

Impact of Corporate Social Responsibility on Employee Engagement – An Evaluation

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Abstract:

Corporate Social Responsibility (CSR) and Employee Engagement (EE) - both have come to occupy the place of pride not only in the annual reports but also in the business strategies of modern day corporate. Both are affirmatively affected by each other i.e. two are positively related.

This research paper is an attempt to explore rather establishes both the textual and contextual connection between the constructs of corporate social responsibility and employee engagement. The outcomes of various research, studies and surveys supporting implementation of CSR for an effective employee engagement as a business case or strategy for organizations are analysed to explore the effects of CSR on EE vis-à-vis other important drivers of the latter. The topic is looked upon from different angles in order to look for points of interactions or to establish the common connections between the two concepts of CSR and EE based on content analysis of findings from both qualitative and quantitative researches.

Purpose: The purpose of study in hand is to evaluate the relationship or inter-connection between the two variables of CSR and EE and the extent to which CSR affects EE.

Findings: The study confirms the importance of CSR - both as a means of and an end for EE, in the overall achievement of organisational goal as CSR acts as tool for EE and engaged employees help unleash the potential of Human Resource (HR). The significance of relationship between the variables (CSR and EE) is established beyond boundary of assumption.

Originality and Value: As the study has been undertaken with an aim to “make a significant and novel conceptual contribution” (Gatrell and Breslin, 2017) “grounded in a thorough and critical review of the literature” (Jones and Gatrell, 2014), the knowledge base in the domain of relationship between CSR and EE and understanding the impacts of former (CSR) on the later (EE) stands significantly extended.

Implications for Future Research: The study paves the way for evidence based studies i.e. empirical research on the extent of impact CSR casts on EE in terms of employees’ intention to stay with and work for the organisation beyond the call of duty, specific to region and industry. The study set out specific directions for research in shaping future conceptualizations which might challenge the current narrative and shift the paradigm, based on empirical evidence.

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I. INTRODUCTION

The empirical evidence from different sources of surveys, consultings, research studies and corporate practices confirms the credibility of CSR as an

increasingly important and emerging driver of employee engagement. The literature or academic theory has since long accepted CSR’s role in

employee attraction, engagement and ultimately the retention.

The concepts of CSR and EE, in spite of being a century apart in their origins, are among the most talked about topics today in business discourses and academic conferences on management and related subjects. The issue of CSR as a business case has been debated over for long but not the issue of corporate facing pressure from multiple stakeholders to act as a responsible corporate citizen i.e. to run the business in a sustainable manner by being responsible in social, economic and environmental context is taken as given or considered compulsory for every corporate irrespective of its size, type and location across the world.

Before proceeding further to explore the theme, it is imperative to comprehend the meaning of constructs involved and try to define the concepts – CSR and EE, in the current business environment around the globe.

Corporate Social Responsibility or the term CSR, also known by various other terms like Corporate Responsibility, Corporate Sustainability, Corporate Citizenship, Responsible Business and Sustainable Business, etc. is, as defined by Holme & Watts (2000), “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” As per the Reputation Institution (2010), “aim of CSR is to give back a portion of a corporation’s profit to society.” The concept of CSR, in spite of the skepticism associated like it being a marketing gimmick or PR exercise or After-Sale-Service or the latest in the series – Greenwashing, it has come to occupy the centre stage in the business today as none can afford to ignore the Triple-Bottom-Line (TBL) of Society, Economy and Environment (SEE) or the 3Ps – People (society), Profit (economy) and Planet (environment). CSR has, in fact, achieved the status

of core function for organisations looking at long-term survival or sustainability and seeking to outperform the competition by influencing the industry and society. Corporations which aim at not just the survival but growth, can hardly ill-afford to ignore the importance of being socially responsible in this era of intense competition and fast-paced technological advancement capable of creating disruption beyond control.

