



## RESEARCH ARTICLE

## Mediating Effect of Employee Happiness between Corporate Social Responsibility and Employee Innovation in the Manufacturing Companies

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**ABSTRACT**

The objective of this research is to examine the mediating effect of employee happiness on the relationship between Malaysian manufacturing sector internal corporate social responsibility practices and employee innovativeness. As the significance of CSR becomes increasingly apparent on a global scale, there is a noticeable lack of research that specifically examines employee-directed CSR initiatives. As an organisation, internal CSR consists of initiatives that surpass the expectations of its employees and improve the perception of fairness and equity in the work environment. The purpose of this study is to clarify the relationships between innovativeness, employee satisfaction, and internal CSR activities in the Malaysian manufacturing sector. Using the social exchange theory, the research framework was formulated and to achieve the research objective, a quantitative study using survey was used. A total of 403 samples were collected among the employee of manufacturing companies in Malaysia which were selected using convenience sampling. Data were analysed using SmartPLS4 for testing the hypotheses. The study's findings stress the need for a more comprehensive comprehension of the strategic significance of internal CSR, emphasising its capacity to cultivate a workforce that is more committed, content, and inventive. This research fills a gap in the literature by investigating the mediating effect of employee happiness on the relationship between corporate social responsibility practices and employee innovation in manufacturing. The findings highlight the importance of placing employee-centric CSR practices at the forefront, not only as an ethical obligation but also to gain a competitive advantage during periods of turmoil.

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**INTRODUCTION**

The CSR concept is a recognition of the substantial influence that economic, political and social transformations have on businesses. It underwent evolution as a consequence of environmental transformations and the heightened interdependence induced by globalisation. The evolution of Corporate Social Responsibility (CSR) has brought significant benefits to society. As social movements and civil rights activities have grown, there's been a stronger focus on consumer rights.

These positive changes are driven by global economic, political, and social shifts, as well as environmental changes and globalization. The rise of an information-based society and increased activism have further emphasized consumer rights, showcasing the societal benefits of CSR (Lim, 2019).

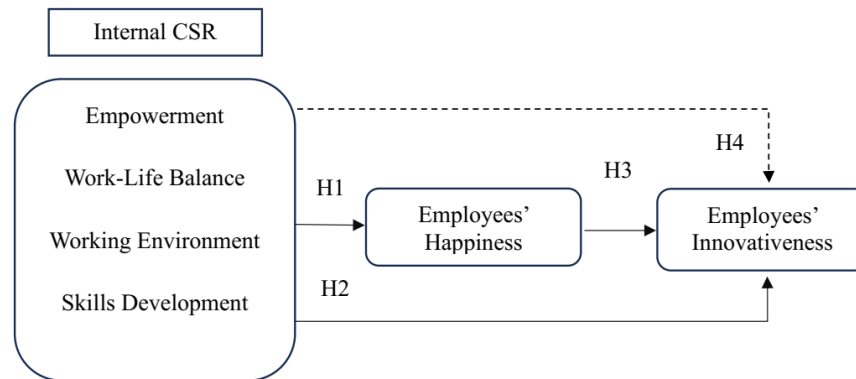
According to Oberseder et al. (2013), CSR has also led to higher levels of consumerism, unemployment, and inequality. However, CSR goes beyond traditional philanthropy. It's a strategic approach that organizations use to achieve their economic goals. When done right, CSR enhances an organization's innovative capabilities and provides a competitive edge. It helps the organization stand out from its competitors, improves its position in the capital market, and boosts sales and revenue. Research has shown that employee satisfaction in the workplace contributes to numerous advantages for the organisation such as increased productivity and a favourable organisational climate. Study conducted by Revesencio (2015) revealed that contented employees demonstrate a 12% surge in productivity and possess 65% more vitality than their unsatisfied colleagues. Furthermore, Bibi et al. (2021) mentioned that there is a fourfold increase in the likelihood that contented employees will remain in their present roles. This finding underscores the pivotal significance of happiness in the processes of attracting and retaining talent.

