



# Impact of Corporate Social Responsibility on Employee Engagement

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## ABSTRACT

**Purpose** – This paper aims to examine the influence of employees' perception of corporate social responsibility (CSR) on their engagement level at work in terms of job and organizational engagement.

**Design/methodology/approach** – The paper reviews the literature and adopts a chronological structure to analyze the result of various publications over the last few decades.

**Findings** – The study results clearly accentuates the prospects of an organisation's involvement in CSR activities in impacting the employee attitude and approach at work.

**Practical implications** – Given the positive association of CSR with employee engagement as reflected in the study results, CSR can actually be used across the organizations as tool for talent management.

**Originality/value** – The study makes an attempt to overcome the macro-micro segregation and addresses the need for micro level research in CSR stream by examining the influence of CSR perceptions on work engagement level of employees. The study advances existing body of knowledge beyond developed economies by exploring the connection between CSR and Employee Engagement in India.

**Keywords** *Corporate social responsibility, Employee engagement, Internal CSR, External CSR, Job Engagement, Organizational Engagement*

## 1 Introduction

The two most discussed areas in the business world today are Corporate Social Responsibility and Employee Engagement. There are visible debates over the understanding and implementation of CSR, however there is no debate over the fact that all the organizations are under tremendous pressure from various stakeholders to work in more social and environmental friendly environment. The function that CSR plays in enhancing the organizational reputation amongst employees, consequently enhancing their engagement level with their job as well as the organization is under rated. Despite the growing trend of research on individual focused literature, very little consideration is given on study



regarding the impact of CSR on current and to be employees (1), however the importance of attracting worthy talent is undoubtedly is gradually being accepted as an important tool to remain competitive in today's business environment (2).

The paper reviews the literature and adopts a chronological structure to analyze the result of various publications over the last few decades. Engaging the employees becomes a herculean task for the drivers of various organizations. Along with the other conventional motivational tools, CSR has emerged as an important catalyst in pushing employees in giving more than their hundred percent in work. For us to be able to evaluate the impact of CSR on organizational behavior, it is important that we understand its evolution (3). During the course of this paper, the researcher traces the theoretical path of the interdependent variable of CSR with a view to enhance the knowledge on this topic

## 2 Corporate Social Responsibility

Corporate Social Responsibility emerged in the discussion several decades ago and recent developments have brought it back to the vanguard of our minds. It is high on the schema of almost every organisation in current times. Irrespective of the volume and nature of the operation, almost every company wants to contribute towards societal needs (4). Initially, CSR was considered as social responsibility, which had concentrated primarily on the positioning of guiding principles and proceedings with values and expectations of the society (5). Davis, soon explained that CSR is emulated in the actions and choices of the entrepreneurs made in the benefit of society (6). It was then seen as an ethical duty impacted by an organizations decision. The owners of the businesses who followed this concept were called as socially responsible entrepreneurs (7). Some researchers have associated CSR with a deliberate forgo of profit for the advantage of the society (8) while Jones (1980) related it with the advantage of the company's stakeholders (9). As per an understanding by Rupp, et al (2006) Corporate Social Responsibility also termed as corporate engagement with society is a practice through which an organisation articulates and builds on its "corporate culture" and acquires consciousness about society (10). CSR has been caught up in definitional debate since decades (11), and has been hypothesised as decisions, activities or guidelines that organisations adopt to bring about environment sustainability and positive social change (10).

Lee (2008), emphasized that the academic and the research on CSR have progressed along two possibilities (12):



1. Researchers have shifted focus from discussion of societal impact to an organisational level study of CSR and its impact on processes and performances of the organisation.
2. Vis a vis the theoretical point of reference, researchers have shifted their approach from ethical arguments to performance oriented studies.

In the current competitive business environment, it becomes important to ascertain the business values of the CSR efforts of a corporation. Similarly, the business corporations need to make the most of their CSR investments to ensure sustainability of their being [13]. The larger part of CSR research is entrenched at a macro (organisational) level (14), and is acknowledged as a macro-level pursuit with macro-level results (15). It has consequently received very little attention within the micro organisational behaviour literature but, in recent years, the researchers have started focusing at the micro level of CSR, which tries to find out the impact of CSR on behavioural pattern of employees (13, 16). Micro-CSR has been defined by Rupp & Mallory as “the study of the effects and experiences of CSR on individuals as examined at the individual level of analysis” (17). It presupposes that an employee’s sensitivity concerning the organisational behaviour have insinuations on their functionality, belief, attitudes and job performance (18). The constructive perception formed by the CSR activities of the organisations tends to encourage positive attitude and behaviour amongst the employees (19).

