
Corporate Social Responsibility and Employees' Engagement: A Theoretical Framework

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Abstract: *In this era of globalization where a cut-throat competition is prevailing in business world, a balanced integration of Corporate Social Responsibility (CSR) and human resource management become a new opportunity for companies. A genuine concern for society usually strengthens the image of organization and support sustainable growth. HRM is concern about employees and CSR is concern about its internal and external stakeholders. Employees fall in both spheres. So the Impact of CSR activities on employees' performance has been found. This paper explains various component model of CSR. Firstly, it explains Carroll four component model i.e. economic CSR, legal CSR, ethical CSR, and philanthropic CSR. Further, it highlights three domain model of CSR that consists of seven CSR categories i.e. Purely Economic, Purely Legal, Purely Ethical, Economic/Ethical, Economic/Legal, Legal/Ethical and Economic/Legal/Ethical. Finally, Corresponding to Carroll's model of Corporate Social Responsibility, a three components model is also discussed i.e. ethical CSR, strategic CSR and altruistic CSR. Literature review of existing studies in this area also finds the impact of Corporate Social Responsibility on employee engagement.*

Keywords: *corporate social responsibility, human resource management, employee engagement.*

1. INTRODUCTION

Corporate Social Responsibility (CSR) is one of the burning issues now days. Numbers of researcher worked on various aspects of CSR. But still they don't agree upon a single definition of Corporate Social Responsibility. CSR shows its development in late 1960's and early 1970's (Lee, 2011). According to Cannon (1992), CSR is an alliance between business, government and society. He argues that the main function of any business is to serve society first, considering many other aspects like creating healthy environment, following government standards, educate employees etc. There are two factors which motivate an organization to adopt CSR practices i.e. internal and external factors (Branco and Rodrigues, 2009). Internal factors talks about people, manpower, workforce, employees who work for the organization and External factors include reputation, goodwill, corporate image etc. Wood (1991) argues that "the basic idea of Corporate Social Responsibility is that business and society are interwoven rather than distinct entities". Researchers have found that not only business and society are interrelated, but there are other groups also which directly or indirectly influence a business. Basically, Social responsibility of a business is toward its Workplace, Marketplace, Environment, Community, Ethics, Human rights (Moir, 2001). CSR is one of the determinants of business profitability (Porter and Kramer, 2002, 2006). Earlier it was considered as a cost to the company but now seen as a strategic investment which would definitely give some returns to the firm (McWilliams *et al.*, 2006). There are two causes behind opting CSR practice i.e. normative case and business case (Smith and Langford, 2011). As per normative case, an organization should adopt CSR because it is the right thing to do (Bhattacharya and Sen, 2004) while the latter one explains that business can get economic benefits by using CSR (Carroll and Shabana, 2010). An overlapping is found between both the cases because CSR is a right thing to do and a right way of doing business (Bhattacharya and Sen, 2004).

Rationale behind the evolution of Corporate Social Responsibility is triple bottom line, profit, people and planet i.e. economical, socially responsible and environmental issues (Iamandi, 2007). To serves these, Shareholder approach, stakeholder approach and societal approach are developed (Marrewijk, 2003). First one focuses on profit maximization i.e. to gain more and more profit for their shareholders while stakeholder approach emphasizes on considering the interest of all its associated stakeholders' i.e. consumers, employees, suppliers, government, community etc. After considering the prevalent business situations, it is quite impossible to neglect the importance of stakeholders in an organization (Rodrigo and Arenas, 2008). Stakeholders are very important and legitimate part in socially responsible behavior of any organization (Mitchell *et al.*, 1997). Freeman (1984) defined a stakeholder as "any group or individual who can affect or is affected by the achievement of an organization's objectives".

