

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

A Review of the Cause-Effect Relationship between CSR and HR

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Abstract:

The prominence of corporate social responsibility (CSR) is being increasingly recognized by the organizations. It is considered as an innovative and strategic management function that helps the firms in building strong reputation and brand image. The role of human resource management (HRM) practices in CSR is now being widely accepted and studied. Building a culture of change and responsibility begins with HR. HRM practices ensure that the employees of an organization are wholly committed and are equipped to volunteer for the community initiatives that the organization embarks on. Strong CSR activities also lead to several positive and acceptable outcomes for the firm including, talent acquisition and retention, improving employee engagement and in developing OCBs by the employees, among others. This paper focuses on the cause and effect relationship that exist between CSR and HR. Both the concepts must be equally valued and appreciated by the firms as both CSR and HR are supposed to supplement and complement each other and are considered to be the essentials for the success of the organizations.

Keywords: Cause and Effect Relationship, Corporate Social Responsibility (CSR), Human Resource Management (HRM) Practices, Organizational Citizenship Behavior (OCB)

1. Introduction

Business organizations, over the past few years, are conferred not just with the responsibility of creating wealth, goods and services and generating employment opportunities, but are considered to be constructive partners who work for the benefit of the society at large. The complete outlook about a business firm has undergone a tremendous transformation. They are responsible not only to their stakeholders, but also to the society. According to the European Commission (2001), 'being socially responsible not only means satisfying completely the applicable legal obligations, but also going beyond and investing "more" in human capital, environment and in building relations with stakeholders. The concept of Corporate Social Responsibility has captured a very significant place in the dictionary of business firms. Corporate Social Responsibility is the ability of an organization to design and implement its procedures and practices to the greatest interest of the society so that they turn out to be advantageous both to the organization and the society. World Business Council for Sustainable Development defines CSR as, 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families and the local community and society at large.'

Human resource management practices have a significant role to play in helping an organization to kick start its CSR initiatives. HR plays a very crucial role in planning and executing the CSR strategies and activities. CSR initiatives require the full-fledged support and dedication from the part of the employees. HR managers hold the key to influence employee dedication and to ensure their active participation in the organization's CSR schemes. Fraisse and Guerfel-Handa (2005) opines that HRM could represent a powerful lever that would help companies to adopt more responsible behavior. Incorporating HR into the CSR arena can benefit an organization in a number of ways. It helps to enhance the sustainability of the organization and can also act as a factor to boost the processes of employee recruitment and retention. A talented workforce is the most important determinant of competitive advantage for organizations. HRM practices could, thus, support and help to solidify establishment of CSR within companies (Preuss et al., 2009).

There exists a noteworthy cause and effect relationship between CSR and HR. Good HR practices can lead to the establishment of sound CSR activities by enabling and ensuring the support and commitment of the employees through appropriate HR practices. Implementation of good CSR schemes will undoubtedly benefit the organization in many ways. Some of the notable advantages of CSR include talent acquisition and retention, increasing the level of employee engagement and innovation and also building strong brand and reputation. The primary focus of HR professionals should include creating and transmitting culture that supports such initiatives and which enables incorporation of suitable and timely changes. The HR function should take the leading role in developing as well as implementing appropriate CSR strategies which will aid in the growth of the organization.

2. Human Resource Management Practices

Human resource is the greatest asset that any organization possess. The survival of any organization without good human resource is next to impossible. The term "human resource" gained popularity during the 1910s and 1920s. Workers were, at the time, seen as a kind of capital asset. Human Resources Management (HRM) refers to the management of people at work in an organization. It is the management function through which managers recruit, select, train, and develop the members of the organization. It deals with the development and effective utilization of human resources to achieve organizational goals and objectives. Armstrong (2011) defines human resource management as, a strategic and coherent approach to the management of an organization's most valued assets – the people working there, who individually and collectively contribute to the achievement of its objectives. HRM is the organizational function that deals with recruiting, managing, developing and motivating people and also providing them functional and specialized support for fostering engagement. It also ensures compliance with employment regulations and human rights standards.

