases employees’ self-identity, and the level of uncertainty is also decreased that an individual attributes to oneself due to self-categorization (Ashforth et al., 2008). Hence, employees facilitate the company to attain its value and objectives by engaging in their work. In a most recent study, Dai et al. (2020) noted that psychological ownership positively affects employees’ work engagement. However, Sieger et al. (2011) suggested examining the mediating role of psychological ownership. Therefore, drawing upon SIT, we hypothesize.

- H3: Psychological ownership mediates the positive association between CSR and employee work engagement.

## Methods

### *Sample and Procedure*

We collected data from the employees working in a large life insurance company located in Lahore, Pakistan. The company consists of 8,000 direct employees and are involved in various CSR initiatives. We visited the regional office of the company and had a meeting with the regional manager. The manager was explained the objectives of the study, and permission



*Figure 1.* Conceptual Model

was obtained. As we used simple random sampling to select a sample of 480 employees (as we followed the criteria of Jackson (2003) for having 20 responses against each item, i.e.,  $24 \times 20 = 480$ ), therefore, the regional manager, after contacting with their HR department shared the email IDs of selected 480 employees (these include branch managers, assistant branch managers, team manager, senior relationship officers, and relationship officers).

We approached 480 employees via email, where the link to Google form (i.e., questionnaire) was shared with them. The questionnaire is comprised of three parts. First, a cover letter was shared with the information that “the employees’ responses would be kept confidential and would only be used for the research.” The second part contains the information regarding demographical variables (e.g., age, gender, qualification, and work experience). The third part of the questionnaire is comprised of 24 questions for CSR, compassion, psychological ownership, and work engagement.

The demographical statistics show that 23% of the participants were female, whereas the rest were males. Moreover, 36% of the participants had ages between 26–30 years, 29% had an age between 31–35 years, 24% had an age between 20–25 years, and 12% of the respondents had an age above 35 years. With respect to qualification, 52.6% of the participants hold a master’s degree compared to 31% who possess a bachelor’s degree. Only 16.7% of participants hold research-based degrees equivalent to Masters in Philosophy or above. Moreover, 31% of the participants have work experience between 1–3 years, 28% have work

experience above five years, 23% of participants have work experience below one year, and 18% have work experience between 3–5 years.

### *Measures*

#### *Corporate Social Responsibility (CSR)*

The perceived CSR was measured using the 6-item scale developed by Turker (2009b) with scales anchors ranging from “1=strongly disagree to 5=strongly agree.” A sample item is “This organization contributes to campaigns and projects that promote the well-being of the society.” The alpha reliability for this scale was 0.84.

#### *Psychological Ownership*

The six-items scale developed by Van Dyne and Pierce (2004) was used to assess psychological ownership. A sample item includes “I feel a very high degree of personal ownership for this organization.” The anchors ranged from “1=never to 5=always.” The alpha reliability for this scale was 0.91.

#### *Compassion at Work*

Lilius et al.’s (2008) 3-item scale was used to measure compassion. A sample item includes “How frequently you experienced compassion on the job?”. The anchors ranged from “1=never to 5=always.” Alpha reliability for this scale was 0.74.

#### *Employee Work Engagement*

Employee work engagement was measured by using Schaufeli et al.’s (2006) 9-items scale on

three subdimensions, namely, vigor, absorption, and dedication. A sample item gauging vigor includes, "At my work, I feel bursting with energy." A sample item assessing dedication includes, "My job inspires me." A sample item assessing absorption includes "I feel happy when I am working intensely." The anchors ranged from "1=never to 5=always". Alpha reliability for this scale was 0.86.

### ***Control Variables***

We control employees' demographic characteristics, including gender, age, education, and job experience, because previous studies have shown that these variables might influence our variables (CSR and employee work engagement). Females show more favorable concerns toward CSR than males (Brammer & Millington, 2005). Farrukh et al. (2020) also found a strong association between CSR and women than men. Research demonstrated that CSR has a low positive effect on employee satisfaction among younger relative to older employees (Wisse et al., 2018). Because more educated employees may be more aware of the organization's social responsibility initiatives, educated employees are more informed of the organizational responsibilities toward the society, which demonstrates that education level affects CSR perception (Hansen et al., 2011). Job tenure within a particular organization also influences employee behaviors (Chapman et al., 2005).

