POSITIONING CORPORATE SOCIAL RESPONSIBILITY AS AN EMPLOYEE INVOLVEMENT STRATEGY

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ABSTRACT

Corporate Social Responsibility is a term very often misinterpreted and misused to protect the corporate interests. With the growing competitiveness, it becomes imperative for any business house to portray an image of a responsible business entity. CSR is an effective tool to create a long lasting relationship between an organization and its stakeholders. It fulfills the Service objective of an organization but impacts the profitability objective. Hence, a lot of organizations use CSR as a mere PR (Public Relations) activity.

A futuristic business organization foresees the linkage between the money spent on fulfilling the social responsibilities and the beneficial effect it has on its employees. The current crop of employees are looking beyond financial benefits, they need value addition in their lives. CSR can be adopted as a value addition strategy. By involving employees in CSR activities, their commitment and integrity level towards the organization will soar to greater heights. Engaging employees in CSR activities can help them in fulfilling the ESR (Employee Social Responsibility).

This research paper aims to understand the linkage between CSR and Employee involvement. It brings out a sustainable action plan to adopt CSR – ESR model as a strategy to influence employee involvement in the organization. By positioning CSR as a strategy to enhance, elevate and augment employee involvement, an organization can reap the benefits of heightened commitment, improved morale, inflated job satisfaction and extended employee loyalty.

KEYWORDS: Corporate Social Responsibility, Employee Involvement Strategy, Service Objective, CSR – ESR Model

I. INTRODUCTION

Corporate Social Responsibility is a concept which balances an organization’s financial objectives with its social objectives. CSR has become a strategic imperative for organizations to command credibility among stakeholders. It is well established that employees are one of the most important stakeholders of an organization. Since they can be affected by and also affect their organizational activities, employees play a key role in the success or failure of their organization. (Im, Chung, & Yang, 2016).

Majority of the organizations undertake CSR activities in order to meet the statutory requirements. Section 135 of the Companies Act 2013 makes it mandatory for companies with a net worth of INR 500 Crore or more or a net profit of INR 5 Crore or more in a financial year to undertake CSR activities. The companies which qualify in this criterion are obligated to spend 2% of their average net profit of the last three years towards CSR activities.

A well planned and effectively executed CSR model can bring Competitive Advantage to an organization in terms of enhanced access to capital and
markets, higher productivity, efficient human resources, operational cost savings, improved brand image and reputation, and enhanced customer and employee loyalty.

Employees are expected to have opinions of their organization’s CSR activities which can affect their level of participation and involvement. Social Exchange Theory has been noted to highlight the effect of CSR activities on employees. Based on the principle of reciprocity and mutual dependence employee involvement in CSR can be justified (Blau, 1964). Hence, employees’ cooperation plays a more important role in the implementation of effective CSR activities. At the same time involvement of employees in CSR initiatives can prove to be an effective strategy for engaging as well as retaining them in the organization.

II. THEORETICAL BACKGROUND

i. Corporate Social Responsibility: The word CSR has many synonyms ranging from Corporate Citizenship, Corporate Philanthropy, Corporate Social Performance and Social Marketing. Originally, Howard Bowen in the early 1950s attempted to formulate the initial definition of CSR in his book entitled, “The Social Responsibilities of the Businessman”. He defined CSR as “the obligations of business to pursue policies, decisions or lines of action that are desirable in terms of the objectives and values of our society” (Bowen, 1953).

Irrespective of size and volume of business, every organization is willing to contribute towards its stakeholders and earn ‘Brownie’ points. According to a report released by Ministry of Corporate Affairs, the total CSR spending by the top 500 companies in the country since the applicability of mandatory CSR in 2014 is likely to cross INR 50,000 crore by March 2019. In terms of sectors, Education is the most preferred sector for CSR contributions. In terms of states Maharashtra receives the highest CSR contribution followed by Rajasthan, Karnataka and Gujarat.

The north-eastern states lag behind in receiving CSR funding. The current government has come up with “Adopt a district” plan wherein, corporate and business entities are encouraged to use their CSR funds to develop a district in totality. The Ministry of Tribal Affairs is inviting private partners who could use their CSR funds to adopt a tribal district or an entire tribal-dominated state. This is a brilliant move towards bringing tribal population into mainstream economy. (Sharma, 2018)

ii. Employee Needs: In order to maintain a sound working environment, employers need to be aware of the needs and expectations of its employees. This is a highly dynamic field of study as employees’ needs keep changing from time to time. Unlike the past, the current crop of employees give more weightage to job satisfaction, recognition and deriving a sense of purpose as compared to meeting their basic financial needs. When employees’ needs are met, they feel aligned with the mission, vision and values of the organization. This alignment contributes to high levels of employee engagement and commitment. Such committed and engaged employees come to work with enthusiasm and are willing to go the extra mile and contribute towards organization’s endeavours.