Stakeholders are divided under various categories. Stakeholders are divided as primary stakeholders and secondary stakeholders (Clarkson, 1995). This classification is done on the basis of their level of impact on the organization mission, vision and objectives. Internal and external stakeholders are classified as their legal and administrative limits of the organization (Cavanagh and McGovern, 1988). They are also categorized as voluntary stakeholders and non-voluntary stakeholders depending upon their degree of risk bearing capacity (Mitchell *et al.*, 1997). Goodpaster (1991) classify them as fiduciary stakeholders and non-fiduciary stakeholders, on the basis of degree of trust they have in management. Lastly, societal approach says that society is the most integral part of any organization, so to accomplish all the needs of society is also a responsibility of business.

2. CARROLL'S MODEL OF CSR

Carroll (1979) proposed a model of CSR consists of four dimensions i.e. economic, legal, ethical and philanthropic. Economic dimension of CSR explains about an organization's profitability and its competitiveness. Legal CSR defines legal compliance i.e. labor laws regarding health and safety, abolition of child labor, bonded labor, forced labor etc. Ethical CSR explains organizational norms, policies, principles that are not mandatory in legislation. Philanthropic CSR includes those practices which are for the beneficial of society like charity, society cleanliness, opening orphanage houses etc (Carroll, 1991). According to Carroll (2001) first three components are mandatory for a business enterprise but the last one is desirable or optional as it is not bound by any force. This particular dimension doesn't lie within the sphere of CSR activities. CSR has two more constructs as per Carroll's model i.e. Social Responsibility and environmental responsibility.

2.1 Economic CSR

Business is defined a source of earning profit to increase its shareholder wealth. Novak (1996) found seven economic responsibilities of any business i.e. generate new wealth, satisfying consumers with real value goods and services, promote innovation, earn a fair return for investors, create new jobs, upward mobility in economic conditions, and diversification of economic interest of citizens. According to Friedman (1996) "Social Responsibility of a business is to increase profits". He argues that the one and only responsibility of a business is to increase its shareholder's wealth without being involved in unethical practices like fraud. Moreover he put in plain words that resolving social issues is responsibility of government or social agencies, not of a business enterprise. An organization is responsible towards only its Shareholders and it is the only entity who can claim on business (Friedman, 1996).

2.2 Legal CSR

If society is allowing a business to fulfill its profit motive, at the same time it is the responsibility of business to pursue all legal expectations. Legal CSR includes all those aspects which fall under legal framework. An organization which follows all the codes of conduct and legal obligations is accepted by society easily. It should serve the society considering all legal aspects and acts as like a law abiding citizen. Law is defined as the society terms and conditions to operate in the market. All the shareholders as well as stakeholders should be treated transparently and fairly (Carroll, 1991). Looking upon the limitation of Law, it only clarify what should not to be done instead of what should be done otherwise. So it may be assumed as a reactive approach rather that a proactive approach (Lantos, 2001).

2.3 Ethical CSR

Ethical CSR is beyond the scope of legal CSR. This is about all those practices, policies, principles, procedures which are either accepted (positive duties) or rejected (negative duties) by the society. It elucidates fair practices, moral duties, welfare of public, right procedure etc as these are not cited in Law (Carroll, 2001). Before 1960s' ethical issues were not considered by any business. But after that number of unfair practices were took place at an exceptional scale, like selling of unsafe products, harming natural environment, bribery etc but in 1970s' value of business ethics has been realized and Economic CSR would not remain a single concern area (Lantos, 2001). Now both economic as well as non-economic activities become rationale of business. Non-economic activities focused on welfare of stakeholders i.e. employees, consumers, suppliers, competitors, shareholders, government etc (Carroll, 1979). In the second half of 20th century it is found that both society and business have reciprocal responsibilities

towards each other. As society expects from business, in return business also expects the same from society. This is termed as 'Social Contract Theory'.