HRM can be viewed as that part of management which is concerned not only with the management of people at work, but also their relationship with the organization. It includes the design and implementation of policies and all the practices that can assist in promoting efficient utilization of human resources which can lead to the improved performance of an organization. According to Becker et al. (1997), although HRM has long been considered to support other company functions, it is now perceived as a competitive advantage for firms. Good human resource, undoubtedly, helps an organization to achieve the competitive edge over the competitors. Good HRM practices are instrumental in helping achieve organizational objectives and enhance productivity. Few of the notable advantages of a sound HRM system are:

- a) Helps in hiring the best possible talent available in the labour market
- b) Providing quality training to the employees
- c) Helps in setting up an effective performance management system
- d) Helps in building strong culture and values in the organization
- e) Effectively resolving conflicts
- f) Creating good relations and maintain a supportive and peaceful working environment

Dietrich and Pigeys (2005) are of the view that, HRM must respond to companies' objectives, such as performance, profitability, and competitiveness, and should consider people a key asset of the company. Sibaud (2003) distinguishes two dimensions of HRM:

- A management dimension that addresses HR function tasks and organization issues
- A resources dimension that takes into account human capital acquisition, development and promotion.

It is essential for companies to improve their HRM practices by investing in it to improve organizational efficiency and many researchers have pointed out this fact. Becker and Huselid (1999, in Simard et al., 2005) link human resources to sustainable competitive advantage and encourage companies to invest in HRM practices that reinforce positive attitudes towards the firm. Timey focus on HRM activities provide organizations with the much wanted competitive advantage.

3. Corporate Social Responsibility

Corporate social responsibility (CSR) is a concept that is gaining utmost importance as far as any organization is concerned. Business firms have a responsibility towards the society in which it operates and this thought has made firms to think of serving the society. The idea has a long history, both in Indian and global context. Rosamaria C. Moura-Leite and Robert C. Padgett (2011) have tried to trace back the history of corporate social responsibility. According to their findings, in the early 1950's, more emphasis was on serving the society through good deeds and thereby fulfilling the responsibility of the businesses' towards the society. During 1960's, the focus was on events and ideas which were instrumental in bringing about social changes. In the 1970's, managers applied the traditional management functions when dealing with CSR issues. It was during the 1980's that the business organizations started giving importance to the interest of their stakeholders. Business and social interest came closer and firms became more responsive to the needs of their stakeholders. Universal recognition of the concept of CSR was achieved during the 1990's and in the 2000's, CSR decisively became an important strategic issue.

According to the definition of United Nations Industrial Development Organization (UNIDO), 'Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.' According to UNIDO, 'it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.' It is a business practice that involves participating in initiatives that benefit the society at large. Organizations are bestowed with the paramount obligation of making critical business decisions that contribute to building a better world. CSR necessitates the active involvement from the part of the organization to create and implement solutions to social as well as environmental challenges and also to proactively respond to the demands and expectations of the stakeholders.

The original proponent of CSR, Bowen (1953), defined it as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of society." CSR was later redefined by Carroll (1979) as the integration of ethical, legal and philanthropy components into economic activities of business. According to Morimoto et al (2005), corporate leaders, today, face a dynamic and challenging task in attempting to apply societal ethical standards to responsible business practice. CSR has remained a voluntary activity all through its various phases of evolution until recently. With the introduction of the Companies Act 2013, it was made mandatory for the organizations to spend a percentage of their profit for the benefit of the society. Under the Companies Act, 2013, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend at least 2% of last

3 years average net profits on CSR activities as specified in Schedule VII of the Companies Act, 2013. The Act has brought in a rapid transformation in the way organizations viewed CSR. It has become an integral part of the business activities and is regarded as a critical component for the effective realization of business goals.

4. CSR – The Outcome of Virtuous HR Practices

Business organizations have realized the need for being committed not only to their internal stakeholders, but also to the society. According to Lockwood (2004), Corporate Social Responsibility (CSR) has become increasingly more important as a strategic focus in today's workplaces. For an organization to be actively involved in the CSR activities, the workforce must be supportive and committed and should have the zest and zeal to take up such initiatives. Sound HR practice is an indisputable prerequisite for being actively involved in such activities. A very significant relationship exist between HRM and CSR. A survey conducted by Scouarnec (2005) on 'HR functions' Substantial Impact on CSR', underpins this relationship.

