

CSR and its impact on employee engagement: A Study

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Abstract

Studies have shown that employee engagement is a crucial factor that ensures high productivity in the employees. In this dynamic work environment, the reasons for disengagement also tend to change. The researchers begin with an awareness that the millennial generation prioritizes societal concerns. The study is conducted to understand the relationship between employee engagement and CSR activities in the millennials. The researchers have gathered data from employees in the CSR and HR domain of organized business activity in India. The study uses questionnaires and interviews to collect as much information as possible and learn from CSR and HR managers' experience. This method includes qualitative analysis to understand the employees' perspective on whether CSR helps attain high professional motivation. The study offers a good sense that employees' interpersonal skills get better when they are directly engaged in CSR activities. The study also discusses that involving CSR activities as part of training can lead to excellent work culture and ensure higher employee engagement.

Keywords: *Employee Engagement, Millennials, Corporate Social Responsibility, Work Culture, Awareness & Effectiveness,*

Introduction

Employee engagement is essential to any employer; in the same way, job satisfaction is to employees. And employee disengagement is among the significant challenges coming in the way of productivity. Moreover, due to the dynamic nature of the work environment, the reasons for disengagement also tend to change, inevitably making the HR department to brainstorm constantly. Moreover, it is not limited to the work environment, and external factors do influence the level of engagement of employees. Trends, culture, socio-economic reasons, disruptive events, attitudes, and beliefs equally affect the levels of engagement. The HR department has to always adapt or improvise because due to employee disengagement, over US\$280 billion is lost annually. However, one thing that is noticeable that the millennial generation prioritizes societal concerns. Be it enhanced awareness of the incumbent environmental crisis or acknowledgment of the socio-economic problems. As per Maslow's hierarchical pyramid, it is a component of self-actualization, and as per that, the millennial wants to be part of something meaningful.

India is the first country in the world that has mandated CSR for organizations whose net worth is INR 5 billion or above (approx. US\$ 68 million or above), or net profit of INR 50 million or above (US \$679983.50 or above), by virtue of Section 135 of Indian Companies Act, 2013. As per a 2016 report, there are 16000-17000 such organizations, and the country has been magnanimous in CSR spending. In 2014-19, over INR 1 trillion was spent on CSR (approximately \$ 13.8 billion). As per the report on CSR (Thacker, H, CSR Policies around the World, 2019), India is among the top countries contributing to CSR, along with the USA and Denmark. Organizations such as Tata, Infosys, Wipro, NTPC, BPCL, Jindal Group, Vedanta, etc., have contributed generously and developed communities around their operating areas. CSR projects can be those specified in the companies act or those that are decided in the board meetings. Such projects generally concern customers, suppliers, the environment, communities, and employees. India is also among the nations with high spirituality Index. As per a report, India ranks 2nd after Canada in terms of spirituality. Moreover, since ancient times, India has been embedded in Indian culture (Sudhir, R, 2009). It is beyond the general sense of philanthropy and more associated with equitable and sustainable proactive practices.

Henceforth, corporate social responsibility or CSR is one of the major factors that attract millennial talent and retention. The employees desire a role that enables them to contribute to society, in a way or another. In other words, employees strive to be pro-social and wish to play a role that has meaning and significance beyond the workspace. Moreover, any organization that contributes substantially to pro-society objectives tends to retain employees better than those who don't. Furthermore, the morale of performing better at the job is high because of underlying motivation. However, there is an underlying assumption that motivation can be enhanced in the case of disengaged employees by involving them in CSR activities and enabling them to take self-driven initiatives.

Literature Review

The relationship between employee engagement among the millennials and CSR activities is not fully understood. Employee engagement is one of the crucial factors to ensure high productivity among the employees. Organizations proactively act to ensure job satisfaction among employees, which is expected to enhance employee engagement. However, in the case of millennials, their criteria for job satisfaction are different from baby boomers. They are motivated by the notion of giving back to society in whatever way they can. They are more conscious than their senior counterparts. Hence, a socially conscious organization ensures higher employee engagement.

What is employee engagement?