## A Multi-level concept

Researchers until the 21<sup>st</sup> century focussed on the macro-level concept of CSR (13), with the approach of focussing from the firm’s point of view with its focus being the stakeholder theory (17) although CSR is a multi-level concept (20). Micro-level perspective of research regarding CSR was long from developed and accounted for an insignificant amount of CSR research until the year 2012 (19), despite the fact that it is considered to essentially to steer the idea (21). Keeping in view, that it is supposing the key to unlock the macro-level results (22), it is not surprising that the current form of research now adopts an individual focussed view, considering how CSR impacts the individual (micro-CSR)(17).

## A Multi-dimensional concept

Walden et al defined CSR as the behaviour of organisations to safeguard and support social welfare above and beyond its own and immediate interest along with their stakeholder as defined by law (23). This definition is what provides an insight about CSR being a multidimensional concept, something which is endorsed by several scholars. CSR relates to various corporate stakeholders, which includes the consumers, environment, communities and employees or the organisation (24, 25, 26). These stakeholders are divided into internal and external stakeholders. Hence, this study



segregates the employee's perceived CSR into the i) internal and ii) external CSR. This classification is in line with the "Green Paper: Promoting a European framework for Corporate Social Responsibility" from the Commission of European Communities and researchers of macro CSR (27, 28)

### 3 Employee Engagement

The organisations across the world are recognising the significance of human capital as a catalyst to get ahead in this dynamic competitive business world. They are shifting their focus from processes to people and are in the process of understanding their employee's talent, vitality, knowledge and skills. An Organisation needs to ensure that the employees are in their defined roles and are behaviourally, emotionally and cognitively involved in their job and to oversee effective involvement of the employees, human resource management is now fortifying itself with responsibilities like employee empowerment, commitment, and growth. In order to achieve their business goals, organisations need to harness their biggest resource, which are employees.

The theory of engagement at work was first conceived by Kahn in 1990 (29). As per his conception, work engagement is the amount of physical, cognitive and emotional energy people harness at work. Employee engagement has now become an extensively used term (30), though as per Robinson et al (2004) (30) there has been hardly any empirical research on this subject matter.

Maximum literature about employee engagement is a part of practitioner journals as it was more in practice rather than in empirical research or in theory. In recent times employee engagement has gradually become an extensively used term (30). Robinson et al. (2004) on observing this expressed in his literature that little has been researched on something which is so popular. This probably is a primary reason as to why employee engagement seems to be a craze in current corporate world. (31). An employee who is engaged has the awareness about the business outlook and works alongside with colleagues for performance advancement within the job for organizational advantage. It will be in interest of the organizations to initiate a bipartite relationship, that of the employee and employer to increase engagement (32). The most significant of all issues is that there is no apparent definition for the concept of employee engagement. If we randomly analyze the definition of employee engagement from practitioners, academicians and corporations, we are bound to find massive ambiguity [33]. However, all the definitions lead to one notion that engagement is a positive state of mind which in turn leads to augmented efficiency and productivity.

For the purpose of better understanding of what or who we consider as engaged employees in our study, it is important for us to understand the engagement level parameters. As per a Gallup poll, about 49% of the employees in a typical organisation worldwide are disengaged whereas about one third of the employees are actively engaged. Out of the whole lot, approximately 18% are actively disengaged. Towers-Watson a consulting firm gives an even grimmer



picture of the engagement level worldwide. As per the firm, 65-70% of the employees are moderately engaged, 15% actively engaged and 15% actively disengaged.

## Dimensions of Employee Engagement

There are two types of employee engagement i) job engagement and ii) organization engagement which arises from the formulation of engagement as function related (29,34); that is it indicates the degree to which an employee is psychologically in attendance in a defined organizational role. The two central roles for most employees are their work responsibility and their function as a member of an organization. Therefore this paper explicitly recognizes this by including both the engagements, job and organization engagements. This is also confirmed with a view that individuals have multiple roles and hence should be examined in these varied roles within organizations (34, 35).