HR is the only function that has a great influence across the entire organization as well as over all the employees who work there. It works horizontally and vertically across and within the organization, which is very essential for the delivery of successful CSR activities. Since it deals with numerous key concerns of the organization, it can lead to glitches in the functioning of the organization, if it's not handled cautiously. HR managers have the ability to influence three chief areas of CSR. These include ethics, employment practices and community involvement. According to Oghodo (2012), 'HRM might provide sustenance and assistance to coagulate the institution of CSR within organizations'. HR must take the lead role in providing an outside in perspective that will enable a firm's workforce to be committed and ready to take up initiatives.

Weiss (2008) observed that 'CSR would ensue from the evolution of the working practices and thus from a better consideration of the environmental and social impacts of the companies' activities'. Developing and sustaining the right culture is the key to the success of any initiative that an organization take up. Organizational culture must be weaved in a way that it supports and enhances continues learning as well as enables organization to rapidly adapt to the changes that occur in and around its environment. HR plays a vital role in developing constructive culture that will rightly mould the behavior and attitude of the employees and will help in making them responsible, not only towards the organization, but towards the society as well. Recognizing and promoting the effective behaviors becomes quite easy with the establishment of good organizational culture. This can also be achieved through various talent management processes as well as rewards and recognition programs. The concept of 'corporate citizenship' can be transformed into reality with the positive influence of good organizational culture. Good organizational culture also ensures that the workforce is aligned to the CSR vision and strategies of the firm. This is an essential aspect as this will help the organization in receiving the much needed support of the employees. It will help in motivating and encouraging individuals to be environmentally conscious and socially responsible. Effective organizational culture also reduces the gap between the various hierarchical levels, thus, enabling all the employees in the organization to work together in tandem to achieve the CSR goals.

Studies conducted by Redington (2005), Owoso (2010) and Wamere (2012) emphasize the significant position of HR professionals and effective people-management as essential elements of thriving CSR programmes. Sharma et al (2009) notes that the internalization of CSR in an organizational culture entails that suitable behaviors are reviewed, valued and compensated. HR plays a key role in aligning job design, staffing, performance management and compensation with the organization's CSR values. It also brings about opportunities for proactive CSR mentoring. HR managers are responsible for buttressing a culture of responsible leadership and CSR-related expectations among all the employees. Fraisse and Guerfel-Handa (2005) points out that the HR function supports the CSR activities of a firm by improving and sustaining the motivation and skill development of the employees as well as cultivating a volunteering behavior in the employees. The amalgamation of CSR values into HR functions will help build and promote a workforce culture strongly aligned with the organization's CSR strategy.

5. Outcomes of Sound CSR Practices

The notion of "corporate social responsibility," which was once a voluntary activity, has quickly found place in the dictionary of all the large firms. It has become a crucial part of the long-term strategy of the firms – not just from the marketing point of view, but also from many other aspects. CSR activities will help create individuals who are socially responsible. It will provide them with a number of volunteering opportunities, which will enhance their capability to take up and fulfill responsibilities. CSR initiatives undertaken by a firm, will undeniably offer numerous benefits. The paper focus on three positive and beneficial outcomes of CSR – employee engagement, talent acquisition and retention and organizational citizenship behavior (OCB).

Attracting and retaining good talent is the mantra that most of the organizations have been following to be successful and competitive. Recent researches have shown that there exist a strong relationship between the CSR activities and talent recruitment and retention. Majority of the individuals prefer to work for those firms which are socially active as it provides them with umpteen opportunities to volunteer and fulfill their duty towards the society as well as they consider it to be an effective platform for self-development. Many research suggests that involvement in the company's corporate responsibility practices teaches workers valuable new skills that they bring back to their regular roles for the company. A study conducted by Fapohunda (2015) illustrates a significant relationship between CSR and employee attraction and retention. The study also throws light on the fact that potential job aspirants are more inclined towards working in socially responsible organizations. This is in accordance to the fact that, being employed in a socially responsible organization satisfies the need for higher self –esteem as proposed by the social identity theory. Workforce attrition is a very disturbing factor for any organization. It places additional burden, not only on the organization but also on the existing employees. Talent retention is possible only if the employees feel proud to work for the organization. Building and maintaining a high reputation and brand value becomes likely, if and only if the elements of CSR is strongly embedded in the firm's DNA.