Employee Engagement or EE is, according to authors, both an employee’s state of mind and body as positively aligned (to firm’s vision, mission, goal & objective) and constructively involved (in performing the task assigned and achieving results beyond the target). It’s an emotional and intellectual attachment on positive side of the X-axis (X+) and unconditional commitment or wholehearted devotion to the organization’s success on Y-axis (Y+) leading employees to automatically put-in increased effort to accomplish their task or to complete the assigned work (Towers Perrin, 2005; Gibbons, J. 2006, Kore Access, 2008).

The concept of employee engagement, in spite of being relatively new or of recent origin, has been well appreciated for its utility and regarded for its necessity in the success of any business. The successful corporations would accept the importance of employee engagement as an essential ingredient in the recipe for out-performing the competition. Higher or increased level of employee involvement in the work makes the achievement of organisational objectives easier and thus, the necessity to “incorporate employee engagement into the business strategies” (Gallup, 2011). Of late, the corporate have realised the importance of the concept for its varied business benefits as an engaged employee affects affirmatively almost every area of business operations including, but not restricted to, performance – productivity & profitability, employee relations, customer service, talent retention, etc. to lead the organisation in desired direction.

The Relationship - CSR and EE: Let's now come to the connection or relation between the two. On one side, corporate use CSR as differentiator i.e. to stand taller amongst competitors and also to build their brand i.e. to enhance its image and reputation whereas, on other side, they want higher level of employee engagement as it helps in improved performance. Taken together, their correlation is confirmed by many a business analysts i.e. CSR affects EE positively but to an extent. Some of the research works consider CSR as one of important drivers of EE (Towers Perrin, 2005). There can be two reasons for such a correlation. First, employee as one of the most important constituents of business and both as a stakeholder & audience, is required rather morally obliged to fully know and deeply understand the vision, mission and business strategies of the corporation. Passion and pride are the hallmark of an engaged employee. Passion for work beyond assigned task and pride in his/her association with the corporation helps employees contribute to the objectives of corporate comprehensively and wholeheartedly. "Engaged employees who work with passion and feel a profound connection to the corporation are willing to align themselves with its strategies, mission and values, which allows them to see the value of their work and regard themselves contributing to organizational goals" (Gallup, 2004 as cited in Endres&Mancheno-Smoak, 2008).

CSR as a strategy is considered to be associated with the vision, mission, values and cultures of organisations whereas as initiatives, CSR can articulate and transform them into actions or practices. Acceptance and advocacy of such an idea help corporate to ingrain & imbibe CSR into its business strategy. Corporate's vision and values can thus, be aligned with by the engaged employees by embracing CSR.

The second reason for CSR being of utmost help to corporations is its inherent ability to "win the war for talent (Bhattacharya, Sen andKorschun, 2008, p37)."

Both – the existing and prospective employees, are increasingly attracted towards organisations which are considered as responsible corporate citizens. Corporate's credentials or reputation on CSR, as evidenced by many a researches, is one of most prominent features which affects the attraction and even the retention of talent. People value their values and hence, like to be associated with or work for organisations which appreciate, share and value the same. Corporate's contribution to community help employees to connect and align with its values and goals respectively which, in turn, determine the depth of employee involvement or level of their engagement.

II. LITERATURE REVIEW

Though the concepts of CSR and EE have both been defined and their relationship discussed briefly under Introduction yet, to fully comprehend the concepts, we need to trace their history or evolution before understanding or examining the connection or relationship between the two.

A. Evolution of CSR

Both academics and practitioners have strived hard to define the term CSR but failed to agree upon a single definition or to say the least, even on a uniform explanation of the concept over the years and therefore, everyone accept and agree that there exists no single definition and/or universal meaning of CSR (Carroll, 1999). The definition provided on previous pages is considered appropriate by the authors to best serve the purpose.

The origin of the modern day concept ofCSR - Corporate Social Responsibility, can be traced to the year 1953 with the milestone publication of the book by Howard Bowen titled 'Social Responsibilities of the Businessman'. The 'Father of CSR' as Bowen came to known as, tried to establish the relationship between the two entities i.e. corporations and society (Preston, 1975; Carroll, 1979& 1999; Wartick& Cochran, 1985 as cited in Lee, 2008;) when he

define CSR as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953 p.6 as cited in Carroll, 1999 and Ma, 2011).