CSR is one such endeavour which needs the support and involvement of its people. In order to promote employee involvement in CSR programs, it is very important to understand the needs and goals of employees. According to Abraham Maslow’s ‘Need Hierarchy Theory’, all humans have a variety of needs and motives, and these needs determine their behavior and actions. People may reach the highest level of need i.e. Self Actualization, when they find significant and consistent ways to serve and contribute to the well being of humankind (Aquinas, 2006). Employees looking to satisfy their Self-Actualization needs are suitable candidates to carry forward CSR activities in the organization.

(Barrett, 2014) focuses on the needs associated with the seven stages of Psychological Development and how organizations can map the activities around these needs. The 6th and 7th stage of development mentioned below brings out the needs which can be fulfilled by involving employees in CSR activities. Following are the 6th and 7th stage of Personality Development:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Level of Development</th>
<th>Employee’s Need Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Service</td>
<td>Satisfying your need to leave a legacy – To have led a life of significance that will be remembered</td>
</tr>
<tr>
<td>6</td>
<td>Making a Difference</td>
<td>Satisfying your need to actualize your purpose by influencing or impacting the world around you</td>
</tr>
</tbody>
</table>

To achieve active participation of employees in CSR initiatives, it is important to recognize that not all employees are the same. Different employees will have different needs (want and value different things)
depending on the levels of consciousness they are operating from. For effective implementation of CSR as an Employee Involvement Strategy, the CSR activities need to be designed in alignment with the needs of employees, organization as well as the society/community.

iii. CSR and HRM: Human Resource professionals play a key role in helping the organization achieve its CSR objectives. HR managers have the tool and opportunity to leverage employee commitment and extract employee engagement to carry out CSR initiatives. CSR intensive organizations create a culture which revolves around participation and sense of purpose.

HR Department needs to influence attitudes of people and link employees with overall vision of CSR. They can bring credibility to CSR and align CSR activities with business strategy. Involving HR managers in design and implementation of CSR programs can transmit, communicate and raise the sense of social responsibility thereby encouraging employees to contribute towards and be a part of CSR. Employees prefer to work for organizations aligned with their values; thus, incorporating CSR into the ESR can enhance loyalty and retention, particularly in tight labor markets.

III. LITERATURE REVIEW

Majority of the organizations view CSR as a tool to fulfill its social obligations. Some organizations prefer direct intervention in the form of Cleanliness Drives, Blood Donation Camps, Environment protection programs or Rain Water Harvesting plants. There are others who partner with an NGO or a Non-Profit Organization to serve the community and society. Whatever be the mode, it is essential to monitor the outcomes of CSR spending.

The outcomes can be financial i.e. in the form of increased profits and extended markets. Non-financial outcomes of CSR can be seen in enhanced corporate image and identity, employee commitment, and loyalty. Most of the studies have focused on understanding the impact of CSR on external stakeholders like consumers whereas the impact of CSR on internal stakeholders i.e. employees is often neglected. Few studies that have brought to light the link between CSR and employee involvement deserve to be cited.

(Im, Chung, & Yang, 2016) have studied the effect of CSR participation of an organization on its employees. In the study conducted in 16 organizations in South Korea, the researchers have concluded that employee’s participation in CSR activities has a positive impact on organizational outcomes.

Employees participating in CSR activities showed high levels of Job Satisfaction, improved Organizational identification and enhanced Organizational Commitment.

(Chong, 2009) talks about the close alignment between CSR strategy and corporate identity. The researcher states that employee’s involvement in CSR activities tend to enhance their commitment to the organization, job related motivation and organization related citizenship behavior.

In order to address the problem of low levels of employee engagement in the workplace, CSR is seen as an effective way of engaging the workforce (Glavas, 2016). Engagement theory talks about the relationship between the individual and the organization. Whereas CSR theory focuses on the relationship between the organization and society. This study merges both these theories and brings out a holistic view of CSR.

CSR has a significant influence on employee’s commitment towards his organization. Employees can play an active role in designing and implementing CSR programs to develop the organization’s socially responsive behavior. The study conducted in 50 Rural and Community Banks (RCB’s) in Ghana confirms a strong positive relationship between Employee Engagement in CSR and Organizational Commitment (Mensah, Akyapong, & Nuertey, 2017).