## 4 CSR and Employee Engagement- Making the connection

The Hewitt Survey on CSR emphasizes that if CSR activities in an organization are cut back, it will lead to a negative effect on the overall retention and motivation level of employees [36]. When surveyed, 35% people are willing to take 15% lesser pay to be employed with an organization which is a strong practitioner of CSR, 45% people for a job which makes a difference to the society or the environment and 58% people for an organization which has similar values. Another research conducted by Cone Millennial Cause Group specified that 80% of Gen Y is willing to work for an organization which is concerned about the society [36]. All these research reports point to a common observation which is that employees at present have enormous amount of expectations from their employers. Along with the benefits in offering, they are looking for add on like inspiration. They want their employers to inspire them and make them feel good about the choice they made by joining the company. Hence, it becomes extremely important for the organizations to render itself as a company of choice. A lot of empirical studies have highlighted that individuals prefer to work for companies which are ethically and socially responsible [37] [38]. Employees' perception that they are working for an organization which is socially responsible has been discovered to influence job satisfaction in a positive manner [39].

Tower Perrin, a firm engaged in professional services conducted a global workforce study. As per the study, CSR stands third amongst a list of the most important reasons for employee engagement globally [40]. The study also added that an organizations impression about its take on CSR was an important factor not only for engagement but for retention as well. According to Tower Perrin research, companies with an engaged workforce has higher margin of about 6%. In another survey conducted by Deloitte, approximately 70% of young millennial aged 18 to 26 acknowledge that the organizations stand on community welfare is an important determinant for deciding on a potential employer [40]. Another research done by Kenexa claimed that companies with engaged employees have five times



higher shareholder returns (41).

We thus reach to an inference that employee engagement is the level of commitment an employee has towards his place of work and job in hand. An employee who we can tag as being engaged is the one who works along with his colleagues towards the organizational goals for the benefit of the organization within the framework of his designated job. Hence, an organization must recognize, nurture and develop its employees as employee engagement is a two way process (42). It is only when the employees are engaged that they care and use unrestricted effort for the benefit of the organization. Profitable outcomes are achieved by an organization only if it has engaged employees (43)

## CSR and Employee Engagement in India

CSR is considered as one of the most honorable aspect by Indian Employees as investigated by Ipsos, a global research firm. In an online survey conducted by Ipsos, 51% of the employees out of the total of 18,150 respondents in India consider behavior of their employees towards society significant (44). Similarly, a survey done by Hewitt accentuates that CSR is one of the most significant factor in increasing engagement amongst employees. As per the survey, the staff will reciprocate more towards CSR with being engaged. An engaged employee in turn will remain positive, loyal and overachieve more than what is expected. It also brought to light that if CSR activities are pulled back, it will impact the employee's motivation level and the will to stay with the organisation (44).

Another survey conducted on the topic "Perceptions of Employees regarding Corporate Social Responsibility" enunciates that, employees higher up the ladder in an organisation are impacted most positively by their companies CSR initiatives. Top level employees are responsible for taking the most important decisions of the organisation which also includes policies regarding CSR. Hence, they have a greater sense of ownership towards the policies they helped create. The research also highlights that the employees at the top most level are more committed towards the organisation (44).

The most significant tool which organizations possess is its "People". People is an asset which cannot be duplicated or emulated by competitors and is considered to be most valuable if managed and engaged efficiently [45]. Different countries have studied employee engagement differently with view to their countries distinctive culture. In India employee engagement has been studied extensively [45]. In a country like India, employee engagement can be an effective tool to boost competitive advantage. However, as per a report on employee engagement published by Gallup, against a global average of 13% in 2012, only about 9% of Indian employees were engaged [46]. Nonetheless, it is deliberated that activities with relevance to society in shape of CSR can lead to an engaged employee base which consequently boosts employee performance [47]

Dutton et al. (1994) enunciates that the employees perceive their defining characteristics are same as the defining characteristics of the organization they work for. It is also debated that because employees are supposedly internal



customers, hence they can relate better with the organization [48]

## 5 Conclusion

Almost all the companies in today's business world face a highly dynamic environment created due to rapid technological changes, varying customer tastes and stiff competition. CSR is a responsibility of organization towards its stakeholders worldwide and the way ahead to attract and retain talent. Employees are one of the most important stakeholders of any organization and profitable outcomes are achieved by organizations only if it has a pool of engaged employees. Through literature review of previous knowledge base, this paper has illustrated both the variables and made an attempt to connect the two variables. The author has established firmly through review of papers and global survey's that CSR impacts the employee engagement of an organization. The author through this study recommends strategically planned and efficiently implemented CSR activities. This in turn brands the organization as a socially responsible firm which takes care of all its stakeholders including its employees.

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