CSR as a driver of a positive employees influence

Patrizia Gazzola
Assistant Professor
Insubria University- Department of Economics, Varese, Italy

Gianluca Colombo
Full Professor
Institute of Management (IMA), University of Lugano, Switzerland

Abstract

The aim of the paper is to analyze the Corporate Social Responsibility’s (CSR) influence on employees considering the fact that employees are primary stakeholders who directly contribute to the success of the company. In the paper we consider how CSR relates to employees and how CSR may represent a special opportunity to influence: employees’ general impression of the company and expectations about how the organization treats its employees. The role of CSR on employees is becoming more present in the business world, one of the reasons being that successful companies should attract and retain the best work force. By creating a good working environment and developing the internal CSR strategies, companies can stimulate productivity and satisfaction among employees. There’s a debate over whether CSR initiatives, that are socially responsible or environmentally friendly, helps make the employees more loyal and productive. Studies involving CSR have not fully explored how organizational social performance impacts individual employee behaviors nor examined the attributes of individuals comprising stakeholder groups such as employees. The objectives of this study are to analyze the implementation of CSR programs and its impact on employees. The main underlying proposition is that organization can influence its employee through his or her own ethical and responsible behavior. The work culture built upon this sense of organization’s voluntary contribution toward a wide number of stakeholders could invite and encourage employee to adopt the same voluntary attitude and behavior to their own fellow employees. Research clearly indicates, with the help of case study methodology, that committing to CSR boosts the morale and commitment of workers in a positive way. This framework explains how employees’ perceptions of CSR trigger attitudes and behavior in the workplace which affect organizational, social and environmental performance.

Keywords: CSR, employee, stakeholder

Introduction

Generally companies start to engage in CSR activities in order to respond to a demand of the external stakeholders. They also consider the positive effects of CSR on reputation (Gazzola, 2014a). Often they do not realize, right away, that their CSR activities have an impact on current employees commitment (Turker, 2008) and on the attractiveness of an employer in the mind of prospective employees (Greening and Turban, 2000).

The key question is: are employees an asset or a cost? Costs need to be minimized and controlled. Assets are expected to produce a return over the long term and are worth investing in. During the eighties and early nineties, employees were very often seen simply as a cost. Now it
appears the pendulum has started to swing the other way.

The employees have sufficient power, legitimacy, and urgency to become salient stakeholders to management (Mitchell, Agle and Wood, 1997), therefore they are considered to be a relevant group of stakeholders for each organization.

The role of CSR on employees is becoming more present in the business world, one of the reasons being that successful companies should attract, retain the best work force (Gazzola, 2014b). By creating a good working environment and developing the internal marketing strategies, companies can stimulate productivity and satisfaction among employees (Stancu, Grigore and Rosca, 2011). If employees are satisfied and attach the company, they will recommend to friends and family as a good employer (Bhattacharya, Korschun and Sen, 2008).

If the companies accept that employees are the greatest asset, they have to decide what are the priorities in human resource management and what tools are available to achieve the best results. With CSR the companies can address the efforts to enhance employee morale, motivation, commitment and performance (Tuffrey, 2003).

**Methodology 1**

This study is focused on the CSR and it’s influence on employees.

This study has two research objectives:

- To identify the motivations which lie behind the development of CSR initiatives for employees;
- To examine the impact of the CSR practices adopted by companies, on employee companies’ engagement.

The paper is organized as follows: We first introduce the CSR concept and review previous research on CSR influence on employees. Then, we present the role of the employees in the company. The third part presents the research about the link between CSR and employees satisfaction. Finally, we discuss the potential of the role of CSR for future research and clarify its managerial implication.

The research design predominantly employs the qualitative methods. The authors describe and synthesize, with the use of case study, the dynamics and the evolution of employee motivation.
According to Hentz (2007), a case study can be used to connect a phenomenon to life or social contexts, this methodology has developed within the social sciences. Such methodology is applied, not only in the social sciences, such as psychology, sociology, anthropology, and economics, but also in practice-oriented fields such as environmental studies, social work, education, and business studies. Case study research excels at bringing to an understanding of a complex issue or object and can extend experience and add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships.