Employee engagement refers to the level of constructive involvement of the employee with the job. It includes the physical form of involvement (i.e., number of hours OR minutes, as well as psychological aspects i.e. attitude, behavior towards work, emotional quotient, motivation, etc.) (Markos & Sridevi, 2010). From an employer's perspective, the purpose of employee engagement is the maximum outcome, based on the resources invested in employees, which is similar to job satisfaction by employees. As per Kahn's definition, employee engagement is the maximum utilization of the employee's capabilities for the workplace's benefit, indicating a utilitarian approach. According to Schaufeli, it is a positive state of mind with zeal towards organizational activities. It is not limited to specific moments but has to be persistent and most effective (Alan M Saks, 2006). Employee engagement is generally measured based on various parameters, each having its weightage, and the final score per employee determines the engagement. The parameters taken for employee engagement are not standard, nor is the weightage, and the process depends on the circumstances. Moreover, the wisdom of the manager/evaluator is what matters most.

Corporate Social Responsibility (CSR)

CSR is generally understood as not-for-profit initiatives taken by the organizations beyond Friedman's scope of responsibility – i.e., beyond profit maximization for the shareholders. As per Carroll's CSR pyramid, philanthropy is at the top of the pyramid, which is similar to Abraham Maslow's pyramid, indicating that corporate philanthropy is equivalent to or is rooted in the "Self-actualization" aspect of Maslow's pyramid (Guiling Wei, 2013). It is the state that follows profits and protects profits through the law when corporate feel that they have something to give back to society. This is then ensured that corporations adopt ethical and sustainable models, and then, they practice philanthropy by uplifting society in whatever manner they can. Indian examples include Jindal Stainless, in which community development happens due to various initiatives. However, it is disputed that CSR is always not for profit, as in Ben & Jerry's, (Karen L Pellegrin, 2016), it was understood that there is a continued debate between thinkers as to the truly inclusive nature of CSR. However, what is common among academicians and practitioners is that CSR's inherent

objective is an activity carried out by corporates having a positive and progressive effect on the organization.

According to Howard R. Bowen, organizations impact people's lives, including those who are not direct or indirect stakeholders. It is understood subsequently, every person in the practical environment of any organization's activities is a stakeholder. The importance of society is recognized by all the existing organizations and shall continue to be in the coming times, and subsequently, CSR is of importance (Bowen, H, as cited by Archie B Carroll, 2016). This indicates CSR's relevance in employee engagement, as one of the key areas of improving employee engagement. This is due to the recognition of employees in an organization as stakeholders, and CSR activities translate the aspirations and beliefs of such employees into actions (Philip Mirvis, 2012). Employees also influence organizational behavior and public relations due to the organizational citizenship factor. They desire to be involved in more proactive roles, which impact society

Research Methodology

➤ Research Design

Research design is exploratory. We intend to examine the extent of the relation between CSR and employee engagement. Although literature and theories exist that would support the assumption that CSR improves employee engagement, there is still a lot of research scope and exploring new dimensions remain. We, through this method, intended to ensure that the research is open-ended. The study will mainly deal with qualitative data. Henceforth, having open-ended research enables new parameters to emerge. This further can ensure a well comprehensive analysis.

➤ Population & Sample

The determined population sample is employees in the CSR and HR domain of organized business. We intend to learn from the experience of CSR managers, as well as HR managers. Their observation of the employees who were involved in CSR would greatly benefit the research. They are the potential source of how CSR motivates employees and enhances their productivity. Another important piece of information we can acquire is the best practices, followed by organizations to implement CSR. Further, we also intend to question the employees as well. This will ensure that we also have the employees' perspective on whether CSR helps attain high professional motivation or if there is more to it.

➤ Instrumentation -

To provide and gather as much information as possible, the researchers have used the descriptive method. This method includes the use of questionnaires and interviews. The questionnaire was emailed to a list of respondents who then mailed their responses within the given time frame provided to them. The questionnaire will be the primary data gathering instrument for this study. The questionnaire consists of objective questions. Convenient sampling was another way which was initially decided as an instrument for data collection, but due to lack of time, only the questionnaire and interview method was used.

