



# A STUDY ON EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON EMPLOYEE ENGAGEMENT IN INDIAN CORPORATE SECTOR

Priyanka

Research Scholar, Haryana School of Business, Guru Jambheshwar University of Science &  
Technology, Hisar.

## Abstract

An active workforce is an asset to any company, it is important to understand that a good corporate social responsibility (CSR) program alone will be only the first step in achieving it and there exists various other phenomenon adhering to it. Most of the time, there are profound factors that contribute to the attraction of major talent pool, orientation of the workforce and maintaining good reputation. Being a widely researched concept, employee engagement studies reveal that there exist solid requirements for employee engagement than just motivation. The integration of two constructs - CSR and Employee Engagement is required for effective functioning of organization(s). This paper is aimed at providing the significance of CSR in Employee Engagement in the Corporate Sector of India as both are related constructs which influence each other.

## Keywords:

Corporate Social Responsibility, Employee Engagement, Workforce.

## Introduction

The concept of Corporate Social Responsibility (CSR) has been in the spotlight for the last couple of decades. (Holme & Watts, 2000) states that the CSR is a consistent commitment towards improvement of the workforce's quality of life and their families, the local community and society at large that is to be implemented by organizations in order to behave ethically for contributing to the economic development as a whole. CSR aims to give a proportion back to the corporation's profit for the welfare of the society. On the other hand, Employee engagement is defined as the positive, intellectual and emotional attachment of the employees to the work and the commitment towards success of the organization which influences them to undertake additional efforts to achieve the same. Upon close research, one can

understand that both these constructs are interrelated. An effective CSR will aid the company to stand out from their peers for shaping their reputation in the public. Employees give more priority to their social connectivity and the presence of effective CSR practices will motivate them to be well engaged with their organization (Collier & Esteban, 2007). Now-a-days, organizations are becoming conscious in maintaining environmental sustainability which is a major expectation from the employees' side. At the same time, employee engagement is highly required for the performance of the businesses in a better way. The research titled as "The 2020 Workplace" conducted by the Cone Millennial Cause group revealed that around eighty percent of the respondents out of a sample of 1,800 who were in the age group of 18-25 years old wished to work for an organization that duly considered their impact on the society in which they operate. The increasing needs for economic development across the globe have imposed a great demand for the Corporate Sector to take predominant role in engaging employees in CSR practices. In this regard, actions taken by corporate sectors in developing nations like India and the corresponding practices of CSR activities need to be analyzed well. So, in this reference the present paper examines the effects of Corporate Social Responsibility practices on employee engagement in the Indian Corporate sector.

### **Literature review**

In order to gain insights into the effects of Corporate Social Responsibility practices on Employee Engagement in the Corporate Sector of India, a number of articles, research papers and reports were studied and their impacts on the society have been briefly reviewed here.

#### **Theme 1: Correlation between Corporate Social Responsibility practices and Employee engagement**

The study of (Kenexa Research Institute, 2007) involving thousand UK workers for having the picture of perceptions about their organization's CSR practices revealed that the active participation of employees in CSR efforts led to greater employee engagement levels and friendly approaches from the management. The survey also showed that an organization which makes their employees to affirmatively view their company will be far ahead in the employees' rating on their pride, overall satisfaction and their willingness in recommending the organization to others and their own intention to continue working there.

The survey on 50 best employers in Canada by (Hewitt Associates, 2010) revealed that organizations with employees having high commitment to environmental and social responsibilities engage more thus strongly stressing the correlation between employee engagement and corporate social responsibility practices.

#### **Theme 2: Approaches to effectively alleviate employee engagement in CSR practices**

The empirical study of (Ali et al., 2011) analyzed how CSR and corporate reputation politically influenced the engagement of employees in Pakistan. Primary data collected was from several organizations in Pakistan and structure equation modelling was constructed to find the significant influence of CSR on the corporate reputation in building employee engagement level to the next stage and revealed that higher level of CSR in companies will attract more committed employees who engage themselves more to their work and organization as well.

(Mirvis, 2012) asserts that CSR affects the employees positively by stating three distinct approaches to engage employees in the corporate social responsibility activities within the organizations named transactional, relational, and developmental approaches and found that all these approaches help to engage

employees effectively in CSR practices thereby alleviating motivation levels of the employees to make them feel proud of their activities.

### **Theme 3: Impact of internal CSR practices on employee engagement**

The impacts of internal CSR practices on employee engagement were investigated by (Albdour *et al.*, 2012) who studied five major internal CSR practices such as education and training, work-life balance, human rights, health and safety, workplace diversity with respect to work engagement and organizational engagement by taking sample of 336 employees working in a banking sector in Jordan. The statistical tools involving correlation and regression were employed to assess the impact of internal CSR practices revealing that impact of CSR was more on organizational engagement than work engagement.

The research of (Ferriera & Oliveira, 2014) focused on the impact of CSR on employee engagement using three dimensions of CSR including internal, external and general dimensions along with other dimensions like dedication, vigor and absorption. This research was done through SPSS with the data gathered from the middle level managers of several major private companies in Portugal which concluded that CSR had less significant impact on engagement of employees. It was analyzed from varying CSR levels with a strong statement that employees who were exposed to internal CSR were highly engaged than that of external CSR.

### **Theme 4: Factors influencing the employee engagement and CSR practices**

The effective dimensions of CSR on employee engagement were explored by (Gao, 2014) in their study and realized the strong correlation of CSR with employee engagement with the help of perceived organizational support (POS) and Chinese values and found that CSR and employee engagement were entirely mediated by these values.