Case study on CSR has been successfully used for descriptive, exploratory, and explanatory theoretical purposes (Yin, 2009). We consider the case study as an empirical inquiry that: investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Duxbury, 2012). The research adopts the view of the business case (Berger, Cunningham and Drumwright, 2007) because allows the firm to value and appreciate the complex relationship between CSR and employees. Such appreciation may enable the firm to identify and exploit new opportunities (Carroll and Shabana, 2010). The approach used in this study focused on getting close of CSR programs and its impact on the expectations and involvement of employees.

The main contribution of this line of research is to explain the important relation between the CSR and employees engagement.

**Literature review 2**

In 1985 Tajfel and Turner presented a framework which explained individuals’ need to classify oneself and others into social groups. They reveal that the relationship between CSR and employee engagement could be explained through the Social Identity Theory. According to this theory, individuals derive part of the identity from the group(s) to which they belong (Tajfel and Turner 1985).

In the research we use the definition of employees by Leana and Van Buren III (1999): “any individual actually employed by an organization or whose work directly affects and relates to core economic functions of the firm”. Rupp, Ganapathi, Aguilera and Williams (2006) further defines employees as the “non-management workforce”, as this group of individuals are less
likely to have fully internalized the corporate culture and be defensive of it (compared to the top management), and more likely to evaluate and react to the organization’s acts of CSR.

The relationships between companies and stakeholders and the conditions under which this relationship can evolve are studied by Collier and Esteban (2007). They stated that unless companies manage to gain employees’ willingness to collaborate towards a social responsible business profile, they will be unable to achieve their goals.

According to Greenwood (2007) the companies to achieve their goals require the development and maintenance of stable relationships between the company and the employees via the routes of communication, identification, dialogue and exchange processes, or even a combination of them.

Donaldson and Preston (1995) and Freeman (1984) consider that CSR relates to employees, one of a corporation’s main stakeholder groups, helps to motivate the employees themselves.

As Lindgreen and Swaen (2010) stated, when companies invest strong relationships with their stakeholders, both parties are more likely to work towards the achievement of common goals. The theory also proposes that a membership can describe employee behaviors, perceptions or even thoughts and feelings. An employee may feel attached to the organizational membership and experience organizational success or failure as part of their personal achievement.

Bryman and Bell, 2007 define the relationship between CSR and employee engagement like a set of techniques which takes people’s experiences and their verbal expression seriously, while checking their value, meaningfulness and applicability. Hence, qualitative research focuses on individuals’ perceptions regarding social phenomena.


Greenwood (2007) and Jamali (2008) underline the employee engagement imperative and they also recognize the strategic value of relationships with external stakeholders, such as local nonprofit community organizations, as a means of securing competitive success. CSR initiatives, cross-sector alliances in particular, may provide an innovate approach for supporting business success as they can be used to simultaneously address employee engagement challenges as well
as address the collective voice of varied external stakeholders.

The stakeholder engagement between managerial action and communication is analyzed in Gazzola and Colombo (2013) where the dialogue and the communication with stakeholder become the key tool for strategic change and the opportunities for an economic development and growth that respects society (Gazzola and Colombo, 2014)

The question of whether CSR driven attitudes and behaviors can affect employees' organizational performance, and ultimately corporate financial performance (Gazzola and Mella, 2006), has never been investigated, either theoretically or empirically. Some researchers are investigating the role of stakeholders' behavior as a mediating variable between CSR and financial performance (Barnett, 2007; Rowley and Berman, 2000; Wood and Jones, 1995), yet attention has mainly focused on consumers (Brown and Dacin, 1997; Luo and Bhattacharyya, 2006; Schuler and Cording, 2006; Sen and Bhattacharyya, 2001). An important contribution of this research is that it presents the strong relation between CSR and employees satisfaction that systematically explains how employees' attitudes and behavior affect this relationship. These researches show that employees who are satisfied with the organization’s commitment to social and environmental responsibilities demonstrate more commitment, engagement and productivity.

In fact, when employees are positive about their employer’s commitment to CSR, engagement across the company rises (Sirota Survey Intelligence, 2007; Murray 2008).