Nonetheless, the difficulty resides in cultivating a milieu that encourages contentment among personnel. Workplace contentment is influenced by various factors such as a collaborative mindset, a sense of accountability and a sense of fulfilment in one's career. Many organizations struggle to implement effective strategies to improve their staff's welfare and satisfaction. This gap in understanding highlights the need for a deep comprehension of how internal Corporate Social Responsibility (CSR) practices impact employee satisfaction, especially in Malaysia's manufacturing sectors, where research is limited.

Khan and Mohiya (2020) identify factors that boost employee creativity and their impact on innovation. Their research focuses on six key elements: employee recognition and rewards, resource and fund allocation, employee competencies, workplace environment, and management support. Analyzing data from 246 employees across various SMEs, they found a strong positive correlation between these factors and employee innovation. Employee competencies had the most significant impact, accounting for 84.2% of the variability in innovation. The study suggests that SMEs can foster an innovative environment by strategically enhancing competency development, recognition, and resource allocation. These insights provide actionable guidance for leaders and HR policymakers to boost the competitiveness and growth of SMEs in the global market. This research fills a gap in current innovation management literature. Organizations can develop targeted strategies to improve employee satisfaction and welfare while promoting innovation. Innovation is crucial for long-term success in today's rapidly changing world. This research aims to explore the relationship between innovativeness, employee satisfaction, and internal CSR practices in Malaysia's manufacturing sector.

## **LITERATURE REVIEW**

This study uses Social Exchange Theory (SET) to link internal CSR, employee happiness, and innovation. SET suggests that a good work-life balance can boost employee well-being and innovation. Organizations that invest in creating a positive environment and supporting skill development expect engaged and innovative employees in return. The relationship between variables is depicted the Conceptual Framework in figure 1.



**Figure 1: Conceptual Framework**

### Hypothesis Development

Espasandín et al. (2020) assert that there is a dearth of research establishing a direct correlation between internal Corporate Social Responsibility (CSR) practices and employee happiness, despite the considerable attention given to the influence of CSR on economic outcomes and its mediating function in employee commitment and satisfaction. The text highlights the difficulty associated with quantifying happiness on account of its subjective nature and cultural diversity. It discusses both single-item and multivariate approaches to assessing happiness. The suitability of the Scale for Measuring Happiness at Work is particularly evident in Spain. Individual, familial, organisational, and territorial factors all impact employee satisfaction, but organisational factors such as CSR are especially influential. Active CSR commitments may increase employee satisfaction by nurturing a sense of organisational justice, which positively affects job attitudes, according to the review. The aforementioned correlation is influenced by the way in which employees perceive equitable treatment, opportunities, and non-discriminatory practices. A greater sense of identification with the organisation engenders greater job satisfaction. According to Bibi et al. (2021), their study examined the influence of perceived corporate social responsibility (CSR) on the well-being and innovativeness of hotel employees. They developed a conceptual model that was based on the theories of self-determination and needs satisfaction. Recently, Tang et al. (2024) investigated the determinants that impact the work-life balance of female managers at higher education institutions in China.

H1: A significant influence between internal CSR and employee happiness.

According to a study by Mallén et al. (2020), there is a positive correlation between innovation and servant leadership, indicating that leaders who place a high value on serving their followers can cultivate a setting that is favourable for both creativity and innovation. This particular leadership style proves to be exceptionally successful within organisations that are heavy on knowledge and innovation. Ghanbarpour and Gustafsson (2021) examined the correlation between innovativeness and corporate social responsibility (CSR). They found that CSR contributes to financial benefits. In short, financial outcomes are substantially influenced by consumers' perceptions of CSR and innovativeness.

Thus, the formulation of H2 is as follows: Hypothesis 2: A significant influence between internal corporate social responsibility (CSR) and the innovativeness of employees.

Research based on empirical evidence demonstrates that contented employees demonstrate organizationally advantageous behaviours, such as increased levels of creativity and innovation. Bibi et al. (2021) established a correlation between innovativeness and pleasure (both hedonic and eudemonic in nature), acknowledging certain constraints including the absence of empirical support and non-work contexts. The economic, health, familial, social, aesthetic, and esteem requirements of

the workplace all contribute to the innovation and creativity of employees. The quality of life in the workplace is arranged in accordance with Maslow's hierarchy, which differentiates the fulfilment of fundamental and growth requirements and has an effect on innovation and creativity. However, a study by Kasim et al. (2022) found that technostress does not have an impact on innovative job performance. Thus, the formulation of H3: A significant influence between the level of employee happiness and employee innovation.