Analysis

From an employee's perspective

Familiarity with CSR

It is evident by the data shown that 54.7% of the respondents knew about the concept of CSR and could explain it to someone else. 26% of the respondents were interested in CSR and were actively engaging in their company's CSR activities.

Indicate your familiarity with the concept of CSR

53 responses

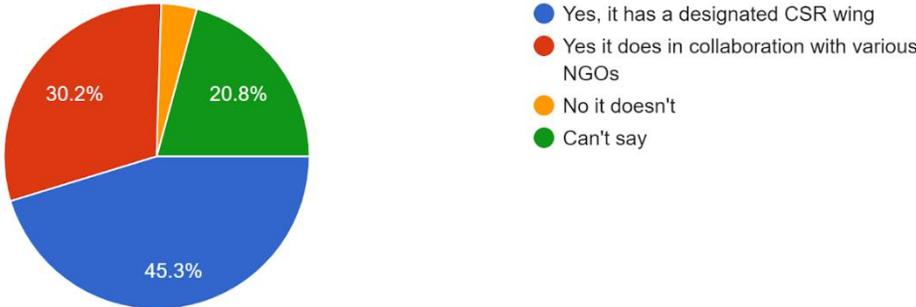


Individual's awareness of its company's CSR

The survey asked respondents to reveal if their organization's contributed to CSR. The question consisted of a choice, "Can't say," this choice was put deliberately to get an idea about respondents' awareness about their organizations. By the data, we gathered, almost 21% of the respondents couldn't answer the question affirmatively, which points out that it's not only the

employee's lack of awareness about his/her organization but also the organization's failure to make the employee known to every aspect of its being.

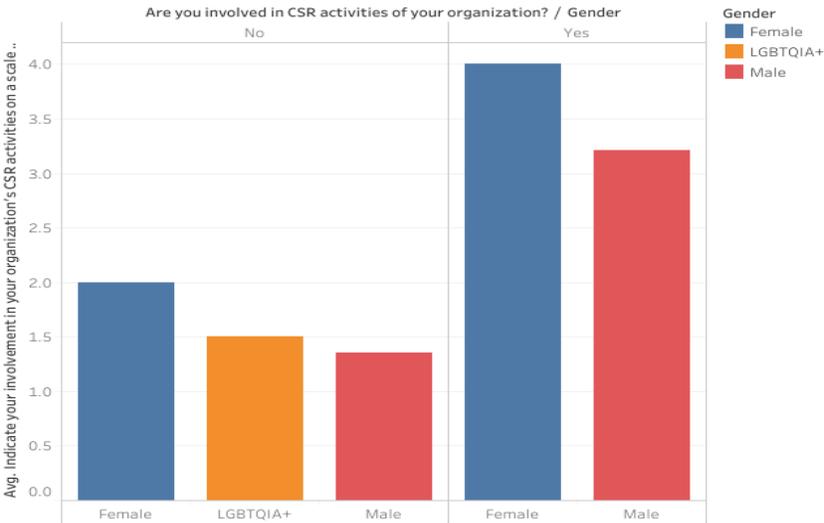
Does your organization contribute to CSR?
53 responses



Individual’s involvement in its company’s CSR

To study this, we differentiated the data gathered in terms of gender. Out of the total 52 respondents, only 22 were involved in CSR activities conducted by their organization. Out of the 22 respondents involved in CSR, female employees’ engagement in CSR was found to be slightly higher than men.

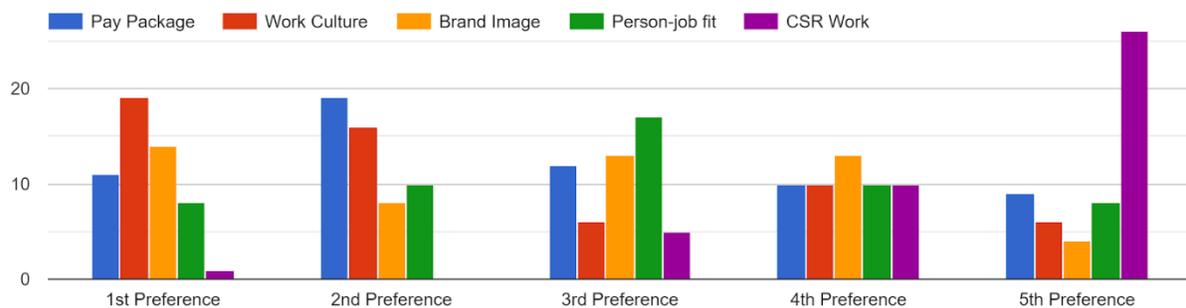
Average involvement of different genders in CSR



