


Chapter 107

Influence of Internal Corporate Social Responsibility on Employee Retention With Special Reference to the Apparel Industry in Sri Lanka

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EXECUTIVE SUMMARY

Employee retention is emerging as a critical issues impact on the competitive advantage. Internal corporate social responsibility (CSR) has been creating so much attention in the minds of employees during the recent years. Thus, the chapter is based on three objectives: First, it explores the relationship between internal CSR and employee retention. Second, it identifies how intrinsic motivation mediates the relationship between internal CSR and employee retention. Finally, it determines the internal CSR activities which the apparel industry should pay more attention to in order to better employee retention. Primary data were collected by using questionnaires, and the results of the study indicated that there is a positive relationship between internal CSR and employee retention. Moreover, intrinsic motivation partially mediates the relationship between the internal CSR and employee retention. The findings of the study identify the internal CSR activities which the apparel industry should pay more attention to in order to develop retention programs in the future.

DOI: 10.4018/978-1-6684-3873-2.ch107

BACKGROUND OF THE STUDY

Human Resource Management (HRM) is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic development of a highly committed and capable workforce, using an array of cultural, structural and personal techniques (Storey, 1995). An organization cannot build a good team of working professionals without good Human Resources. Organizational success comes from the skilled and creative employees who are able to satisfy customers and make a difference from other competitors. Retaining the best possible human resource is a big challenge in today's competitive employment environment. Employee retention has become a very prevalent and current issue for HR professionals and researchers around the world and it is emerging as one of the most critical issues of workforce management challenges of the immediate future. Thus, studies carried out by Newman, et al. (2014); Porter and Mark, (2011) identified that employee motivation and employee retention is still a threatening challenge for many organizations. Moreover, studies carried out by researchers identified that what attracts employees is good salary but other factors also influence the employee's choice of organization selection. Hence, organizations should pay their attention to provide required facilities for their employees to retain them with them in the long run.

Furthermore, it is important for both company owners as well as the management to pay attention on streamlining their strategies to retain and motivate their employees. At present Corporate Social Responsibility (CSR) is being regarded as one of the basic elements of gaining competitive advantage in the market place. It is worth noting that the definition of the Corporate Social Responsibility is quite vague as well as complex as many authors have been striving to define the same as per their own set of viewpoints. Many authors have pointed out that the Corporate Social Responsibility is a mechanism through which the companies are striving to realize its social responsibilities. But much of the confusion has been stemmed as a result of the efforts in identifying and clarifying what type of activities do come under the category of Corporate Social Responsibility. These arguments have led to the emergence of the models of the Corporate Social Responsibility that have been adopted by many authors in explaining how the companies should develop its Corporate Social Responsibility achievement in order to cope up with the real requirements of the society. Moreover, Corporate Social Responsibility should include activities that are voluntarily adopted by the companies in order to demonstrate their commitment towards the well-being of the respective societies within which they operate in to the longer term. Thus, CSR should focus about both external as well as internal stakeholders in the organizations to sustain in the highly competitive industry. Therefore, Impact of Corporate Social Responsibility activities has had tremendous power over many business areas such as HRM, marketing etc. and it is important for organizations to pay attention on restructuring their Corporate Social Responsibility activities which will make them more competitive in the eyes of the society as well as employees.

Apparel industry is considering as one of the biggest industries in Sri Lanka, and it plays a key role in advancing the country's economy. The apparel industry of Sri Lanka accounting for about half of the country's total exports, and Sri Lanka is among the top apparel-producing countries in the world relative to its population. Based on the studies carried out Embuldeniya (2015) identified that there is a positive relationship between Apparel Industry and Economy of Sri Lanka and therefore the research has found that the Apparel industry is able to make an impact on economy of Sri Lanka. According to BOI data, by 2002, the island's textile and garment sector accounted for six percent of GDP, 30 percent of industrial production, at least a third of the manufacturing workforce, more than half (52%) of total exports and just over two-thirds of industrial exports. Studies carried out by researchers identified that

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