### ***Analyses Strategy***

SPSS was used to analyze the data. Moreover, to test the proposed conceptual model, AMOS 24 was used. Initially, the goodness of measures was established using confirmatory factor analysis (CFA). Common method variance was evaluated through Harman's single-factor analysis. For testing the conceptual model, all the items in the structural model appeared to be distinct and fit well with the variables for which they were developed. Lastly, based on the analysis through structural equation modeling, the multiple parallel mediation model was tested.

## **Results**

### ***Primary analysis***

We applied structural equation modeling to test the hypotheses; therefore, the data were first examined for

its basic assumptions (e.g., missing values, outliers, and normality). The data for the study were collected through Google Forms, where responding to each question was mandatory; therefore, no missing values were identified. The 480 responses were examined for outliers where we followed Kline (2005) to apply Mahalanobis distance at  $P < 0.000$ , and 13 responses were excluded from the final study (Islam et al., 2021; Ahmad et al., 2020). Finally, we followed Byrne's (2010) instructions, and the values of kurtosis and skewness were noted well within the limits of  $\pm 3$  &  $\pm 1$ , respectively; hence, data were normally distributed (Islam et al., 2020).

### ***Common Method Variance***

The results of Harman's single factor analysis (Podsakoff et al., 2003) show that the percentage of single-factor variance was around 39%, which is below the traditional value of 50% (Mattila & Enz, 2002). This shows that all the variables were distinct from each other.

### ***Descriptive Statistics and Correlations Matrix***

The values of descriptive results and correlation are presented in Table 1. The results revealed that respondents agree regarding their perception of CSR ( $M = 3.75$ ), compassion ( $M = 3.97$ ), psychological ownership ( $M = 3.86$ ), and employee work engagement ( $M = 4.00$ ). We also noted a positive correlation of CSR with compassion ( $r = 0.49, P < 0.01$ ), psychological ownership ( $r = 0.64, P < 0.01$ ), and employee work engagement ( $r = 0.58, P < 0.01$ ). Similarly, compassion ( $r = 0.66, P < 0.01$ ) and psychological ownership ( $r = 0.52, P < 0.01$ ) also positively correlate with employee work engagement.

### ***Measurement Model Evaluation***

We applied structural equation modeling (SEM) to access the uni-dimensionality and structural model. Uni-dimensionality was examined through confirmatory factor analysis because we used adapted scales. We used the  $\geq 0.50$  as the standard value for factor loading (Hair et al., 2018) and Chi-Square/Degree of Freedom ( $X^2/df \leq 3.0$ ), Tucker-Lewis Index (TLI  $\geq 0.90$ ), Comparative Fit Index (CFI  $\geq 0.90$ ), Root Mean Square Error of Approximation (RMSEA  $\leq 0.08$ ) (Islam et al., 2019; Bagozzi & Yi, 1988; Browne & Cudeck, 1993; Hu & Bentler, 1999). Given that, the measurement model (uni-dimensionality) was noted as



fit, that is,  $X^2/df = 459.66/247 = 1.86$ ,  $TLI = 0.920$ ,  $CFI = 0.929$ , and  $RMSEA = 0.059$ .

Further, to assess the psychometric properties of the constructs, discriminant and convergent validities were computed. We followed Fornell and Larcker (1981) for average variance extracted ( $AVE \geq 0.50$ ) and composite reliability ( $CR > 0.70$ ). So, Table 2 shows that AVE and CR values meet these criteria, and convergent validity is satisfied. The reliability of the scale is good because CR values are higher than 0.70 of all study variables (Fornell & Larcker, 1981). The authors also assert that the discriminant validity will be considered good the values of maximum shared variance (MSV) and average shared variance (ASV) are less than the value of AVE (Hair et al., 2018). The

discriminant validity is also satisfied, and the values shown in Table 2 met this criterion.