What do employees look for while working in a company?

The idea was to analyze what attracts people to work in a particular organization. Evidently, for most of the people work culture and pay package emerged to be the most sought-after attributes while working in an organization followed by the brand image of the organization. What is surprising to note that more than half of the respondents think CSR to be the last attribute they look for while working in an organization.

What makes you think positive about your organization? (Rank in order of preference)



Perception of employees on their organizations CSR

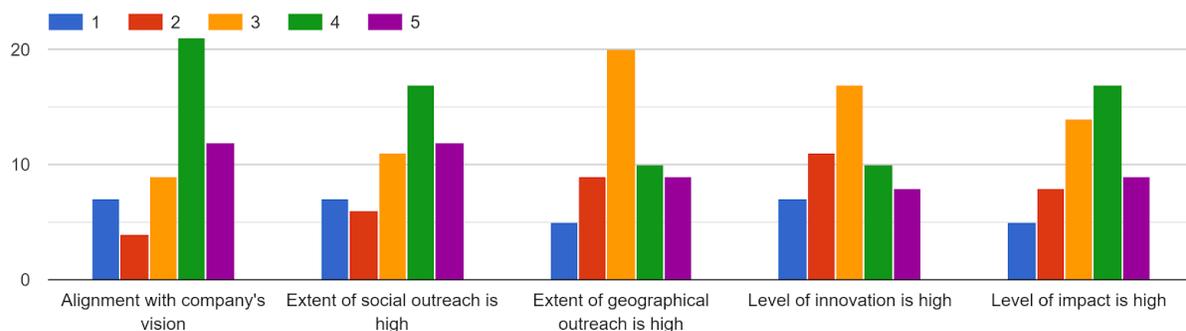
When asked to agree or disagree about the CSR activities conducted by their organizations, more than 20 of the 52 respondents were in agreement that the CSR activities conducted by their organizations were in alignment with the company's vision. Alignment with the company's vision would mean that, say, a company generates electronic waste like used lithium-ion battery then what is the company doing to compensate for the level of environmental degradation carried out by these batteries. Kramer and Porter argue that a company's corporate philanthropy when aligned to its vision can lead to a better business environment which further acts in the strategic interest of the company (*The Competitive Advantage of Corporate Philanthropy*, n.d.)

When asked about the extent of social outreach then more than 15 employees agreed that the level of social outreach of the CSR activities carried by their organization is high. Almost 20 respondents were neutral about the extent of geographical outreach of the CSR activities

conducted by their organization.

To bring innovation in CSR is not unheard of but it isn't common. When asked about the same most of them felt neutral about the level of innovation that their organizational CSR entails. While innovations might not be a commonality but most respondents agreed that the level of impact generated by their organization's CSR was very high in their view.

What do you think about the CSR activities conducted by your organization?



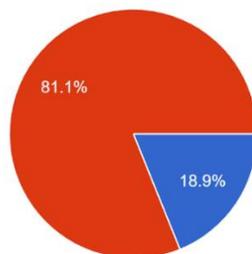
CSR and how it makes employees feel about work

Approximately 90% of the people surveyed were part of organizations with more than 500 employees, the majority being those organizations with 1000+ employees. The majority of employees prioritized work culture, out of the following options (work culture, CSR initiatives, Organization's brand image, pay packages, person-job fit), when asked what matters most to them. For people who prioritized the Pay package over the other given options, the 2nd priority for the majority of those people was work culture, followed by brand image. CSR initiatives were a top priority for those employees who were directly involved in CSR as their primary profession. The brand image was either 2nd or 3rd for most of the people surveyed.