**Employees: cost or assets?**

In the past employees was viewed as expenses and the companies didn't invest in expertise and labor. Now the situation is changing and employers that see their people as assets tend to treat them well. Some treat them so well that these companies are recognized as best places to work. In this change CSR has an important role.

CSR activities related to the core subjects labor practices can lead to an improvement in the quality of work of current employees. A more participative organizational governance, trainings and volunteerism programs create various learning opportunities for employees and induce a process of developing employees' competencies, skills and knowledge (Nurn and Tan, 2010, Exter, Cunha and Turner, 2011; European Commission, 2008).
The CSR activities improve in the commitment of employees and learning processes that raise the skill level and effectiveness of employees. CSR causes a stronger organizational commitment of employees, whereas organizational commitment is defined as “The relative strength of an individual's identification with and involvement in a particular organization” (Mowday, Porter and Steers, 1982, p. 27). Along with the organizational commitment, the employees’ motivation increases, employees are more likely to act in a responsible manner, show organizational citizenship behavior and altruistically contribute to the firm’s activities, while employers can gain a higher level of trust towards their employees (Nurn and Tan, 2010; Balakrishnan, Sprinkle and Williamson, 2010).

The Ipsos Mori Loyalty Report (2008) has shown that 75% of employees who consider their organization to be paying enough attention to environmental protection and sustainable development exhibit high levels of commitment. The Global Workforce Study found that an organization’s reputation for social responsibility ranks third among the top drivers for employee engagement (Towers, 2007). Employees’ higher organizational commitment and learning opportunities help companies to retain their employees for prolonged periods of time (Nurn and Tan, 2010; Exter, Cunha and Turner, 2011). This is reflected in reduced employee turnover rates after implementing new labor practices and adhering to human rights (Smith, 2005).

At the same time, CSR makes a company more attractive as employer and therefore attracts a larger number of higher qualified applicants. This increases the average skill level of employees. Thanks also to higher work effectiveness of employees, the overall operational effectiveness increases when CSR is implemented.

When employees perceive that the organization is supporting them, they believe the organization is being fair and therefore respond positively, for example, through increased employees satisfaction and organizational commitment (Rhoades and Eisenberger, 2002). In another research, Colquitt and colleagues (2001) also found that perceived fairness in an organization is related to employees satisfaction. Eisenberger, Armeli, Rexwinkel, Lynch, and Rhoades (2001) found that when organizations supported employees, they felt obligation to reciprocate, and thus increased affective commitment. CSR could contribute to an employee’s sense of meaningfulness and purpose at work as well which in turn influences employees satisfaction and
organizational commitment. Besides improving current employees’ satisfaction and creating organizational commitment, CSR helps to retain employees and contributes to attracting better applicants. (fig. 1).

![Fig. 1](image-url) – The link between CSR and positive employees influence (source: Glavas and Kelley, 2014, with changes)

More potential job applicants are aware of socially responsible companies as promising employers with good labor practices, human rights and environment performance (European Commission, 2008). Community development as one of the CSR core subjects contributes to improving the locally available talent pool and makes the location of the company more attractive to potential outside applicants.

These positive direct internal effects in turn result in fundamental cost savings (costs of recruitment, worker turnover, penalty payments for non-compliance labor laws, labor disputes, accidents, supervision). Thanks to a higher level of operational effectiveness, organizational
commitment of employees and learning, the productivity of a company can be increased, errors reduced and quality improved, while adherence to environmental standards enhances product safety (Edele, 2012).

Reputation and publicity play a crucial role. Many applicants show a preference for working with a socially responsible company and are willing to receive lower compensation in order to work for an employer with high moral values. Therefore responsible organizations receive more applications while spending less on recruitment (Nurn and Tan, 2010; Smith, 2005).