In their study, Bibi et al. (2021) employ self-determination and needs satisfaction theories to examine the relationship between perceived Corporate Social Responsibility (CSR) and the levels of contentment and innovativeness exhibited by hotel employees. It distinguishes between instrumental and volunteer CSR by associating the former with the fulfilment of fundamental requirements and the latter with self-esteem. An empirical investigation is being conducted by Nazir and Islam (2019) to examine the effects of corporate social responsibility (CSR)-specific initiatives on employee work engagement and inventive behaviour in the hospitality sector, with a specific focus on luxury hotels in India. This finding illustrates how engaging employees in CSR activities that cater to psychological requirements including autonomy, competence, and relatedness can incentivize them intrinsically, resulting in more enjoyable work and a greater propensity for innovative task-solving. Thus, the formulation of H4 is as follows: The is a significant mediation by Employee happiness on Internal CSR and Employees' Innovativeness.

## **METHODOLOGY**

For the purpose of achieving the goals of the study, data from a more extensive sample was gathered in an effective manner using Google Forms (Tan et al., 2019). For the purpose of this investigation, the utilisation of convenience sampling is not only easy but also efficient and cost-effective. Researchers will choose a sample that is not only easily available but also convenient for them. In Malaysia, those aged 18 to 50 and older are the target audience for this study. According to predictions provided by Statistics Malaysia, there will be 22.7 million Malaysians who are between the ages of 15 and 64 in the year 2022. Sekaran and Bougie (2016) suggested collecting 384 samples for this research is sufficient. Due to this reason, it is necessary to have a minimum of 384 respondents in order to guarantee the consistency of the data. There will be a total of 403 questionnaires issued in order to guarantee the validity and reliability of the research, as well as to take into consideration the absence of replies. Using the Google Forms, email, and several social media platforms, the online survey will be made available to responders. The questions that will be included in the online survey will be developed from the research that was done in the past. In order to do an analysis of the hypothesis, the SmartPLS programme is employed. The value of Cronbach's Alpha for determining the degree of internal consistency should be larger than 0.7, according to Saunders et al. (2012). All of the variables in the research had Cronbach's Alphas that were more than 0.7, which is an indication of the reliability of the measurements.

## **Findings**

Data is collected by survey form distribution. The data were gathered from 403 participants, exceeding the intended sample size of 384 respondents and attaining an efficacy rate of 100%. The demographic profile of the participants is the primary objective of Section A of the survey instruments. This profile comprises the following variables: greatest education level, duration of service in the current company, job position within the current company, category of employment, and gender, age, and ethnicity. After analysing the demographic characteristics of the respondents, a variety of tables and infographics will be utilised to illustrate the results.

**Table 1: Demographic Profiles**

Variable	Category	Response Information N=403
Gender	Male Female	56.3% 43.7%
Age	19 – 29 years 30 – 39 years 40 – 49 years 50 years and above	26.3% 42.2% 24.6% 6.9%
Race	Malay Chinese Indian Others	23.6% 64.0% 8.2% 4.2%
Highest Education Level	SPM and equivalent Diploma and equivalent Bachelor Degree Master/PhD Equivalent	3.0% 16.6% 67.7% 12.7%
Length of Service in the Current Company	Less than 1 year 1 – 5 years 6 – 10 years More than 10 years	15.6% 32.8% 35.7% 15.9%
Job Position within the company	Engineering Non-Engineering (Admin, Procurement, Finance) Management (Manager and Above)	53.1% 27.5% 19.4%
Type of Employment	Full Time Part Time Contract	97.3% 2.2% 0.5%