Most people who prioritized work culture & brand image were not directly involved in CSR activities. However, the majority of the employees who ranked work culture 1st and 2nd felt that the CSR objectives of their organizations are in sync with the vision of the organization. The majority of the employees (58.6%) think that CSR makes them feel better about the work they do. This is followed by enhancing the employee's perception of the organization, as well as inspiring employees to participate in CSR activities. Again, the majority of the people with these opinions are not directly involved in CSR. 25.9% think that CSR improves overall involvement in the organization.

From the HR perspective

The survey had a very low response rate from HR and CSR department employees. Only 19% of the respondents belonged to the HR and CSR departments collectively.



The survey was partitioned in such a manner that a respondent answering Yes for the question related to his/her association with the HR/CSR department would be redirected to a different set of questions. These questions would help us to understand how HR and CSR employees perceive employee engagement through the lens of CSR.

The data demonstrated that 70% of respondents felt that the company involved their employees in the decision-making process involving CSR. When asked about whether the company incorporated employee's feedback and suggestions related to CSR, 60% of the respondents gave a positive reply whereas 10% of the respondents were unsure of the same.

When asked about the effects of CSR on employees involved in it directly, the data revealed that leadership skills of the employee improved leaps and bound followed by empathy, pro-activeness at work, improved cognitive abilities along with interpersonal skills, and individuals ability to be a team player.

From an isolated analysis of the survey of human resources specialists, it was found that CSR indeed enhances the interpersonal skills of the individuals, and improves employee engagement. And the majority of HR professionals also agree that positive attributes about employee

engagement, arising out of CSR are long-lasting. The attributes i.e. - Interpersonal Skills, Leadership, Empathy, Pro-activeness at the workplace & teamwork were enhanced when employees were directly engaged in CSR activities. Also, the majority of the HR specialists belonged to the category, which ranked work culture as 1st priority. From the existing literature, it was understood that the five attributes - Interpersonal Skills, Leadership, Empathy, Pro-activeness at the workplace & Teamwork are the influencing factors in employee engagement (Macey, W & Schneider, B, 2008).

Conclusion

Corporate Social Responsibility does play an important role in employee engagement. Our study indicates that there is a behavioral aspect that comes into play due to CSR practices in the organization. CSR can have better returns on investment in terms of employee motivation and engagement. Based on the above information, 70% of HRs felt that the employees involved in CSR are better engaged at work though, 20% of HRs term this engagement through CSR, not a long-lasting phenomenon. About 10% of HRs were of the view that employee engagement is not resultant of CSR. When asked about the effect of CSR on employee motivation only 70% of HR were of the view that CSR could be a contributor to employee motivation but it would not be the sole criteria whereas, 30% of HRs believe that employee motivation is not the resultant of CSR.

Effect of CSR on employee motivation: HR perspective



Even employees not involved in CSR perceive CSR as something which makes them feel better about the organization. When employees were directly engaged in CSR activities, they showed significant improvement in terms of interpersonal skills. Based on the findings, it can be said that involving CSR activities as part of training can greatly enhance interpersonal skills, which can lead to excellent work culture, and ensure a higher degree of employee engagement. Henceforth, involvement in CSR must ideally be expanded to cover all employees, and adequate

participation must be ensured.

However, contrary to the findings of surveys conducted before, which involved population sample from Western countries, there is a less direct impact of CSR on employees, in terms of engagement. This indicates that the impact of CSR conducted is low, which can be further attributed to the fact that only 29% percent of the total people surveyed were involved in CSR, and more than 50% of the surveyed were not involved in CSR directly and indirectly. Hence, it is equally important to determine the reasons for such low involvement. This indicates that the extent and effectiveness of communication regarding CSR initiatives are yet to be studied, especially in the case of India. Also, the association of satisfactory compensation policies to CSR and its perception is yet to be explored. Apart from this, it cannot be ignored that most of the prominent research is carried out in first world countries, which have a different social structure than India. And, henceforth, it becomes equally important to study the impact of Indian society on an average employee's perception of organizational CSR