### **Hypotheses Testing**

Table 3 represents the values of standardized regression evaluated through the structural model. We run the model at 2000 bootstraps with 95% confidence to access the upper and lower boundary. First, we noted a significant direct effect of perceived CSR on employee work engagement ( $\beta = 0.18, P < 0.01$ ), compassion ( $\beta = 0.49, P < 0.01$ ), and psychological ownership ( $\beta = 0.64, P < 0.01$ ). These results are according to the suggested hypothesis; therefore, H1 is accepted. Second, we identified a significant indirect effect of perceived CSR on employee work engagement

**Table 1**

*Descriptive and Correlation Statistics*

Variables	M	SD	1	2	3	4	5	6	7	8
1 Age	–	–	–							
2 Gender	–	–	0.29**	–						
3 Qualification	–	–	0.09	-0.14*	–					
4 Experience	–	–	0.62**	0.23**	0.11	–				
5 Corporate Social Responsibility	3.75	0.79	0.08	0.08	-0.08	-0.09	<b>(0.84)</b>			
6 Psychological Ownership	3.86	0.87	0.20**	0.16*	-0.13	0.02	0.64**	<b>(0.91)</b>		
7 Employee Work Engagement	4.00	0.64	0.14*	0.13*	-0.15*	-0.04	0.58**	0.66**	<b>(0.81)</b>	
8 Compassion	3.97	0.74	0.04	0.16**	0.04	-0.09	0.49**	0.52**	0.66**	<b>(0.74)</b>

Note: \*\*  $P < 0.01$ , \*  $P < 0.05$

**Table 2**

*Goodness of Measures*

Variables	AVE	CR	MSV	ASV
CSR	0.554	0.882	0.40	0.32
Compassion	0.704	0.934	0.42	0.36
Psychological Ownership	0.482	0.892	0.43	0.40
Work Engagement	0.662	0.855	0.43	0.31

Note: "AVE = Average Variance Extracted, CR = Composite Reliability, MSV = Maximum Shared Value, LASV = Average Shared Square Variance"

**Table 3***Hypotheses Testing Through Bootstraps*

Relations	$\beta$	SE	P	Bootstraps @ 95%	
				LLCI	ULCI
CSR→Employee Engagement	0.18	0.047	0.00		
CSR→Compassion	0.49	0.052	0.00		
CSR→Psychological Ownership	0.64	0.054	0.00		
Compassion→Employee engagement	0.41	0.041	0.00		
Psychological ownership→Employee Engagement	0.35	0.039	0.00		
<i>Indirect effects</i>					
CSR→Compassion→Employee Engagement	0.20		0.00	0.131	0.274
CSR→Psychological ownership→Employee Engagement	0.22		0.00	0.167	0.358

through compassion ( $\beta = 0.20$ ,  $P < 0.01$ , LL = 0.131, UL = 0.274) with no zero values in upper and lower boundaries. Similarly, we identified a significant indirect effect of perceived CSR on employee work engagement through psychological ownership ( $\beta = 0.22$ ,  $P < 0.01$ , LL = 0.167, UL = 0.358) with no zero values in upper and lower boundaries. These results support suggested hypotheses H2 and H3, respectively.

## Discussion

This study's primary objective is to investigate the influence of perceived CSR on employee work engagement through compassion at work and psychological ownership as mediators. The findings are in accordance with our expectations that CSR is the strong predictor of employee work engagement, and through both paths as well. We found that compassion at work and psychological ownership work partially mediate the indirect association between CSR and employee work engagement. These findings are consistent with previous studies by suggesting that employee work engagement increases in response to CSR perception because CSR serves as a driving force for employees to be engaged in their work (Chaudhary, 2019). Lu et al. (2020) also confirmed a positive linkage between CSR and employee work engagement via mediating effects of procedural justice and distributive justice. Farrukh et al. (2020) developed a model based on the social exchange theory and theory

of engagement, which links CSR with employee work engagement. They confirmed the association between these constructs, and this association was stronger in women than men. Based on the social identity theory, we suggest that when organizations behave ethically and show concern for stakeholders, it increases the sense of pride and level of organizational identity among employees, which results in improved employee work engagement. CSR also fulfills the individual needs for self-enhancement and enhances the self-concept, which fosters employee work engagement. Self-determination theory was also a predictor of employee work engagement (Wang et al., 2017).