With Keith Davis's reference to CSR as “decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest” in 1960, literature expanded (Thomas & Nowak, 2006). Another milestone was added to the development of CSR with the publication of “Social Responsibilities of Business Corporations” by the Committee for Economic Development (CED) in 1971 (Carroll 1991; Thomas & Nowak, 2006; Lee, 2008). The CED depicted CSR in the form of three concentric circles - inner, intermediate and the outer circle. In 1979, came Carroll's 3-D conceptual model of corporate social performance (CSP) with corporate social responsibility, social issues and corporate social responsiveness being three different dimensions. The model & concept gained ground and received immediate recognition among CSR professionals (Thomas & Nowak, 2006; Lee, 2008).

During 1980s, the main focus shifted from agreement on single definition to the research in the vast & varied field of CSR and related concepts like business ethics, corporate social responsiveness, corporate social performance and public policy which gained public recognition (Carroll, 1999). Jones, a well-known researcher, posited that “CSR ought to be seen not as a set of outcomes but as a process” (Carroll, 1999, p285).

Though 1990s saw no significant expansion to definitional domain of CSR yet, the year 1992 proved to be momentous in the evolution of CSR as the concept began to become “a veritable industry that has own rights with its own practitioner's journals conferences” (Brown & Cloke, 2009) for the Earth Summit in Rio de Janeiro.

Wood's (1991) CSP framework was another notable contribution to the development of theoretical base which “places CSR into a broader context than just a standalone definition” (Carroll 1999, p289). Carroll, in his book, stated as:

“For CSR to be accepted by a conscientious business person, it should be framed in such a way that the entire ranges of business responsibilities are embraced. It is suggested here that four kinds of social responsibilities constitute total CSR: economic, legal, ethical, and philanthropic. Furthermore, these four categories or components of CSR might be depicted as a pyramid. To be sure, all of these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place. Each of these four categories deserves closer consideration” (Carroll, 1991, p40). With the turn of century, debate over responsibility of multinational to put in more effort in the areas of social development and environmental sustainability gained movement whereas the question of overall role of CSR in business continue to be discussed & debated both in research and academic discourses.

B. Evolution of EE

On definitional front, employee engagement meets the similar fate as met by corporate social responsibility i.e. there is no unanimity amongst researchers and practitioners on single definition of EE and therefore, for the comprehensive understanding of the concept, the authors used more than one definition from the authoritative sources (Tower Perrin's Global Workforce Study and Gallup Organization).

The professional and practitioners' sources – researchers & consultants, are the main contributors to the literature on employee engagement and not the academics (Markos & Sridevi, 2010). Kahn (1990) was probably the first to have used the concept of employee engagement and considered it as a ‘stand-alone’ to differentiate it from the concepts such as

employee involvement, commitment, motivation or satisfaction when he states that “engagement requires employees to be psychologically as well as physically present when occupying and performing an organizational role (Kahn, 1990 as cited in Kular et al., 2008, Conceptualizing employee engagement, para.1).”

Since Kahn’s description of construct of EE in 1990, various conflicting definitions were put forward in different studies which examined the concept in different context, making “the state of knowledge of employee engagement rather difficult to determine” (Kular et al., 2008 as cited in Ma, 2011). However, all these definitions were treated similar to earlier well established concepts of “organizational commitment” and “organizational citizenship behaviors (OCB) (Robinson et al., 2004 as cited in Kular et al., 2008).”

However, the concept of employee engagement was considered “one step up from commitment” by Robinson while describing it as: “...engagement contains many of the elements of both commitment and OCB but is by no means a perfect match with either. In addition, neither commitment nor OCB reflect sufficiently two aspects of engagement – its two way nature, and the extent to which engaged employees are expected to have an element of business awareness (Robinson, 2004, as cited in Kular et al., 2008).”

