

A Theoretical Study on the Impact of CSR on Employees Organizational Performance and Commitments

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ABSTRACT

Since from the last few years, Corporate Social Responsibility has gained much attention and importance which have given a positive impact on the society. Issues such as ethics and ethical behavior are been given importance in business today. And so, there are many discussions going on regarding the trends and basic changes in the field of political, social and economic sectors. Today, because of tremendous pressure from society, business people put more attention to CSR and its values. Corporate Social Responsibility now started focusing from shareholders to stakeholders. This is only because of the involvement of stakeholders in every organization. Stakeholders includes employees, suppliers, customers, media, local communities, NGOs alike. It was also noted that internal CSR practices improves employees job satisfaction which results into lowers employee's turnover retention rates. Thus, we can say that organizational commitment increases. Hence, Corporate Social responsibility is a key driver of employee green behavior. Proper practice of CSR activities by an organisation can provide good workplace environment to employees, more engagement in workplace with positive relationship between employees and the firm with greater organisation trust. CSR also acts as a base for building employees' attitude and behaviour. Yet it was seen that we are still lacking the reasons behind why the employees are affected by CSR. As such very few studies have been undertaken which focus on employee sentiments towards CSR. The objective of this paper is to study the importance of how to implement the ethical practices in organisation which creates long term positive relationship between employees and the organisation. The study will also give importance on the uses of CSR activities which will give encourage organisational commitments and improves organisational performance as well. A code of ethics is very important by every organisation to implement in effective way.

KEYWORDS: *Corporate Social Responsibility, Employees, Employee Job Satisfaction, Organizational Commitments, Employee Motivation, Human Resource Management, Employee Engagement, Turnover Rate, Social Practices, Ethics, Performance, Code of Ethics*

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1. INTRODUCTION

We have seen that since many years concepts like social responsibility, community development, corporate citizenship, community relations started have been mentioned by various companies specially in their annual report. Corporators are now a days been advised to spend amount on CSR as an investment neither expense to establish good relationships with different stakeholders. This will ultimately create loyalty from stakeholders. Stakeholders includes employees, government, suppliers, investors, etc.

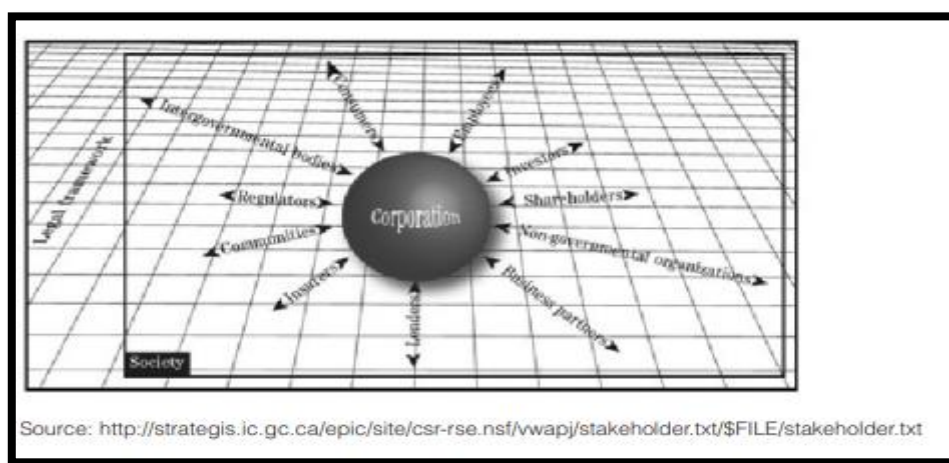


Fig. 1 CSR have a wide range of Stakeholders

For an example, Alexander and Buchholz (1978), Cochran and Wood (1984), Stanwick and Stanwick (1998); McWilliams and Siegel (2001); and Arx and Ziegler (2008) are all have studied about the relationship between CSR and corporate financial performance.

Corporate Social responsibility in the past years was only concerned by MNCs but now it has been increased to even small and medium partnerships and proprietorship firms also.

(Kucukusta, Mak, & Chan, 2013).

Heslin and Achoa (2008) highlighted the importance of corporate social responsibility towards corporate success. As such not much studies have been undertaken on CSR with its influence on Employee 's commitments towards organisation. As such engaged employees are the one of the reasons for the success of every organisation.