The data suggest a marginal preponderance of males. 176 (43.7%) of the total respondents are female, while 227 (56.3%) are male. The age category of 30-39 comprises the majority of the respondents, comprising 42.2% or 170 individuals. Following this, individuals between the ages of 19 and 29 comprise 26.3% of the sample. Then, in total of 99 individuals, respondents aged 40-49 constitute 24.6% of the population. Those aged 50 and older comprise the smallest category, comprising 6.9% or 28 respondents. Based on 403 responses to a survey query, the racial composition of a sample population is depicted in the preceding frequency table and pie chart. Red in colour, the segment of the chart representing respondents who identified as Chinese, comprised 64% of the total. The Malay racial category, which is represented in cyan, comprises the subsequent greatest segment, accounting for 23.6% of the responses. The segment denoted in green represents the Indian racial category, accounting for 8.2% of the total. The segment labelled "Others," comprising all other racial identifications, comprises 4.2% of the total.

A substantial proportion of the participants, comprising 273 out of 403 individuals (67.7%), possess a Bachelor's Degree. A total of 67 respondents (16.6%) possess a diploma or an equivalent qualification, whereas 51 respondents (12.7%) hold master's or doctoral equivalent credentials. Furthermore, a minority of the participants, comprising 12 individuals (3%), have achieved an educational qualification commensurate with SPM. A considerable proportion of the respondents (144 out of 403 or 35.7%) have been employed by their current organisation for one to five years. 64 individuals (15.9%) of the respondents have worked for the organisation for less than one year, whereas 132 individuals (32.8%) have between six and ten years of service. Moreover, an important proportion, comprising 63 individuals (15.6%), boasts a tenure of over ten years at their present

organisation. A significant proportion of the participants (53.1%), or 214 out of 403, hold positions in the field of engineering. A considerable proportion, comprising 111 participants (27.5%), are employed in non-engineering roles such as finance, procurement, and administration. Finally, 78 individuals (19.4%) of the survey participants occupy management positions, encompassing roles as managers and above. The categories of employment held by the survey respondents are depicted in the frequency table/pie chart. The data indicates that full-time employees comprise the overwhelming majority, comprising 392 out of 403 (97.3%) of the respondents. Part-time employees constitute a relatively minor proportion, comprising an estimated 9 individuals (2.2%) of the total survey participants. Conversely, those employed in contract positions are represented by a mere 2 respondents (0.5%).

### Measurement Model Analysis.

**Table 2: Validity**

<i>Construct</i>	<i>Measure</i>	<i>Factor Loading</i>	<i>Cronbach's Alpha</i>	<i>rho_A</i>	<i>Composite Reliability (CR)</i>	<i>Average Variance Extracted (AVE)</i>
Empowerment	E1	0.671	0.847	0.848	0.808	0.514
	E2	0.784				
	E3	0.761				
	E4	0.642				
Work-Life Balance	WLB1	0.770	0.793	0.790	0.801	0.507
	WLB2	0.773				
	WLB3	0.757				
	WLB4	0.515				
Work Environment	WE1	0.750	0.913	0.914	0.853	0.593
	WE2	0.721				
	WE3	0.812				
	WE4	0.793				
Skills Development	SD1	0.770	0.924	0.925	0.860	0.606
	SD2	0.767				
	SD3	0.800				
	SD4	0.776				
Employees' Happiness	EH1	0.786	0.933	0.934	0.871	0.627
	EH2	0.806				
	EH3	0.800				
	EH4	0.775				
Employees' Innovativeness	EI1	0.682	0.868	0.869	0.804	0.508
	EI2	0.775				
	EI3	0.725				
	EI4	0.665				

Source: Self Developed

As per table 2, composite reliability offers an additional method for assessing internal consistency. According to established conventions, a value exceeding 0.6 can be considered a reasonable indicator of reliability; however, as the number of items in the scale increases, the threshold inevitably increases as well (Sekaran & Bougie, 2016). It is advisable to adhere to a minimum value of 0.8 when considering constructs consisting of four or more items. As indicated by the data presented, every

construct satisfies or surpasses this criterion, thereby validating their classification as consistently reliable constructs.