2.4 Philanthropic CSR

This is the fourth face of Carroll model of CSR. It includes all those activities which are adopted for corporate image building (Lantos, 2001). There is no financial motive behind it. 'Giving back' to society is main aim of Philanthropic CSR (Carroll, 1979). It has no proper boundary. It actually depends on the capabilities of business (Lantos, 2001). Philanthropic CSR is practiced to make this planet a good place to live by resolving social problems. Helping less fortunate people is a noble cause (Lantos, 2001). Issues like poverty, crime, providing funds to educational institutes, chronic unemployment, environmental issues, quality of life, drugs and alcohol problems encompasses philanthropic CSR (Brenkert, 1996). Some thought that profits would fall by adopting these practices but on the contrary, it will raise the reputation of organization because profit is not a single measure of performance (Novak, 1996). Furthermore, Lantos (2001) argues that philanthropic CSR is a cost to company because competitor is not going to bear this cost while some consider it as a publicity stunt.

3. THREE DOMAIN MODEL OF CSR

An alternative model of CSR is proposed i.e. The Three Domain Model of CSR (Schwartz and Carroll, 2003). Underlying principles behind the origin of this new model are i) use of pyramidal structure ii) philanthropic as a separate dimension and iii) ambiguity in Economic, Legal and Ethical domains (Schwartz and Carroll, 2003) in Carroll's model. As Carroll (1991) proposed a hierarchical pyramidal structure of four dimensions of CSR. There is no explanation given regarding the most and least important dimension. Secondly, Carroll model shows a clear separation between all domains (Carroll, 1991). There may exist an overlapping between all domains. Thirdly, he described philanthropic as a separate dimension but one may argue that philanthropic is something which can go beyond the limits of responsibility or duties (Schwartz and Carroll, 2003). It can be considered as an integration of economic and ethical practices. There may exist some activities which doesn't fall in any of Carroll's' CSR dimensions. So, Three Domain Model of CSR is proposed which consists of seven CSR categories i.e. Purely Economic, Purely Legal, Purely Ethical, Economic/ Ethical, Economic/ Legal, Legal/ Ethical and Economic/ Legal/ Ethical. But there are also some limitations of this The Three Domain Model of CSR. Firstly, no activity may be considered as Purely Economic, Purely Legal or Purely Ethical. Secondly, if there exist any activity which doesn't fall under any of seven domains, than under which domain should it be labeled? Thirdly, there is no proper criterion is given for MNCs' as they operate in home and host countries. So there may arise some issues regarding legal and ethical practices of home and host country (Schwartz and Carroll, 2003).

4. LANTOS'S CLASSIFICATION OF CSR

Corresponding to Carroll's (1979) model of Corporate Social Responsibility, Lantos (2001) classify CSR under three components i.e. Ethical CSR, strategic CSR and Altruistic CSR. Ethical CSR emerges from the integration of Economic Responsibilities, Legal Responsibilities, and Ethical Responsibilities of Carroll's model. Here, Ethical CSR is not only a moral obligation but also to go beyond its economic responsibilities for the welfare of society. Strategic CSR or Strategic Philanthropy is about attainment of strategic business goals (Carroll, 2001). It is some where related to Philanthropic CSR as it also talks about 'Giving Back to Society' but on the other side it expects some financial returns from that (Quester and Thompson, 2001). Cynics consider it as a self-serving phenomenon. Investment in Strategic CSR practices is considered as a type of investment in Goodwill Bank which consecutively gives financial returns (Vaughn, 1999). Dilemma regarding Strategic CSR is that who should be preferable among the group of stakeholders. Say, if employees are expecting higher wages and consumers are expecting products at lower price then who should be given advantage over another (Lantos, 2001). Moreover how factors like employee morale, goodwill, public relations should be measured in terms of financial returns (Miller and Ahrens, 1993). To check the improper implementation of Strategic CSR, social audits should be done for measuring social and environmental performance. Social audits should be conducted by ethics consultants, social auditing organizations, board of directors etc. Green marketing, cause-related marketing are some ways of implementing Strategic CSR (Lantos, 2001). Corresponding to Philanthropic domain of Carroll's model, Altruistic CSR is designed which depicts that contribution to the society is also a responsibility of every business (Lantos, 2001). Friedman (1996) suggests that altruistic CSR should not be considered as legal commitment for a business. As key objective of any business is to

earn more and more profit i.e. profit maximization not endorsing public interests. An organization is not obliged to give back to the general public as it pay tax to the government which could be used for public welfare. There may remain some unresolved ethical issues because need of society can't be fulfill absolutely.