So, to improve employees bonding with the organization, reduce employee turnover rate, decrease absenteeism and increase motivation towards employees, Corporate Social Responsibility plays a vital role by establishing positive effects on employees' commitments. Still there are few organisations who refuse to invest in CSR because they are only giving importance for profit earning. (McWilliams, 2000)

It was Rupp and Mallory (2015) who recommended that even if “employees are an important stakeholders’ group, and their reactions to an organisation’s CSR efforts are relevant to understand the social good generated by CSR initiatives, the research to date has not exactly taken this position” (p 225).

It was the recommendation of other researchers also that much attention has to be given on identifying social outcomes of CSR besides only economic consequences. (Farrington et al.,2017)

In CSR and its outcomes, employee- company relationship is very important (Supanti, Butcher & Fredline, 2015) which includes Organisational Trust and Identification (De Roeck & Maon, 2016; Farooq, Payaud, Merunka & Valette- Florence, 2014)

Tan and Tan (2000) define trust as “an employee’s feeling of confidence that the organization will perform actions that are beneficial, or at least not detrimental, to him or her” (p24). Identification is feelings of employees – “oneness with or belongingness to an organisation, where the individual defines him or herself in terms of the organisation in which he or she is a member” (Mael & Ashforth, 1992, p 104)

It was also seen that many times to reduce ethical problems in business also, now a days organisation s are trying to adopt certain steps that generally develop their reputation. (Iwu- Egwuonwu, 2011)

“We believe that the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world’s major challenges- including poverty, climate change, resource depletion, globalisation, and demographic shifts”.

Niall Fitzgerald, former CEO & Chairman, Unilever.

The common definition adopted of CSR by The World Business Council for Sustainable Development (WBCSD), is “The continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as the community and the society at large” (WBCSD, 1998)

2. CORPORATE SOCIAL RESPONSIBILITY

There is a saying that “Stakeholders never support a weak organization and birds don’t build their own houses on trees that don’t bear fruits”. Corporate Social Responsibility, is a concept

where every organisation tries to protect the ultimate interest of the organisation. This interest in been protected only when you take responsibilities against different stakeholders like customers, suppliers, employees, shareholders, communities and the environment. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.”

3. BUSINESS PROGRESS

Every business progress is a process how the business gets expanded because of increasing number of customers, with output growth, increase sales or mixture of all. We can also say that business development means the exclusion of impact of foreign exchange. The main growth of every business ultimately depends upon the avoiding of the divestures and acquisitions with inclusion of foreign exchange.

4. LITERATURE REVIEW

Bowen and Johnson (1953) define CSR as “efforts to pursue policies, to make the decisions or to follow those lines of action which are desirable in terms of the objectives and the values of our society” (p.6). Carroll (1979) defines CSR as “being the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time” (p.500). Companies faces many challenges while studying the perception of every employee and so now a days organisation are more concern about social responsibility towards employees by employers. So, companies are starting with CSR activities so that its positive effects can retain their employees to same extent. It has been stated that CSR activities generally have great impact on current employees’ commitment towards their organisation. (Turker, 2008). It has also been considered that employees are one of the important group of stakeholders for each organisation.

One of the reasons behind a successful company is how to attract & retain their employees which could be possible only with the efficient role of Corporate social responsibility on employees by them. By creating good working environment is also another factor for retaining their employees. Because if only there are satisfied, they can recommend other employees too (Bhattacharya et al., 2008). So, by encouraging more of CSR activities, Companies are now trying to develop more good relationship with their employees i.e., internal stakeholders (Harwood et. al, 2008). We can even suggest that as the relationship between employee &

employers becomes stronger, this will increase the customer satisfaction which will ultimately improve the profit margin of their companies. (Schlesinger and Heskett, 1991).

Initially, CSR was been coined by Beyer (1972) and Drucker (1974) who stated that every business should do some of the social responsibility towards society. It was seen that many organisations are only participating their contribution just to earn profit. And therefore, they should now contribute their work towards environment and uplifting the society as well. There are many scholars such as Sturdivant and Ginter (1977); Stanwick and Stanwick (1998); Fombrun, Gardberg and Sever (2000); Maigan and Ferrel (2001); Bromley (2002); and Kashyap., Mir, and Iyer (2006) suggested Corporate Social Responsibility should be carried out by every organisation for the betterment of consumer, community, competitors and the government.