A study conducted by Towers Perrin Global Workforce in 2007-08, ranks CSR as the 3rd most important driver for employee engagement and employee retention. Further a study by Kenexa Research Institute acknowledges the link between an organization’s CSR program and the job satisfaction level of its employees. The employees working in such organizations are proactive in recommending others to join their organization (Parul Bahal, 2017).

IV. DISCUSSION & ANALYSIS

i. Employee Involvement in CSR Programs: Employee involvement is a critical success factor for CSR performance. Effective involvement in CSR activities acts as a bridge between employee needs and organizational goals. If the CSR activities undertaken by the organization are in sync with the personal goals and needs of employees they tend to bring out positive outcomes. These outcomes can be visible in terms of enhanced job satisfaction, higher productivity levels, improved organizational commitment, and low turnover. The figure below is a flow chart of the beneficial effect of employee involvement in CSR activities from a Human Resource Management perspective. Proactive Employee Involvement in CSR activities will result in fulfillment of employee’s individual goals and needs. This fulfillment will enhance employee’s satisfaction towards his job and result in higher commitment towards his employer and organization. This will bring out a positive impact on employee retention and reduce turnover.
ii. CSR Spending and Employee Turnover: ‘Futurescape’, a Customer Experience Company along with IIM Udaipur has conducted a detailed and comprehensive study on Sustainability and CSR parameters of Indian Companies. This study is a detailed analysis of Business Responsibility reports and Annual reports of Companies across sectors on four parameters namely Governance, Disclosure, Stakeholders and Sustainability. The results are published in the form of “Responsible Business Rankings Study” which lists the Top 100 Indian Companies enroute to responsible business growth.

This research paper uses the Responsible Business Rankings Study to randomly identify 10 companies out of Top 100 companies listed in the Rankings. These 10 companies are a representative sample of sectors like Banking, FMCG, Automobiles, Chemicals, Infrastructure, Telecommunications and others. The Sustainability Reports of these companies have been studied to understand the linkage between the organizations’s spending on CSR activities and its cascading effect on Employee Retention and loyalty.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Sector</th>
<th>Company Name</th>
<th>Company Ranking</th>
<th>Annual CSR Spending (Million)</th>
<th>Employee Strength</th>
<th>Employee Turnover Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Steel</td>
<td>Tata Steel Ltd.</td>
<td>2</td>
<td>1,940</td>
<td>34,989</td>
<td>4.83</td>
</tr>
<tr>
<td>2</td>
<td>Cement</td>
<td>Ultratech Cement Ltd.</td>
<td>6</td>
<td>5415</td>
<td>14,682</td>
<td>4.75</td>
</tr>
<tr>
<td>3</td>
<td>IT</td>
<td>Infosys Ltd.</td>
<td>13</td>
<td>3,100</td>
<td>2,00,364</td>
<td>15.0</td>
</tr>
<tr>
<td>4</td>
<td>Diversified</td>
<td>Reliance Industries Ltd.</td>
<td>15</td>
<td>6,740</td>
<td>1,40,483</td>
<td>8.52</td>
</tr>
<tr>
<td>5</td>
<td>Natural Resources</td>
<td>Vedanta Ltd.</td>
<td>24</td>
<td>1,260</td>
<td>70,000</td>
<td>5.34</td>
</tr>
<tr>
<td>6</td>
<td>FMCG</td>
<td>Dabur India Ltd.</td>
<td>36</td>
<td>203.8</td>
<td>7,243</td>
<td>8.25</td>
</tr>
<tr>
<td>7</td>
<td>Banking</td>
<td>HDFC Bank Ltd.</td>
<td>40</td>
<td>3054.2</td>
<td>84,325</td>
<td>16.4</td>
</tr>
<tr>
<td>8</td>
<td>Automobile</td>
<td>Hero Moto Corp Ltd.</td>
<td>71</td>
<td>843.4</td>
<td>8,266</td>
<td>5.5</td>
</tr>
<tr>
<td>9</td>
<td>Refinery</td>
<td>MRPL</td>
<td>77</td>
<td>103.4</td>
<td>1,916</td>
<td>2.2</td>
</tr>
<tr>
<td>10</td>
<td>Automobile</td>
<td>Eicher Motors Ltd.</td>
<td>92</td>
<td>354.2</td>
<td>13711</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Source: Responsible Business Rankings Study 2017

The table above suggests that the companies undertaking CSR activities with the support and involvement of employees have registered a relatively low employee turnover rate. Banking and IT Services sector have reported high attrition rates due to more opportunities available for employee mobility.

iii. Live Cases of Employee Involvement in CSR Programs: In a recent study by Harris Poll, it was found that 75% of employees / job seekers expect their employer to support groups, individuals and communities in which they do business through donations and volunteer efforts. 76% of the young employees at Deloitte believed that business is a force for positive social impact and showed high levels of ESR (Employee Social Responsibility) (Glassdoor Team, 2017).