The term employee engagement has also been differentiated by from employee commitment and organisational behaviours (OCB) for the former being “a reciprocal process that requires a two-way effort between employees and corporations” (Rafferty et al., 2005 as cited in Markos & Sridevi, 2010).

III. DISCUSSION AND ANALYSIS

A. Corporate Social Responsibility and Employee Engagement – The Interconnection

In context of the objective of this paper, connection between the two - CSR and EE, is essentially required to be examined and evaluated both in terms of their inter and intra relations.

As is well known, corporations are increasingly investing their time, efforts and finance in CSR projects and at the same time, employers of modern day workplace pay due attention to their CSR image or reputation. As every CSR initiative can be derived from an organisation’s vision, mission, values and culture (VMVC), employees would like to be associated with the same. For this very reason, CSR is capable to create an impact on EE to an extent besides instilling a sense of pride amongst employees for the corporation. Values related CSR initiatives leads to an improvement in recruitment, development, satisfaction and finally the retention of employees as concluded by Harvard Business School (Marquis, Thomason & Tydlaska, 2010). The idea was also supported by Massachusetts Business Roundtable (2009 as cited in Ma, 2011) stating that “CSR reveals the companies values and thus can be part of the employee value proposition.” The inference from both these studies imply the direct connect between CSR initiatives and company values and its relation with employees resulting into goal achievement for the company.

As per a study conducted by Harvard Business School, employees want to be associated with or be part of an organisation which has a concern for community whereas CSR initiatives acts as a manifestation for such concern and helps in satisfaction of those needs of employees (Marquis et al., 2010). The Massachusetts Business Roundtable (2009, corporate citizenship and employee retention – current trends, para.3) also echoes similar sentiments while stating that “today’s employees want to be part of an enterprise that cares about more than its bottom line. They want to be part of a company whose values are expressed in its engagement and contributions to the community.” Jim Copeland of Deloitte also speaks in the similar

vein when he said “the best professionals in the world want to work in organizations in which they can thrive. And, they want to work for companies that exhibit good corporate citizenship.”Max Caldwell (n.d., 2011) stated that “CSR should be one of the factors that strengthen a corporation’s level of employee engagement and its overall performance.” This vindicates one of the key statement made earlier that "CSR is one of the top drivers of employee engagement" (Towers Perrin, n.d., Right Management, 2009).Another study by Towers Perrin (2007-2008) found CSR to be the third most important driver for EE and CSR related reputation for the organisation as one of the important drivers for both employee engagement and retention.

All these studies and statements have the common comment to make that employees seek to match their personal values with that of corporations and appreciate CSR initiatives which are relevant to their interests. To put it differently, it can be concluded that employees find fulfillment of their interests in CSR activities that match their values which, in turn, affect the level of engagement.

B. CSR Programs – Playing Fields for Employee Engagement

The intent of CSR is deeply connected with the interest of employee and thus, employees accept and commit themselves with corporate that exhibit values similar to theirs. Employees’ higher needs of social belonging or attachment and emotional fulfillment are met through their involvement in CSR initiatives of organisations which, in turn, proves beneficial to them as well.

CSR has been found to be an important factor affecting employee engagement. According to a survey conducted by Hewitt (2005), the level of engagement determine the attitude of employee towards, intention to stay with and, efforts to strive hard to work beyond what is expected, for the organisation. The survey also confirms the extent to which employee value CSR efforts of their employer that any reversal or even reduction in CSR initiatives

related to society and environment may adversely affect their morale or motivation and even the retention. It means CSR stay strong all along.