There are still many more researchers who all have given importance to CSR with respect to CSR and financial Performance, Consumer Behaviour and employee behaviour like Sturdivant and Ginter (1977); Churchill and Surprenant (1982); McWilliams and Siegel (1995); Porter and Van Der Linde (1995); Hart (1995); Judge and Doughlas (1998); Klassen and McLaughlin (1996); Paine (2003).

So, we can say that it has become a well -known concept of literature now (Nejati & Ghasemi, 2012). But it has also been seen that many research works have been conducted on External Stakeholders and few have been worked on internal stakeholders. (Kim, Song & Lee, 2016). Internal CSR practices includes practices which are directly related to physical and psychological working environment of employees (Turker, 2009). It also includes health and well-being of employees, their training and participation in the business, equality of opportunities, work – family relationship (Vives, 2006)

It was seen in the past that many organisations have worked to improve their financial performance (Skare & Golja, 2012). But now a days many of them are working to improve their Corporate social responsibility strategies. (Basu & Palazzo, 2008). Company's started using CSR Practices as a key element. (Garriga & Mele, 2004). But sometimes while implementing the CSR activities, organisation ignore the expectations of the society (Gossling & Vocht, 2007). It was seen that many times stakeholders are unaware about the practices of the organisations towards the society. (Calabrse, Costa, Menichini, Rosati & Sanfelice, 2013). Many literatures show us that generally employee is committed to those company's only where they feel the organisation is socially responsible as well. (Stites & Michael, 2011).

It was the findings of Glavas and Piderit in 2009 that the employee's perception is depended on how important the CSR is to them. Because of this, employees started feeling more meaningful & valuable at work. This in turn indicates the employees about the values of the companies which ultimately proves to be a positive relationship between employer & employees. (Jones et al., 2014).

CSR, Employee Commitment and Organizational Performance

Many Researchers under their studies suggested that CSR develops Employee Engagement with its organisation. This is only because Corporate Social Responsibility activities includes practices in terms of welfare of the employees. Many studies have been done by like Albinger and Freeman (2000); Greening and Turban (2000); Backhaus (2002); which states that when organisation starts contributing towards social benefits towards their employees, potential employee's get encouraged and generally improves their commitment level. Even in 2009, one of the researcher Sharma stated that in every organisation, Human Resource Management plays an important role towards fulfilling its Corporate Social Responsibility. It was also stated by Scott in 2004 that if any company contributes its social responsibility, it ultimately builds better image of every organisation in the society as well.

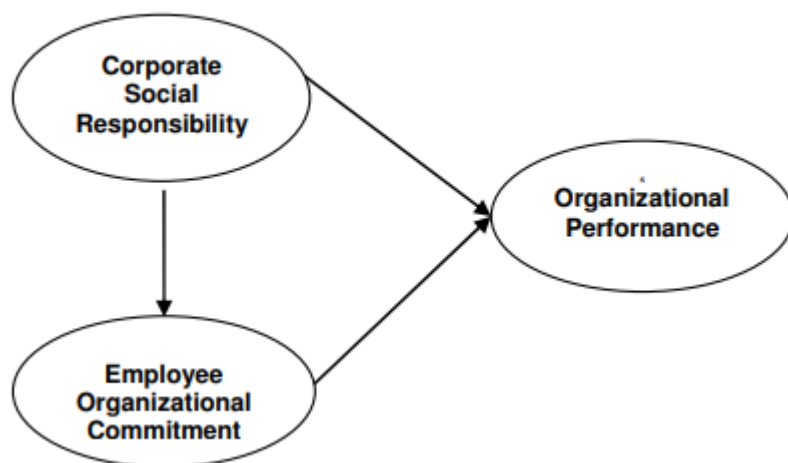


Fig.2 Corporate social responsibility, employee commitment and organizational performance

Sometimes this CSR is observed by many scholars with respect to observation. For example, research done by Stawiski in 2010 states that involvement towards social deeds of companies, make feel a sense of belongingness towards the organisation. But for this more of the

employees has to participate in decision making process. More of participation increases the organisational commitment and will ultimately will increase the productivity. This will also get reflected in increase in the organisational performance.

Internal Customers in Corporate Social Responsibility

It has been said that every company must participate equally towards CSR, as commitments is equally implemented when there has been equally participation towards social responsibility (Basu & Palazzo, 2008). Internal Corporate Social responsibility includes every measure related to internal stakeholders such as employee's health, safety, general behaviour alike. (Vives, 2006). Recently these kinds of factors have become the main responsibility of management of the companies now-a days.