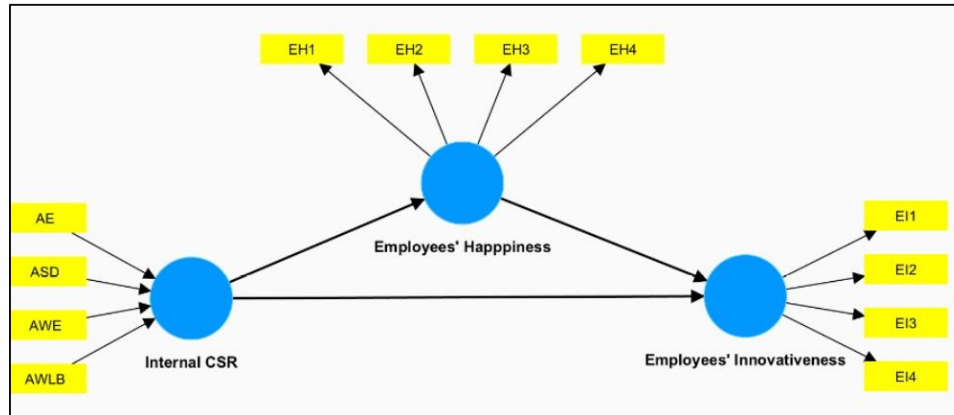


Figure 2: Path Coefficient Assessment

Table 3: Table of Hypothesis Testing

Hypothesis	Relationship	Sample Mean(M)	Standard Deviation (STDEV)	T statistics ( O/STDEV )	P Value	2.50%	97.50%
H1	Internal CSR> EH	0.836	0.036	23.429	0.000	0.756	0.892
H2	Internal CSR>EI	0.779	0.057	13.622	0.000	0.65	0.868
H3	EH>EI	0.819	0.022	36.458	0.000	0.772	0.860
H4	Internal CSR and EH>EI	0.530	0.089	6.195	0.000	0.344	0.679

Source: Self-Developed

Referring to Figure 2 and table 3 above, which yields the mean and standard deviation for Hypothesis 1 (H1) as 0.836 and 0.036, respectively. The t-statistic, when computed, is 23.429, which surpasses the critical value at the conventional alpha level of 0.05 by a significant margin, considering the corresponding p-value of 0.000. Furthermore, the confidence interval exhibits a complete elevation above zero, signifying the absence of any overlap with negative values, spanning a range of 2.5% to 97.5%. As a result, the statistical findings presented herein offer substantial evidence in favour of a noteworthy positive correlation between internal Corporate Social Responsibility (CSR) initiatives and employee satisfaction.

H1: Employee satisfaction is significantly and positively correlated with internal CSR practices.

According to the data presented in the table, the mean and standard deviation for Hypothesis 2 (H2) are 0.779 and 0.057, respectively. The t-statistic, which was calculated to be 13.622, surpasses the significance level established by the alpha value of 0.05, as indicated by the p-value of 0.000. In addition, the confidence interval, which spans the percentiles of 2.5% to 97.5%, maintains a value that is entirely positive. The statistical findings presented here provide strong evidence in favour of the assertion that there is a significant positive correlation between internal Corporate Social Responsibility (CSR) practices and employee innovativeness.

Hypothesis 2: An employee's innovativeness is significantly correlated with internal CSR practices in a positive manner.

The table's findings indicate that the mean and standard deviation for Hypothesis 3 (H3) are 0.819 and 0.022, correspondingly. The calculated t-statistic of 36,458 exceeds the significance threshold of 0.05 at an alpha level of 0.05 by a substantial margin, with a p-value of 0.000. Furthermore, the confidence interval, which extends from the 2.5th to the 97.5th percentiles, maintains a value that falls wholly within the positive range. These results provide strong evidence that a notable and positive correlation exists between the level of employee satisfaction and their propensity for innovation.

Hypothesis 3: A notable positive correlation exists between the level of employee satisfaction and the proactive nature of employees.