Apple Inc. has introduced “Matching Gift Program”. A matching gift is a charitable donation by the organization that matches the employees’ donation. Apple Inc. contributes 78 Million Dollars annually to charities under this program. In addition to this, the organization contributes 25 Dollars to the NGO for every hour of volunteering done by its employee.

Organizations like PepsiCo and Ashok Leyland have introduced skill based training for employees interested in volunteering work. Teams are formed across the globe who come together to work on CSR...
projects. Such teams / volunteers have contributed towards building water purification plants, conducting sanitation and HIV awareness programs among rural households.

Some organizations encourage their employees to undertake volunteering work in NGO’s during their working hours. Google, for example allows its employees to use up to 20 work hours annually for volunteering work. The employees of Multinational Conglomerate General Electric (GE) volunteer over 1 million hours yearly for community service.

Tata Communications has introduced ‘Employee Volunteering’ as a strategy for employee engagement and retention. The organization has been successful in improving job satisfaction levels through effective volunteering programs. The organization believes that Employee Volunteering creates a win-win situation for People, Planet and Businesses.

V. RECOMMENDATION

The attitude of organizations towards its social responsibility is fast changing. It is no more viewed as a mere PR exercise; instead organizations have begun to realize the multidimensional effects and benefits of undertaking CSR programs. The success of CSR needs to be evaluated in terms of its impact on employee motivation and morale, which has a cascading effect on employee commitment and loyalty.

i. CSR - ESR Model: There is a need to integrate and align the conventional concept of CSR with the modern and evolving concept of ESR. India having a dominant young population is at an advantage as this young energy can be channelized and utilized in the right direction to achieve great results. Corporations and business entities need to tap the potential of the youth and their urge to contribute to a bigger purpose.

Involving employees in designing CSR programs can develop in them a sense of belongingness towards the organization. This sense of belongingness will lead to far reaching impact on employee loyalty and retention. To put this idea into action, a CSR – ESR Model can be designed and implemented. Following are the 11 stages through which CSR strategy can be effectively positioned as an Employee Involvement strategy. The resulting effect of this would be high employee retention and reduced employee turnover.

Stage 1: Define the Corporate Objectives: Every organization need to have well defined vision and mission statements which help and guide its operational and economic growth. The corporate objectives are derived from the vision and mission statements and are more measurable and quantifiable. Profitability, Market share and Economic growth parameters form the core of these corporate objectives. The founders along with top management professionals are responsible for defining, revising and redefining corporate objectives in line with the environmental changes. In case the organization plans to implement CSR – ESR model, it should involve senior level HR professionals in the process of defining corporate objectives.

Stage 2: Derive Social Objectives: Once the corporate objectives are in place, certain social and societal objectives have to be defined which will help in meeting the corporate social responsibility of the organization. The focus area of these social objectives can be employee welfare, social awareness, community well being, environment protection, and national interest. The philanthropic activities of the organization should be in line with its mission, vision and corporate objectives.

Stage 3: Communicate with Employees: In a CSR – ESR model, employees are seen as torch bearers as well as beneficiaries of the Corporate Social Performance. Once the social objectives are defined, they need to be communicated to the employees and suggestions must be sought.

Stage 4: Understand Employee Needs: The current crop of employees are looking at higher order motivations and prefer jobs which are challenging and at the same time satisfy a sense of purpose. Understanding employee needs will help in adopting a CSR strategy that not only meets social objectives of the organizations, it also improves the satisfaction level in employees.

Stage 5: Align Employee Needs with Organization’s Corporate and Service Objectives: Once the employee needs have been identified, an alignment has to be brought in between the organizational objectives and employee motivation. Research studies have proven that employee’s personal characteristics have to be in sync with organizational environment. This fit helps in achieving successful organizational outcomes. The part of profit set aside to fulfill the social commitments, must be put to effective use with the participation and involvement of employees.

Stage 6: Create a CSR Strategy: A successful CSR strategy will rest on the effective alignment between organization’s social objectives and employee’s individual objectives. A CSR strategy will involve defining specific objectives of CSR, various CSR activities and its outcomes, time lines and impact measurement process. Employees with high levels of ESR must be identified to spearhead the CSR programs.