The workers and the employees of the organisation are the ultimate Internal Customers for the organisation. Even the employees of the other departments are recognised as same. Now a days when we talk about Employees Satisfaction which has become one of the important elements has been given importance by every successful organisation. This Employee Satisfaction comes directly or indirectly from Job Satisfaction level. Job Satisfaction always shows the quality of work done by the Internal employees. But Job Dissatisfaction always leads to factors such as employee turnover, absenteeism, lower motivation. This usually affects the quality of work done by their employees in the organisation. (Whitehead, 1998).

It was seen that only employees not only expecting good environment offered by companies including all norms, values and principles but also now a days companies also try to cope up with all responsibility regarding themselves. (Waddock et al., 2002). This is only because employees started giving more attention to organizational environment than giving credit to their job satisfaction. (Leigh et al., 1988). And when employees' values get align with that of organisation, they started feeling motivated which can be seen in their positive work performance. (Holme, 2008).

5. IMPORTANCE OF CSR IN BUSINESS ORGANISATION

With the help of top management's support social behaviour can be develop in the organisation which can have positive effects itself. More than that these practices in organisation have to be properly communicated and implements in the business organisation, (Hian and Boo, 2004). Now it becomes important to note that how employees positively take this into their

performance and in achieving long term organisational effectiveness. (Vitell et al., 2003). We all are aware that good positive organisational environment results into productive organisational outcomes, create good reputation, increase brand image. This also shows a positive signal to all stakeholder whether they are internally or externally committed to organisation. These kinds of attempts can increase positive action and behaviour of employees toward their organisation effectively. Corporate Social Responsibility is generally concerned with moral obligation, social responsibility and social justice. Today in this competitive environment, many organisations make unethical behaviour by taking unethical decisions. These kinds of decisions are not fruitful as this decision may affect the company's business development, ultimately affecting the employees' commitments. And if the responsible person makes unethical decision or cannot fulfil its corporate responsibilities than the entire system gets affected with it. So, therefore it becomes important to implement business social responsibility in every organisation. If proper take care of these social responsibility is not been take care of then not only the internal stakeholders but even the external stakeholders will get affected with the business organisation itself.

For this there are two ways of proper implementation of social responsibility:

Firstly, the government of each country may take initiative to compile corporate social responsibility and then every organisation has to implement it.

Secondly, Government may ask the association of every business organisation to do so, and to check that they are been properly implemented after it gets approved from government.

However, many of the responsibilities cannot be implemented by force, so it becomes the prior responsibility of every organisation, some of them can be given to every organisation for voluntary implementation. Manager will implement them and will also take care that it has been implemented or not.

6. THE DRIVERS FOR CSR

The drivers to implement CSR within organisational strategy vary across organisations, sectors and even geographic locations. Responsible business practice is driven both from within the organisation (internal stakeholders, such as employees) and from outside the organisation (external stakeholders, such as customers, suppliers and the local community). It is often pressure from external stakeholders that forces boards to take action on poor practices associated with the business.

The emergence and growth of ‘corporate social responsibility’ or ‘corporate responsibility’ since the mid-1990s has not happened by accident. A significant part has been played by a series of high-profile environmental incidents, including the Bhopal disaster in India in 1984, the nuclear reactor disaster in 1986 at Chernobyl (then in the USSR) and the largest oil spill ever to occur in the USA, when the tanker Exxon Valdez discharged millions of gallons of crude oil into Prince William Sound, in Alaska, in 1989. These preventable accidents, in combination with the collapse of large corporations, such as Enron, have led to a growing distrust of the business community on the part of the general public.

Society as a whole now expects a business to ‘prove’ its positioning on social, ethical and environmental matters – put simply, we don’t trust businesses that do not account for these impacts. This has spawned a huge increase in pressure from the public about the practices of businesses and a response from business in the form of increased non-financial reporting (CSR/sustainability reporting). This reporting of environmental and social impacts by a business contributes to a perception of transparency and helps establish an organisation’s CSR credentials.

Basic drivers of CSR

The basic drivers of CSR consist of:

Values: a value shift has taken place within businesses, as a result of which they now not only feel responsible for wealth creation, but also for social and environmental benefits

Strategy: being more socially and environmentally responsible is important for the strategic development of an organisation.