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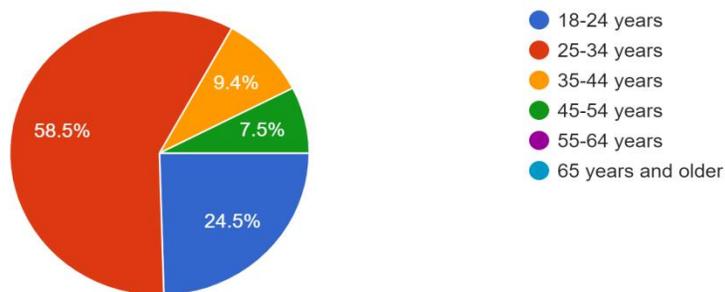
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Appendix

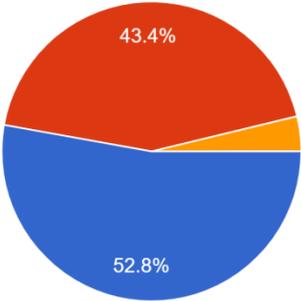
The link to the questionnaire form - <https://forms.gle/yy154qGpZDdAoGUy5>

The summary of the responses to the questionnaire circulated for the research work:

Age
53 responses

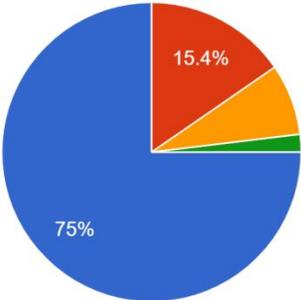


Gender
53 responses



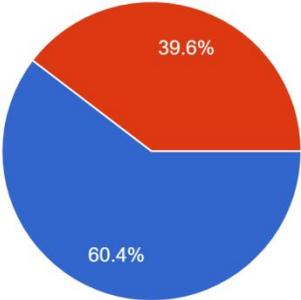
- Male
- Female
- LGBTQIA+

Where are you currently situated?
52 responses



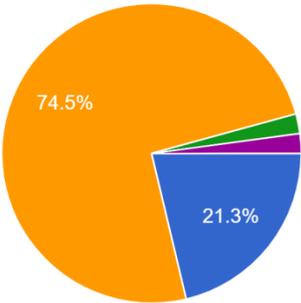
- Tier 1 cities (Delhi, Mumbai, Chennai etc.)
- Tier 2 cities (Pune, Bhopal, Lucknow etc.)
- Tier 3 cities (Gwalior, Baroda, Kota etc.)
- Sirali

Marital Status
53 responses



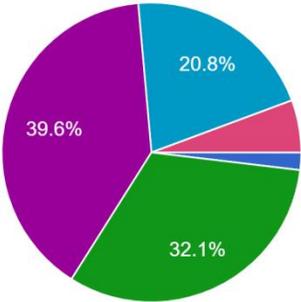
- Single
- Married
- Widow
- Separated

Children
47 responses



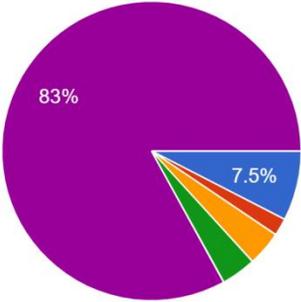
- 1-2
- 2+
- Not Applicable
- Zero
- 0

Educational Qualification
53 responses



- High school graduate, diploma or the equivalent
- Some college credit, no degree
- Trade/technical/vocational training
- Bachelor's degree
- Master's degree
- Professional degree
- Doctorate degree

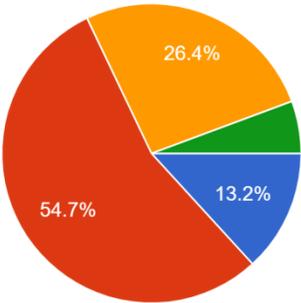
Organizational Size
53 responses



- 0-50
- 51-100
- 101-500
- 501-1000
- 1000+

Indicate your familiarity with the concept of CSR

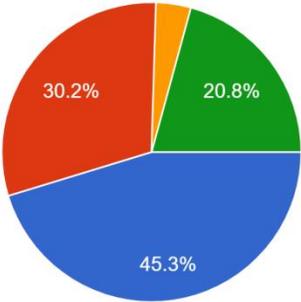
53 responses



- I've heard of the concept, but don't really know what it is.
- I know what it is and could explain its importance to someone else.
- I am interested in CSR and actively participate in my company's CSR activities.
- I have never heard of it before taking this survey.