**Europe's Most Attractive Employers and CSR 4**

Universum, employer branding company, established Europe's most attractive employers: an index of employer attractiveness, companies that excel in talent attraction and retention. The ranking is based on the employer preferences of business students and engineering students who have chosen their ideal companies to work for in Europe. The annual talent attraction index compiles the results of the Universum Student Survey in 12 European countries: Germany, France, UK, Russia, Italy, Spain, Netherlands, Switzerland, Sweden, Norway, Poland and Belgium. The index is divided into two rankings: one based on Business students and one based on Engineering students, representing the preferences of more than 130,000 career seekers across Europe. The survey was conducted between October 2013 and March 2014 (Universum, 2014). The top 10 companies for Business are showed in fig. 2.
Fig. 2 – The top 10 attractive employers companies for Business

<table>
<thead>
<tr>
<th>Logo</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Google</td>
</tr>
<tr>
<td>2</td>
<td>L’Oreal</td>
</tr>
<tr>
<td>3</td>
<td>PwC</td>
</tr>
<tr>
<td>4</td>
<td>Ernst &amp; Younger</td>
</tr>
<tr>
<td>5</td>
<td>Microsoft</td>
</tr>
<tr>
<td>6</td>
<td>McKinsey &amp; Company</td>
</tr>
<tr>
<td>7</td>
<td>UBS</td>
</tr>
<tr>
<td>8</td>
<td>KPMG</td>
</tr>
<tr>
<td>9</td>
<td>Frontier &amp; Partners</td>
</tr>
<tr>
<td>10</td>
<td>BCG</td>
</tr>
</tbody>
</table>

In the top 10 most Attractive Employers companies we analyzed the CSR for the employees and what information the companies give on the web sites. We resume the information of the top 10 companies:

1. Google

The culture of google is: "It’s really the people that make Google the kind of company it is. We hire people who are smart and determined, and we favor ability over experience. Although Googlers share common goals and visions for the company, we hail from all walks of life and speak dozens of languages, reflecting the global audience that we serve. And when not at work, Googlers pursue interests ranging from cycling to beekeeping, from frisbee to foxtrot (http://www.google.com).

Fifty percent of consumers across the European countries say they definitely think that Google treats its employees fairly and takes their well-being into consideration. “And when consumers
are asked where corporate responsibility starts, they say it’s with the employees,” Nielsen, of Reputation Institute (2013), says: “Google’s strong workplace perception helps secure its strong reputation overall and within CSR.” Google has the best perception for Workplace. Fifty-one percent of consumers across the 15 markets agree that Google is an appealing place to work who treats its employees well.

2. L’oreal

The L’Oreal idea is: “We want to realize our ambitions, while sharing our success with our employees, with our suppliers and with our communities”. “By 2020, L’Oreal employees will have access to health care, social protection and training, wherever they are in the world. The growth of the business goes hand in hand with the development of social protection for L’Oreal employees all around the world. They will provide health coverage which is in line with the best practice of the country employees are based in. They will provide financial protection for all employees if unexpected life events such as incapacity or permanent disability occur, and every L’Oreal employees will have access to at least one training session per year, wherever they are in the world” (http://www.loreal.com).

3. PWC

PwC found that the value of its company to improve the employee retention ROI of corporate responsibility was $165 million. This has driven a 5 percent higher retention rate among employees who participated in the company's CSR programs. PWC publishes the list of 10 ways to value and improve employee engagement based on PwC's journey. In the first place there is: Quantify employee participation in CSR activities. Other two important ways are: correlate with productivity and track employee satisfaction and feedback (http://www.pwc.com)

4. Ernst and Young

On 1 July 2013 EY’s international organization announced its brand new name: EY. It also introduced a new logo and tagline: "Building a better working world." “Every day, every EY employee contributes to improving the business environment and thus helps to make the world better - for our customers, our families and for society as a whole. We strongly believe that everything we do - every audit report, each filled tax return, each consulting project, every
interaction with a client or colleague - should contribute to improving the business environment” (http://www.ey.com).

5. **Microsoft**

“Another factor of our success is our employees’ passion for supporting their communities and causes through charitable giving and volunteering,” he adds. In fiscal year 2012, 93% of employees reported feeling that Microsoft is a good corporate citizen in their communities and around the world. “Our employees and our partners - approximately 640,000 small to mid-size businesses around the world - are our best ambassadors when it comes to sharing the positive results of our CSR work around the world.” (http://www.Microsoft.com)

6. **McKinsey and Company**

McKinsey represents every race, gender identity, and religion everybody can imagine. They support all people with unparalleled professional development, networks, and mentoring. The more they can develop their strengths and inspire inclusive leadership, the more McKinsey can contribute to a better future, within and well beyond McKinsey (http://www.mckinsey.com).