We also noted a strong positive relationship of CSR activities with compassion and psychological ownership. The positive relationship of CSR perception with compassion at work implies that CSR actions showing concerns for others such as the environment, future generations, and society provoke the benevolent signal to employees that their organization is concerned about other people, and employees reciprocate by showing concerns for others in the workplace. Employees are involved in discretionary behaviors such as compassion at work, feel others' pain, and try to eliminate that pain through communication and behavior. Similarly, the positive impact of CSR on psychological ownership implies that CSR activities related to the protection of the natural environment, creating a better life for future generations, supporting the NGOs working in problematic areas, and overall participation in the projects for the well-being of society

provoke a positive reaction among the employees and non-employees as well (Farooq et al. 2014). This organizational investment in community development results in improved corporate reputation (Brammer & Millington, 2005). Therefore, organizational involvement in CSR activities increases the sense of belongingness among employees. They have no legal ownership in the organization, but CSR actions cultivate an enhanced sense of belongingness in the form of psychological ownership, and employees feel like the organization's owners.

The concept of CSR is still in its fancy in developing countries, even though it has become a modern concept (Farooq et al., 2014). The strong association of CSR with psychological ownership and compassion indicates that people from South Asia acknowledge the CSR initiatives towards various stakeholders, such as community development, environment, and future generations, compared to the studies conducted in the Western context. A possible justification could be the generally high level of CSR in the Western countries in contrast to South Asia (Krishnamurthy et al., 2007), which reflect that socially responsible companies successfully develop a positive image in the mind of people. This results in an increased overall corporate reputation (Farooq et al., 2014).

Based on the social identity theory, we suggest that when organizations behave ethically and show concern for stakeholders, employees experience more compassion at work from their supervisor and colleagues, which results in improved employee work engagement. CSR also fulfills the individual needs for self-enhancement and improves employees' self-concept, which fosters employee work engagement. This increased sense of belongingness among employees results in increased engagement in the workplace. As a result, they feel more energetic, enthusiastic, and get involved in work activities. When employees are more engaged in their work, they may ultimately contribute toward achieving organizational goals that increase organizational effectiveness, such as a firm's value, competitiveness, and financial performance.

### ***Theoretical Implications and Contribution***

Our study advances the existing literature on CSR and employee work engagement in many ways. First, this research increases our understanding of the linkage between CSR and employee work engagement

by developing and testing the multiple mediation mechanism. This study discussed important and desired employee outcomes from the organizational perspective, such as psychological ownership, compassion at work, and employee work engagement. This study further extends the theory that CSR strongly predicts psychological ownership, compassion at work, and employee work engagement. The previous studies in Pakistan have used the social exchange perspective and theory of engagement (Cheema et al., 2020; Farooq et al., 2014; Story & Castanheira, 2019) to explain the relationship between CSR and employee outcomes, that is, employee work engagement. This study used the social identity theory to develop and demonstrate the underlying mechanism that provides useful insights for using a social identity framework to understand the CSR and employee level outcomes relationship.

Second, this study extends existing research by developing and testing an underlying mediation mechanism to strengthen further our understanding of how CSR fosters employee work engagement because scant studies discussed the intervening mechanism between these constructs (Chaudhary, 2019). The focus of previous studies was on investigating the direct association between CSR and employee work engagement (e.g., Al Amri et al., 2019); further studies were required to understand the mechanism that explains the process of how CSR impact the micro-level or employee outcomes (Wang et al., 2015).