CSR acts as a facilitator for boosting employee engagement, which is very crucial for an organization. Employee engagement can be defined as the employees' positive emotional and intellectual attachment and employees' commitment to an organization's success, which in turn influences him/her to apply additional discretionary effort to work (Kore Access, 2008; Gibbons, J. 2006; Towers Perrin, 2005 as cited in Endres & Mancheno-Smoak, 2008). A number of studies point towards the numerous positive business outcomes of employee engagement, including, decreased absenteeism and turnover, increased customer satisfaction and loyalty, increased productivity and increased revenue growth. Engagement is the "holy grail" for companies that view their workforce as their greatest competitive asset. Thriving businesses are fueled by employees with drive, focus and energy, as opposed to workers who give only the bare minimum (Report by JK Group on Building Employee Engagement through Corporate Giving Programs). Several studies have found a strong correlation between employee's commitment to their organization and how they rate its social responsibility. A survey of 1.6 million employees in seventy companies was conducted by Sirota Survey Intelligence. It was found that employees who approved of their company's commitments to social responsibility, compared to those who did not approve, were far more engaged on their jobs and more apt to believe that their employers were interested in their well-being. They also had more favorable perceptions of their management's integrity and rated their companies as more competitive as well. CSR plays an essential role, not just in engaging the internal customers, but also the external customers. A study conducted by Edelman, and Young & Rubicam, revealed that 87% of UK consumers expect companies to consider their impact on society as much as their own business interests. Thus, knowing that their firm is responsible towards the society allows employees to match their values with the company's and further align themselves with the organizational goals, which is decisively a vital element for the success of any organization.

The concept of organizational citizenship behavior (OCB) is of paramount importance to any organization. OCB describes a person's voluntary commitment within an organization or company that is not part of his or her contractual tasks. It was originally defined by Organ, Podsakoff and MacKenzie (2006), as the "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate promotes the efficient and effective functioning of the organization". Organ (1988) identified five dimensions of OCB – Altruism (helping other members of the organization in their task), Courtesy (preventing problems deriving from the work relationship), Sportsmanship (accepting less than ideal circumstances), Civic virtue (responsibly participating in the life of the firm) and Conscientiousness (dedication to the job and desire to exceed formal requirements in aspects such as punctuality or conservation of resource). Many studies have focused on the significant relationship between CSR and OCB. Research has shown that employees identify with their organization more strongly when they believe that other people view it as prestigious that a firm's reputation and prestige is related to its social welfare activities (Jones, 2010). This feeling of pride enables employees to strongly identify with their organization, thus, resulting in the development of extra-role behaviors. A study conducted by Newman et.al (2015) found that, employee perceptions of organizational CSR practices toward social and non-social stakeholders were found to be significantly related to their job performance and OCB. The result of the research by Lee et. al. (2015) shows that, the more employee experiences CSR participation, the more OCB is performed by them. In a study of more than 2,000 employees of a large, for-profit organization in the United States, demonstrates that a firm's CSR activity indeed appears to increase employee trust in the firm and that this trust then leads to employee behaviors (decreased turnover intentions and increased OCB) capable of increasing the firm's performance or bottom line (Hansen, 2010). All these studies, thus, opines that the exhibition of greater OCBs by employees is determined by the employee perceptions of an organization's investment in CSR toward external stakeholders.

6. Conclusion

CSR is, thus, seen to act as a factor that empowers the organization by supporting it in talent acquisition and retention, ensuring employee engagement and also in motivating employees to exhibit OCBs. HR is an important organizational principal which has the capacity build, support as well as to incorporate CSR goals into methods of business performance. The cause and effect relationship between CSR and HR is perceived to be essential for the success of any organization. Successful social responsibility initiatives heavily rely on enlightened people management practices. HR acts as the coordinator of CSR activities. It not only helps in establishing effective relationships with external stakeholders, but also acts as a driving force in transforming the employees and the organization towards a socially responsible behavior. This is clear indication of how one concept strongly complements the other, in many ways. Organizations must, thus, pay attention to ensure that social responsibility is deeply rooted in their culture.

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