7. **Unilever**

“As well as being committed to protecting our employees from work-related hazards, we are also committed to promoting their health, nutrition and well-being so that they can enjoy fit and healthy lives, both at work and at home. We are incorporating principles contained in the Universal Declaration of Human Rights and the International Labour Organisation’s (ILO) core Conventions into a new Unilever Human Rights statement and aligning our internal Respect, Dignity & Fair Treatment Code Policy” (http://www.unilever.com).

8. **KPMG**

Corporate Responsibility Magazine recognized KPMG as an organization that “visibly exceeds standards in the areas of employee relations, environmental impact, human rights, philanthropy and corporate responsibility practices”.

KPMG’s seven national Diversity Networks provide employees with exceptional opportunities to participate in development programs, connect with mentors and sponsors, demonstrate leadership
skills, broaden professional experiences, and build career-enriching relationships. (http://www.kpmg.com).

9. Procter and Gamble (P&G)

They have an organizational strategy to touch and improve the lives of the employees. They want to be and be recognized as the Global Leader for Diversity and Inclusion. “Diversity and inclusion is more than a strategy at P&G. It is part of our DNA and all we do”. “Our objective is to engage and equip all P&G employees to build sustainability thinking and practices into their everyday work. We are driving efforts to make sustainability top-of-mind and keeping personal responsibility relevant both at work and at home” (http://www.pg.com).

10. The Boston Consulting Group

“An emphasis on investment in its people, career flexibility and mobility, extensive training, high-impact client work, a collaborative culture, progressive benefits, and a commitment to social-impact work were all factors that contributed to the strong showing—the best among consulting firms by far for the seventh year in a row” (http://www.bcg.com).

Conclusion

Studies show that most Attractive Employers has also a strong CSR for the employees. If employees are satisfied with the work they are positive and positive employees outperform negative employees in terms of productivity, sales, energy levels, turnover rates and healthcare costs. According to Shawn Achor (2011) optimistic employees outperform their pessimistic counterparts and the same patterns emerge for businesses that have adopted the happiness principles. Think of Google, L’Oreal, PWC and you think of great places to work. You also think of companies that are extremely successful and creative. Not only do these companies understand the importance of social responsibility in the outside world, they are industry leaders, but they embrace it in the context of employee relations – i.e., creating work environments that maximize human potential and happiness.

Having the best employees can provide a competitive advantage, and thus, retention and attraction of top talent are important especially in situations where quality is the only
differentiating factor between competitors (Vinerean, Cetina and Dumitrescu, 2013). Nurturing a strong corporate culture, which emphasizes CSR values and competencies, is required to achieve the synergistic benefits. The employees of an organization occupy a central place in developing such a culture, which underlines CSR values and competencies.

It also suggests Human Resource Management to take a leading role in encouraging CSR activities at all levels. The combined impact of CSR and human resource activities, which reinforce desirable behavior, can make a major contribution in creating long term success in organizations (Sharma 2009).

Future research could extend the analysis considering the CSR towards employees, in order to increase the sample size; this, though, would affect the reliability of the results.

**Bibliography**


Buckingham, Marcus and Coffman, Curt (1999), First, break all the rules: What the world’s greatest managers do differently, New York, NY, Simon & Shuster.


Management Review, March 2012, pp. 9-17


Ernst and Young http://www.ey.com


Google http://www.google.com


Ipsos Mori Loyalty report (2008), Engaging employees through corporate responsibility, Ipsos Mori.


KPMG www.kpmg.com/

L’oreal http://www.loreal.com


Microsoft http://www.Microsoft.com


Procter and Gamble http://www.pg.com/

PWC http://www.pwc.com/


The Boston Consulting Group http://www.bcg.com


Yin, Robert K. (2009), Case Study Research, tinyurl.com/7ywkcipy.