The data in the table indicates that the mean value of variable H4 is 0.530, accompanied by a standard deviation of 0.089. With a p-value of 0.000, the T-statistic is marginally low at 6.195, and it is well below the significance threshold of 0.05. Furthermore, the confidence interval, which spans from 2.5% to 97.5%, maintains a positive value. The statistical indicators provide robust evidence in favour of the hypothesis that internal Corporate Social Responsibility (CSR) practices have a substantial positive correlation with employee satisfaction and innovativeness. In contrast, H1 exhibits a greater T statistic value in comparison to H4, suggesting that the effect magnitude or deviation from the null hypothesis is more significant in the case of H1. Additionally, the T statistic indicates that H1 is significant. Moreover, the lower value of the standard deviation (STDEV) for H1 in comparison to H4 indicates that the sample mean for H1 is more definite or has less dispersion around it, potentially implying greater statistical significance.

H4: The relationship between Internal CSR and Employees' Innovativeness is significantly mediated by Employees' Happiness.

The aforementioned framework provides evidence in favour of each of the hypotheses proposed in the research. The analysis demonstrates noteworthy positive correlations between key employee outcomes and internal Corporate Social Responsibility (CSR) constructs. The results of the analysis demonstrate a statistically significant positive correlation between internal corporate social responsibility (CSR) initiatives and both employee satisfaction and innovativeness. Furthermore, an empirical relationship is established between the level of employee innovation and their level of satisfaction. An optimistic correlation is noted between employees' inventiveness and the mediating effect of internal CSR on employee satisfaction. This study highlights the strong relationship between internal corporate social responsibility (CSR) initiatives and positive employee qualities. This indicates that effective internal CSR has a positive impact on both employee well-being and their creative capabilities.

## **DISCUSSION AND CONCLUSION**

It emerged from the study that internal dimensions of CSR influence employee satisfaction levels. The F statistic was 183.751 with a p-value less than 0.001 demonstrating the strength of the model in a good fit. Organizations could ensure high levels of employee satisfaction and motivate able bodies by giving precedence to such aspects of corporate social responsibility. The dimensions of internal corporate social responsibility, as explored, all have a significant impact on employee innovativeness. A p-value less than 0.001 establishes the model fit to be an excellent fit, considerably falling below the alpha threshold of 0.05. By using the largest beta coefficient, 0.363, it can be established that E, or Empowerment, is the most influential element in the model, followed by WE and WLB. The hierarchy above implicates that while all the major dimensions have a positive effect on innovativeness, Empowerment has the highest effect size, thus confirming its role in enhancing creativity potential of employees as observed by Naqshbandi, Tabche, & Choudhary (2019). Importantly in creating an innovative climate are Empowerment, Work Environment and Work-Life Balance. Therefore, in terms of innovativeness, it is in these areas that organisations should focus



their improvement efforts. Further research is needed to identify the role that skill development can play in different organisational contexts because strong evidence seems relatively absent in establishing its effectiveness as a strategy.

This was further supported by Aldieri et al. (2020), who mentioned that personal satisfaction or wellbeing would lead to an increase in innovativeness. The researchers found that there was a strong relationship between hedonic and eudemonic contentment and employee innovativeness. According to the research, it is held that greater levels of such contentment would render an increasing tendency for employees to enact innovative behavior and indulge in creative thinking. The results of the linear regression analysis show this model does a fine job in representing the relationship between different dimensions of internal CSR and employee innovativeness. With an R-squared value of 0.639, an F-statistic that is very significant at 140.761, and a corresponding p-value less than 0.001, this would save that the model explains about 64 percent of variance in innovativeness—thus ascertaining the presence of a strong association. Analysis of variable H4 supports the existence of a significant positive relationship between internal CSR practices and employee contentment, with a mean of 0.530, a T-statistic of 6.195, and a p-value of 0.000. Further supporting this finding is that the confidence interval continued to be precisely positive. Moreover, H1 has an increased T-statistic relative to H4, so it indicates a larger effect size and more homogeneous effect over the sample due to its lower standard deviation.

On the basis of the research findings, it is possible to conclude that specific aspects of internal CSR—specifically employee satisfaction, empowerment, and work environment—are critical for encouraging innovation. While not all dimensions exhibited statistically significant effects, the comprehensive model effectively clarifies the pivotal significance of customised CSR practices in fostering a culture of innovation in the workplace. The findings of prior research, including that conducted by Addi (2022), are essentially consistent in their assessments of the relationship between internal Corporate Social Responsibility (CSR) practices and the levels of employee satisfaction and innovation. A significant positive correlation between internal CSR practices and employee satisfaction is supported by both studies. Additionally, they discover that internal CSR positively affects the innovativeness of employees. Furthermore, the present study underscores the significance of employees' happiness as a substantial mediating factor in the connection between internal corporate social responsibility (CSR) and innovativeness. This implies that happiness serves to augment innovativeness.