CSR initiatives being an effective avenue to meet the emotional needs of employees and also to seek their commitment and enhance motivation (Marquis et al., 2010) are encouraged by every business organisation. Coro Strandberg (2009) after the similar investigation of HR’s role in CSR stated that “employees prefer to work for organizations aligned with their personal values” and therefore, employees’ involvement in CSR programs results in enhanced level of recruitment and retention. According to MBR (2009), there are certain benefits of employee involvement in CSR initiatives like connecting employees with companies’ visions & missions, using the available skill and providing them with opportunities for the development of new skills. MIT Sloan (2009) made an addition to the list of benefits specified by MBR (2009) by including the benefit of CSR for instilling the feeling of pride amongst employees who participate in CSR programs of the corporation, besides being the factor for their increased performance. Researchers, over the period, have found CSR programs as the most effective during the actual engagement of employees i.e. when they actually enacts an act whereas the company plays the role of an enabler. Every research affirms the benefit of employees’ involvement in CSR initiatives whereas, there exist no such research which confirms or measure the effectiveness of employees’ engagement in current CSR programs. However, notwithstanding what is said and not said, the fact remains that involvement of employees in CSR programs results into a win-win situation i.e. it benefits the both - employees as well as corporations.

IV. CONCLUSION

That CSR has been in existence for long in one form or the other in every part of corporate world, there is no denial to this fact and Indian industry has been

witness of its practice long before the term came into recognition for its so called necessity, importance and beneficial effects on organisation – both on its constituents and performance – financial and non-financial. Also, the employee engagement as a concept and practice has drawn the attention of academics and researchers alike, especially with the turn of century, to find its factors or drivers and possible outcomes.

The workforce or employees being the core constituent of corporate, affect and get affected the most i.e. human resource being most powerful and delicate or sensitive can make a lasting impact on organisational performance, provided it (HR) has been duly engaged, recognised and appreciated. Employee engagement is the first step in the series of initiatives that an organisation can take to harness the potential of HR to the fullest as the disengaged or non-engaged employee can be the cause of concern not only for their minimal performance but also for its ripple effect on fellow performers and their combined contribution towards goal achievement.

Besides the very ‘work’ which is both the cause and effect of employee engagement, corporate social responsibility (CSR) programs provides an additional platform for playing the positive role on the part of every employee in the area of social initiatives put forward by the corporate and most importantly, to let them (employees) involve in their work to the extent of absorption wherein employee identify with and take pride in association with the organisation. Employees find avenues to satisfy their higher order needs of self-achievement/actualisation by working for social cause or community development through their participation in CSR initiatives of corporate.

Some of the key findings of various research and studies on impact of CSR on employee engagement are summed up as under:

1. CSR aids in employee engagement i.e. CSR invigorates or boosts employee engagement,

provided other factors affecting EE remains ‘stable and satisfied’.

2. CSR helps in retention of talent i.e. CSR initiatives or “doing good” leads to actually ‘doing well’ for the organisation in terms of both - employee involvement and retention.

3. CSR awareness is key to success and thus, the need - to convey about CSR to employees which is equally beneficial to both the corporate and their employee.

4. CSR creates concern for the organisation amongst its employees as it generate the feeling of belonging and pride in the organisation.

5. CSR initiatives targeted at society and environment earns the larger loyalty and commitment of employees which in turn, results in higher productivity.

6. Involvement of employees in CSR initiatives of an organisation proves to be win-win for both the company as well as employees. The former (company) benefits for the ‘connect’ employees make with the company and the later (employees) benefits for the ‘involvement’ resulting into development of new skill sets and avenues for exploring their potential.

To sum the sums, CSR initiatives are the ‘win-win’ proposition for an organisation as it helps, on one side, to improve the image or public perception of the company and on the other, to keep employees engaged & elated by way of providing them a sense of achievement in the form of contribution made for the ‘common cause’ or ‘greater good’ of society. It’s probably for this very reason that organisation are coming forward with innovative and strategic CSR initiatives for employees to participate in and engross into the overall work environment. The bottom-line, however, remains that worker must find their ‘work’ meaningful to perform the same to his/her full potential and CSR acts as a catalyst in an

organisational 'reactor' to help achieve desired output of satisfaction or fulfillment on the part of employee and intended performance for the corporate.

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