The study of (Azim *et al.*, 2014) employed 266 employees from twelve major banks of Saudi Arabia for finding out the relationship between external CSR practices especially within the community of the organizations and the job satisfaction of the employees with respect to their engagement in organizational and work engagement as well as the citizenship behavior of the organizations under the context of Saudi banking industry. This study revealed that relationship between perception of employee on CSR and the work engagement was completely mediated in work engagement and partially mediated in organizational engagement by the factor of job satisfaction

### **Theme 5: Effective CSR practices through distinct methodologies**

The role of social media for designing effective strategies for communication of the CSR practices was investigated by (Ali *et al.*, 2015) who collected data with the help of a well-structured survey questionnaire from the multiple stakeholders including employees, customers, investors of major companies in Pakistan via social media platforms like Twitter, YouTube, LinkedIn, Facebook. The collected data was analyzed for examining their perceptions towards effectiveness on CSR communication by social media which indicated that a majority of respondents preferred social media to be an important tool to have the communication of CSR activities.

An excellent review confirming the self-determination theory (SDT) as a major framework for employee engagement was provided by (Valentin *et al.*, 2015) that serves as a booster for motivating the employees. The importance of autonomy of self-determination theory (SDT) with CSR initiatives to sustain

employee engagement was emphasized. In particular, the key in corporate settings was found to be intrinsic motivation combined with CSR opportunities that helps in fostering a sustainable motivation of employees and corresponding engagement. A clear consensus has been realized in the research fraternity about the existence of causal relationships among corporate social responsibility and corresponding employee engagement from the above presented literature review.

### **Need for the study of issues regarding Corporate Social Responsibility and Employee engagement in Indian Corporate Sector**

Other than theoretical contributions, the study on practical implications is the need of the hour. In particular, the encouragement to the managers of Indian ITES companies for effectively addressing various engagement issues through CSR needs to be thrown light upon as it would be a driving force for the organizations to focus more on their CSR activities for availing long term benefits with respect to widely committed and engaged workforce. The establishment of practices in place will motivate the employees to attach themselves and their work roles with the organization claiming it to be their brand. This is essential as a more engaged workforce will not only save the organization's investments done on employees but also make optimal use of assets of the organization(s) especially in the corporate sectors of developing nations like India.

### **Case Study: Indian ITES companies and their relationship with employee engagement and CSR practices**

The study on CSR engagement issues at workplace that needs to be addressed by the managers of Indian ITES companies was provided by (Gupta, 2015) whose findings are studied in detail to identify the effects Corporate Social Responsibility practices have on Employee engagement in the corporate sector of India. The study included 290 employees who were working for various Indian and foreign ITES companies in India in which 54.8 % were men and about 62.4 % were working at level lower than senior management position including 33.8 % who were working as senior manager with the rest from the top management. The respondents varied in their age from 22 to 45 years with 28.88 years as the average age and 4.3 as the standard deviation.

The hypothesis that needs to be understood for analyzing the employee engagement due to CSR practices are listed below:

- Hypothesis 1. Employee engagement is positively associated with corporate social responsibility.
- Hypothesis 2. Organizational commitment is positively associated with corporate social responsibility.
- Hypothesis 3. The relationship between organizational commitment and corporate social responsibility is mediated by employee engagement.
- Hypothesis 4. Employee engagement is positively associated with employee-company identification.
- Hypothesis 5. Organizational commitment is positively associated with employee-company identification.

- Hypothesis 6. The relationship between organizational commitment and employee–company identification and is mediated by employee engagement.

### **Impact analysis of Corporate Social Responsibility on Employee Engagement and other factors**

The above study had Cronbach's alpha values for corporate social responsibility as ( $\alpha = 0.87$ ), employee commitment as ( $\alpha = 0.88$ ), organizational commitment as ( $\alpha = 0.95$ ), employee engagement ( $\alpha = 0.90$ ) being greater than 0.70 referring that the constructs utilized in the study were reliable.

### **Results**

The correlation coefficients among these constructs were found as follows:

- Corporate social responsibility and Employee commitment were strongly correlated with  $r(288) = 0.39$  and  $p < 0.01$
- Organizational commitment and Employee commitment were strongly correlated with  $r(288) = 0.64$  and  $p < 0.01$
- Employee engagement and Employee commitment were strongly correlated with the values  $r(288) = 0.57$  and  $p < 0.01$
- Organizational commitment and Corporate social responsibility were strongly correlated with  $r(288) = 0.48$  and  $p < 0.01$
- Employee engagement and Corporate social responsibility were strongly correlated with  $r(288) = 0.33$  and  $p < 0.01$
- Organizational commitment and Employee engagement were strongly correlated with  $r(288) = 0.74$  and  $p < 0.01$ .

### **Discussion**

It was found that both Corporate social responsibility and Employee commitment positively impacted the organizational Commitment with and without Employee engagement as the mediator. Also, the mediation by Employee engagement was only partial that encourages the future researchers to consider more related variables explaining the organizational commitment's variance effectively.

### **Conclusion**

The study on the major implications for corporate practises directed towards the employees reveals that unless employees are aware of the CSR activities of their organization, it is difficult to obtain favourable perceptions of the entire character of the organization which will eventually lead to less favourable attitudes of the employees. Wherever possible, the organizations shall involve employees while planning and executing the various CSR and related programs and policies. Thus, the CSR initiatives must be implemented effectively by the organizations for reaping the noble benefits to ensure financial as well as social stability and sustainability.

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