Despite this, the studies' conclusions differ in some ways. Both studies recognize the favorable impacts of factors like work environment and empowerment, but existing research hasn't found statistical significance for the influence of skill development and work-life balance on innovativeness. This contrasts with Addi (2022), whose research highlights the importance of these dimensions. This stands in contrast to the findings of Addi (2022), whose research demonstrates the importance of these dimensions. In addition, recent studies emphasise the mediating function of happiness in the relationship between internal corporate social responsibility (CSR) and innovativeness. His subtlety is lost in Addi Muqit's analysis, where the relationships are presented in a more linear way without any testing for mediation.

On the whole, both studies offer powerful evidence that internal CSR practices do indeed exert a significant influence on employee happiness and on their innovativeness, with happiness acting as a key mediator that further strengthens this link. The fact that such findings are relatively consistent across the projects adds further support to the internal dimensions of CSR as important in organizational contexts. Finally, it is documented that it will make a substantial contribution to scholarship on CSR by presenting empirical findings with a positive impact of internal CSR practices on employee well-being and innovativeness, such as empowerment, work environment, and work-life balance.

This also confirms and extends the existing theories defining a positive relationship between various socially responsible internal management practices. In regard to improving employee satisfaction and creativity, firms should adopt or develop certain internal CSR practices tailored to satisfy specific workplace needs. In this regard, to enhance satisfaction among employees, firms are encouraged to introduce broad programs meant for promoting work-life balance. Benefits for employees may include flexible working hours and the option to work from home in order to balance a variety of lifestyle needs and family commitments. Other policies, like "no overtime" or paid time-offs, can ensure that workers fully log off from work. Furthermore, skills development through continuous training programs aligned with the dynamic needs of the industry, as well as clearly outlined opportunities for professional growth accompanied by mentoring, must be highlighted (Bagai and Mane, 2023). Other main drivers of employee satisfaction are employee empowerment through their active participation in the decision-making process, and a bottom-up communication culture that also takes their suggestions and views seriously (Lee et al., 2020). Limitations: The study has several limitations that could hinder the applicability and generalizability of the conclusions. This may be seen to confine the research only to the manufacturing industry in Malaysia, whatever its extent of generalization to other sectors or different geographical regions.

This limits the potential for generalization of findings across different industrial contexts or cultural environments, and thus the conclusions cannot be applied at large. Such conclusions, therefore, are not bound to generalize across all employee demographics in other industries or even in the sector of manufacturing. This limitation raises concerns about the representativeness of the sample and generalizability to other groups within the industry or, likewise, industries outside that being researched. In light of the identified limitations, several recommendations for further research are made. The researchers can extend the research scope from the manufacturing industry to service and technology industries, among others, to prove its applicability in different settings. This expansion would help assess the generalizability of the results across various industrial sectors. Longitudinal research could also aid in understanding the dynamics of internal CSR practices and their long-term effects on employee satisfaction and innovation. Such studies would allow for tracking changes over time and might help establish causal relationships. According to the findings, internal CSR practices significantly impact employee satisfaction and innovation in the Malaysian manufacturing sector. This highlights the importance of certain CSR aspects.

The study contributes valuable insights to the broader body of knowledge regarding the link between targeted internal CSR initiatives and increased employee satisfaction and innovation. By adopting these practices, businesses can enhance their market advantage. This study underscores the strategic importance of internal CSR in fostering a work environment that promotes employee well-being and innovation. The findings support a holistic approach to CSR, suggesting that organizations should integrate these practices into their core strategies. This study enriches the existing knowledge on CSR and provides practical recommendations for businesses looking to use CSR to boost employee morale and drive innovation. Further research is needed to gain more comprehensive insights into the mediating role of employee happiness in the relationship between internal CSR practices and employee innovativeness.

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