Stage 7: Share & Invite Employee Feedback: The top management will be responsible for framing a
CSR strategy, however soliciting employee feedback is essential prior to implementation of the strategy. The employees have to be educated about the impact of their participation and involvement in CSR activities on the fulfillment of their individual objectives.

**Stage 8: Finalize CSR Strategy:** First and foremost it is important to create a climate of openness and autonomy for employees to openly express their ideas and thoughts. The suggestions received from employees can be evaluated for its suitability and effectiveness and can be incorporated into the CSR strategy. Employees have to be viewed as the drivers and delivery partners for CSR initiatives on one hand and as beneficiaries on the other hand.

**Stage 9: Implement CSR Strategy:** The success of a CSR strategy rests to a great extent on its implementation with the wholehearted participation of its workforce. Majority of the organizations have multiple areas and channels of CSR initiatives. Employees should have the freedom to participate in the activities that appeal to them and satisfies their personal objectives.

**Stage 10: Regular Follow-up:** Evaluation and monitoring is an inseparable part of strategy implementation. An action plan should be put in place for timely and periodic evaluation and follow up of the CSR strategy. In a dynamic economic environment the scope of CSR is evolving and appropriate steps have to be taken to stay in line with the changes. Regular follow up will help in identifying and bridging the gap between the CSR objectives and its attainment.

**Stage 11: Measure Impact of CSR on Employees:** CSR – ESR Model enables employees to relate to the values of the organization which could result in higher morale, enhanced self esteem and fulfillment of their own needs and desires. This could contribute in building a psychological link between employees and their organization. The impact of CSR – ESR Model can be measured in terms of employee absenteeism, job satisfaction, employee turnover, intra-organizational conflicts and employee commitment. Effective implementation of CSR – ESR model will result in minimal absenteeism, improved job satisfaction, low employee turnover, fewer conflicts and heightened employee commitment.

ii. **A Five Star Model for positioning CSR as an Employee Involvement Strategy:** Engaging employees in CSR programs is easier said than done. The CSR programs should satisfy the personal needs of the employees in order for it to be a motivator. CSR initiatives can be viewed as an opportunity to induce and develop employee involvement which in turn can result in heightened commitment and employee retention. Following are the essentials which can help in positioning CSR as a strategy for Employee Involvement. These essentials have been termed as “Five Stars” essential for the success of CSR – ESR Model.

- **Management Commitment**: The vision and commitment of the top management plays an important role in making CSR effective and stabilizes it as a model for improving employee commitment and participation. The management has to believe in the long term beneficial impact that employee participation can have on CSR strategy and how it can be positioned as an Employee Involvement strategy.

- **Participative Leadership**: The leaders at the top stratum of the corporate ladder must be actively involved in leading CSR activities in the organization. They can be role models for the remaining workforce and can accelerate social responsibility among employees. Organizational leaders who are actively involved in giving back to society create a conducive environment for employee volunteering and participation, which in turn has a positive outcome on employee’s commitment towards the organization.

- **Proactive Communication**: While designing and implementing CSR programs, 360 degree communication has to be encouraged. Employees must be involved at every stage and they must know the social activities planned and undertaken by the organization. Being aware of the success of CSR initiatives of the organization, can prove to be a motivator to the employees to contribute proactively and enthusiastically.

- **Employee Ownership**: The foundation of CSR – ESR model rests on the pillars of employee involvement and participation. Employee led CSR programs can help in improving involvement and motivation levels towards their job as well as stimulate organizational commitment. Employees need to own up to their actions in bringing a change in society and impacting the larger picture. This proactive ownership from employees can prove to be strategy for employee involvement and retention.

- **Celebrate Achievements**: Most of the companies highlight their CSR initiatives and achievements through an Annual Sustainability Report. However it is important to recognize and applaud the people who have spearheaded the CSR programs and have been active contributors. Internal celebration of employee participation and achievements can bring employees closer to the organization and boost employee involvement in future programs.

**VI. CONCLUSION**

CSR, which started out as a statutory obligation is slowly blending itself with the organization’s strategy and it’s DNA. Companies are getting due recognition for the role they play in contributing to the betterment of community and society. Employees, one of the major stakeholders in any organization can be
effectively used to improve the success rate of CSR programs. Employee involvement in CSR initiatives works as a ‘Win – Win’ situation for the organization. On one hand, the organization benefits in the form of enhanced public image, stable workforce, and employee commitment. On the other hand, the employees develop a sense of accomplishment and belongingness towards their employer. Hence, active involvement of employees in designing and implementing CSR programs can help in meeting and satisfying their personal goals. A futuristic organization views CSR programs and initiatives as an effective strategy for employee involvement and engagement.

VII. REFERENCES