Third, previous studies have discussed various employee-level outcomes of CSR such as well-being (Su & Swanson, 2019), intentions to quit (Ouakouk et al., 2019), innovative work behavior (Afridi et al., 2020), creativity (Tong et al., 2019), organizational commitment and job satisfaction (Story & Castanheira, 2019), pride and embeddedness (Ng et al., 2019). As one of the positive organizational behaviors, psychological ownership is receiving increasing attention within organizations, and it is an important predictor of employees' attitudes, behaviors, and performance (Avey et al., 2009; Park et al., 2013). To the best of our knowledge, psychological ownership has not been discussed in the CSR literature earlier. We introduce psychological ownership as an employee-level consequence of CSR in CSR and OB's existing research, which explains the CSR- employee work engagement linkage.

Fourth, the previous studies have been conducted in the Western context, underscoring the need for

evidence from emerging economies to confirm relationships' nature. South Asian companies have not embraced the concept of CSR and its potential to improve the company's bottom line and individual-level outcomes due to a lack of empirical evidence (Chaudhary, 2019). This study provides evidence regarding CSR's effectiveness to improve employee-level outcomes in the context of a developing economy, that is, Pakistan from South Asia. This study also increases the generalizability of existing studies on CSR and employee work engagement conducted in the Western context.

Fifth, the studies on CSR conducted in Pakistan have focused on various companies such as oil and gas, electronics, banking, and manufacturing (Farrukh et al., 2020), pharmaceutical (Lu et al., 2020), hotels (Afridi et al., 2020; Cheema et al., 2020), and organizations involved in various business including education, real estate management, and construction (John et al., 2017). This study investigated CSR in the unique context of the insurance industry of Pakistan.

### ***Managerial Implications***

This research suggests several implications for managers. First, it has become a challenge for organizations to retain and engage talented employees. Managers can use CSR activities as a talent management strategy to attract and retain talented employees. Therefore, organizations need to incorporate the CSR practice in day-to-day operational activities, which has implications for the different organizational processes such as employee initiatives, recruitment and selection, training and development, and performance management (Morgeson et al., 2013). Second, the disengagement of employees is causing severe financial losses for the organizations. Hence, organizations can use CSR to improve employee outcomes such as psychological ownership and compassion at work, which, in turn, increases employee work engagement. CSR initiatives can increase engagement in their work instead of wasting time surfing and discussing with co-workers. Employee work engagement can lead to superior individual performance, which results in improved departmental and organizational performance. Therefore, CSR can improve the organization's financial performance and minimize the losses faced by the organizations due to employee disengagement. The company's improved financial performance can protect the

interests of internal stakeholders such as shareholders and employees and external stakeholders, including customers, government, NGOs, and society. Third, the sustainability of the business organizations is defined by economic performance, and now organizations have to focus on the triple bottom line, including environmental and social performance, along with financial performance. If business organizations focus on CSR, it can lead to improved economic conditions of organization and society and better natural environment and social conditions, which all are necessary for the prosperity of any society or country. Fourth, organizations need to develop a mechanism to communicate the CSR initiatives inside the organization to create awareness of the employees regarding CSR (Peterson, 2004), instead of only communicating with the external stakeholders.

### ***Limitations and Future Direction***

Despite the several theoretical and practical implications, this study also has limitations. First, this study used CSR measures focusing on external stakeholders such as society, natural environment, and future generations rather than internal stakeholders, that is, employees. Second, this study adopted a cross-sectional design which does not explain the causality between the variables. Future studies should collect data through a longitudinal approach. Third, this study focused on a large insurance company from Pakistan's insurance sector; the applications of finding in other industries require fine-tuning. Fourth, future studies can investigate the thriving at work, perceived insider status, and creative-self efficacy as mediators to further explain the underlying mechanism between CSR and employee outcomes. Fifth, we also suggest a cross-cultural comparison to enhance the generalizability of the findings.

### **Declaration of ownership:**

This report is our original work.

### **Conflict of interest:**

None.

### **Ethical clearance:**

This study was approved by our institution.

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