Public pressure: pressure groups, consumers, media, the state and other public bodies are pressing organisations to become more socially responsible. Organisations are often driven by one of the above, but see a shift into other spheres over time. In the main, it has been public pressure centred on three key areas that has driven the CSR agenda. These comprise the environment, labour standards and human rights.

7. ROLE OF GOVERNMENT IN CSR AND USE OF CODES OF PRACTICE

For the foreseeable future, CSR is likely to remain a voluntary initiative, despite efforts by lobbying groups to persuade policy makers/government to make it mandatory. Within the broad definition of CSR, however, there are opportunities to drive a common agenda for the benefit of the organisation and shareholders/investors, employees, communities and other stakeholders. CSR, therefore, can be viewed as unstructured 'soft' intervention, in that it is voluntary and not directly regulated.

The World Business Council for Sustainable Development, views CSR as a commitment by an organisation to act in an ethical manner and focus on economic development, while improving the quality of life of its employees, the local community and society as a whole.

Over the last decade, there has been much wider governmental and political interest in CSR and business behaviour, accompanied by attention from the media and NGOs. Much of the focus, however, has been on corporate governance.

Changing legislation and consumer pressure have driven the emergence of CSR. Smart companies of the future that want to have a leading edge over the competition will embed CSR strategy and policy, making this a part of their unique selling point. An example of this is huge success of the Innocent Drinks Company, set up in 1999, which ten years later was ready to go global, with Coca-Cola as a 20 per cent investor.

All of the above has meant that among the drivers that encourage companies to take CSR seriously are its perceived

8. OBJECTIVE OF THE STUDY

- To study the relationship between the impact of corporate social responsibility toward employee engagement
- To analyse the relationship between the commitment of employees and profitability.
- To study the attitudes of managers and other higher authorities towards social responsibility.

9. RESEARCH METHODOLOGY

It is a systematic way to solve the research problems. It can be defined as, “the specific procedures or techniques used to identify, select, process, and analyse information about a topic”.

This research involves primarily study of all those factors which could affect business decision to adopt social responsibility while making profits and gains.

Secondary data are collected through:

- Research done in the same filed.
- Journals
- Books
- Internet

Collection of Data

Primary Data Collection: Here, the primary data is being done by the researcher themselves by using the method such as survey.

Survey

The essence of *survey method* can be explained as “questioning individuals on a topic or topics and then describing their responses”. Here it is being used as direct interaction with the owners of corporates, managers, workers, employees etc.

Data Analysis and Interpretation

The study was carried out after visiting the companies, organization and discussing with them about their social responsibilities with different stakeholders.

The various elements which were discussed which involves:

- Familiarity of the concept of CSR
- Contribution by organisation towards CSR
- Involvement by employees towards CSR activities
- How CSR is likely to affect the involvement of employees in the organisation
- Does the practice of CSR have an effect on employee’s motivation?

Findings and conclusions:

After the analysis, it was found that:

- After the survey it was seen that there was lack of awareness about the Company's CSR practices among the employees. Even the organisation fails to make aware about it.
- It was seen that organisation have now started taking initiative for fulfilling their social responsibility with the help of various policies and by creating a climate of integrity and excellence.
- It was also noticed that many employees have started taking interest in the CSR activities.
- Surprisingly, it was noted that employees think that CSR is the one of the motivator factors which every employee look for while working in the organisation.
- Finally, it was noticed that CSR practices in the organisation improves the employee engagements.

10.CONCLUSION

It was said by Robin and Reidenbach,1987 that business is ultimately a human activity and should be continue from moral point of view. CSR in business requires decisive action which includes proper planning and accomplishments of standards with its appropriate conduct to improve the organisational ethical performance. Certain Issues have global dimensions which require global solutions. Therefore, our business activities should be such that requires maximum awareness of many a challenge faced on a global scale. However, CSR in terms of Business ethics here lays an important role.

Also, results from a study produced by the Society for Human Resources Management (SHRM) show that companies with sustainability programs have higher numbers of employee morale and loyalty.

Stakeholders are not only the one who expects much from the organisation but it ultimately even becomes the responsibility of organisation to practice such norms, value and principles within the organisation itself. (Waddock et al., 2002). Employees put more involvements and commitments to those of the organisation who have good environment and climate which could motivate and commit them towards job satisfaction level. (Leigh et al., 1988). Employees who feel a strong with the organization's values and know that they are supported can react with strong motivation and performance which is crucial to customer approval (Holme, 2008).

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