5. CSR AND EMPLOYEE ENGAGEMENT

The impact of Corporate Social Responsibility practices on Employee Engagement (EE) is not examined so far. Researchers are investigating on relationship between CSR and employee engagement. Most of the organizations believe that EE plays a vital role in gaining competitive edge (Macey *et al.*, 2009). Employee engagement explains family friendly employment practices. On the other side, disengaged employees separate themselves from work place, cognitively and emotionally. The performance of engaged employees is much more better that disengaged employees (Shuck and Wollard, 2010). Satisfaction level of disengaged employees is lower than engaged employees. EE shows a level of commitment, loyalty towards a firm and hard working tendency. It is a psychological construct (Harter *et al.* 2002). Kahn (1990) suggests that EE is multi-dimensional in nature and includes emotional, cognitive and physical domain. Emotional constructs explains relations or feeling associated with other employees. Cognition refers to self awareness of an employee. Career objectives, job role constitutes its part. According to Shuck and Wollard (2010) Employee Engagement is "an individual employee's cognitive, emotional and behavioral state directed toward desired organizational outcomes". It is the predictor of desirable organizational outcomes (Luthans and Petersons, 2001). It is somewhere different from other construct like intrinsic motivation (Deci, 1975), organizational commitment (Mowday *et al.*, 1982), and job involvement (Lawler and Hall, 1970)

Employee Engagement is a part of business case and encompasses organizational commitment, job satisfaction and intention to stay (Langford, 2009). According to Smith and Langford (2011), Social responsibility has a greater correlation with EE than that of environmental responsibility. Applying social identity theory and signaling theory they explained that social responsibility has a direct influence on the engagement of employees as environmental responsibility does not (Greening and Turban, 2000; Albinger and Freeman 2000). They also proposed that ethical CSR has a high degree of correlation with EE than that of economic, legal and philanthropic CSR. Reason behind this, employees would like to recognize with the organization which bears a strong goodwill and reputation as Carroll (1991) also stated that philanthropic CSR is least important among all other dimensions. Smith and Langford (2011) found that in spite of legal CSR, rest all other dimensions of CSR are related to EE to a situation. Explanation is given in a way that legal CSR is reactive approach while others are proactive in nature. So EE is not highly related to legal CSR. Facts prove that CSR will lead to positive favorable outcomes (Brammer *et al.*, 2007; Turban and Greening, 1996). There is also a variation between the employees' outcomes while using CSR practices and traditional HRM practices (Smith and Langford, 2011). Albinger and Freeman (2000) argue that employees primarily focus on their basic needs and after meeting up with them they consider CSR practices. CSR will have an additional variance in EE as that of traditional HRM practices. On the basis of above discussion hypothesis formulated here is

Proposition 1: If the employees adopt socially responsible HRM practices, the employees will be engage towards work.

6. CONCLUSION

An organization can't survive in isolation (Smith and Langford, 2011). It has to take some steps for the betterment of society as well as individual. CSR is a balancing concept i.e. it has to counter balance all its components Economic, Legal, Ethical and Philanthropic to satisfy all its stakeholders (Lantos, 2001). Goals which are beneficial for both the stakeholders and organization should be set in CSR agenda. In classical approach, public evaluates a business by final product only but in this dynamic economic arena a company is not only judged by its product but also from the working conditions of it (Stancu, *et al.* 2011). Moreover if employees are satisfied with CSR practices then it will raise the productivity of the firm which in turn is beneficial for both employer and employee. The best corporate social responsibility programs are based on a two-way relationship between employee and employer. A company involved in corporate social responsibility practices bears a good brand image in public and also has a direct influence on the employees.

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