Does your organization contribute to CSR?

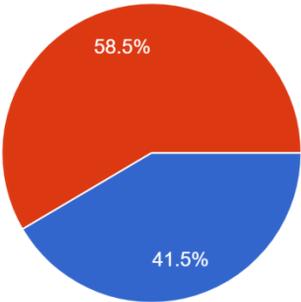
53 responses



- Yes, it has a designated CSR wing
- Yes it does in collaboration with various NGOs
- No it doesn't
- Can't say

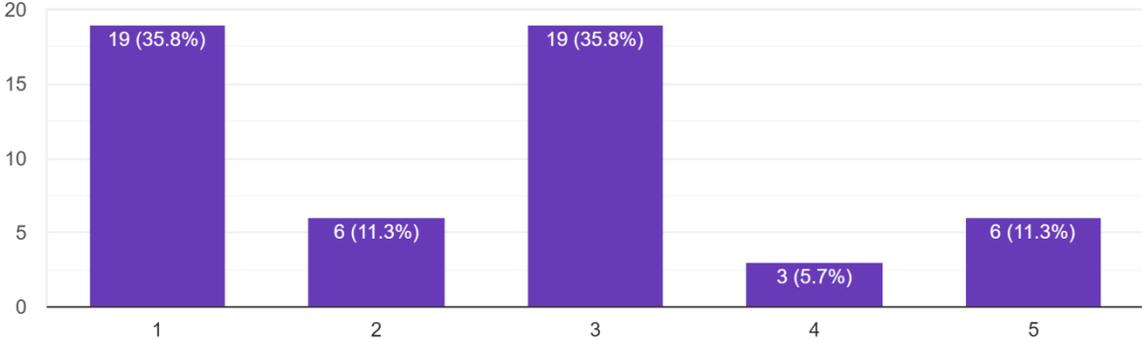
Are you involved in CSR activities of your organization?

53 responses

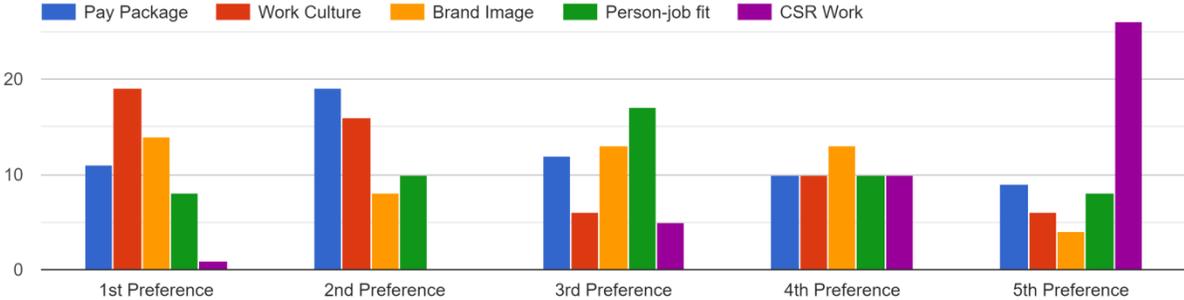


- Yes
- No

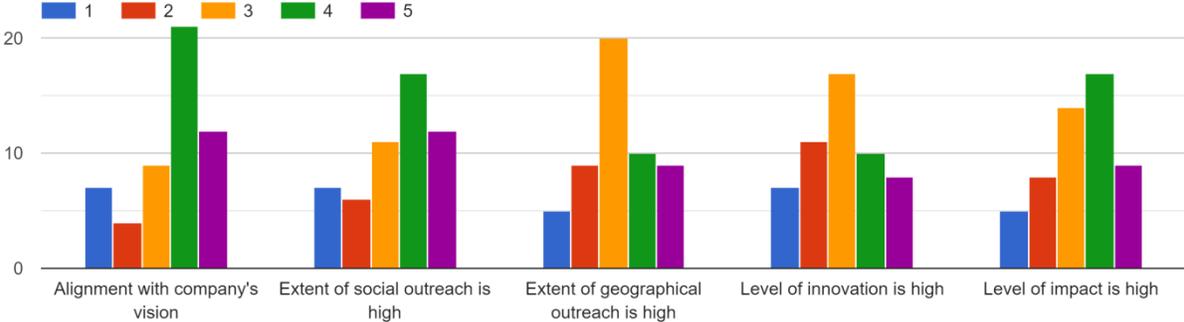
Indicate your involvement in your organization's CSR activities on a scale of 5
 53 responses



What makes you think positive about your organization? (Rank in order of preference)

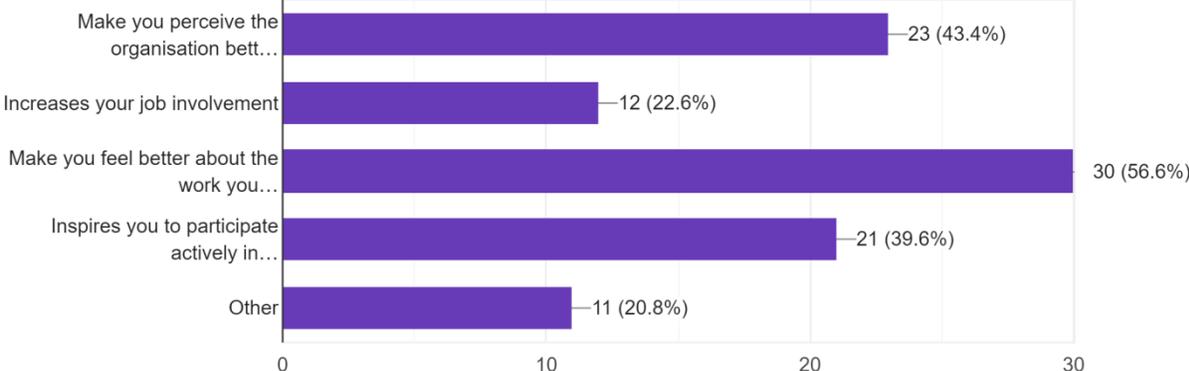


What do you think about the CSR activities conducted by your organization?



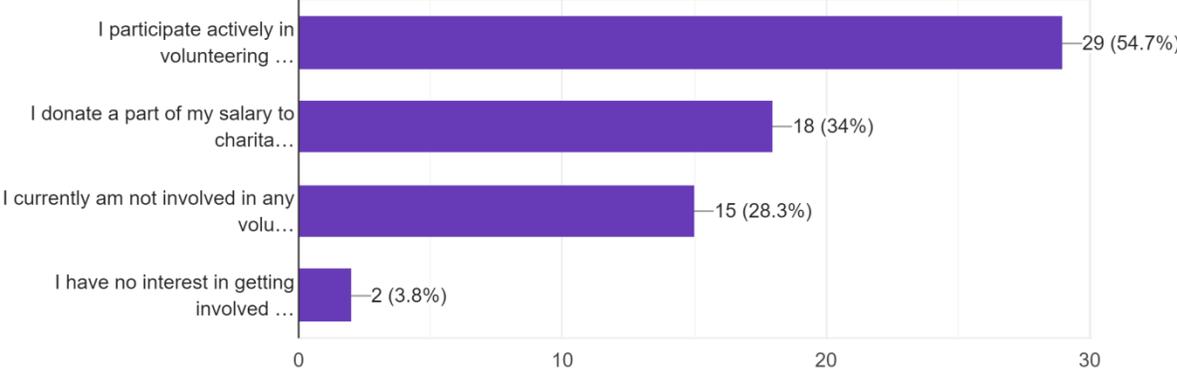
How CSR activities carried out by your organization affect you?

53 responses



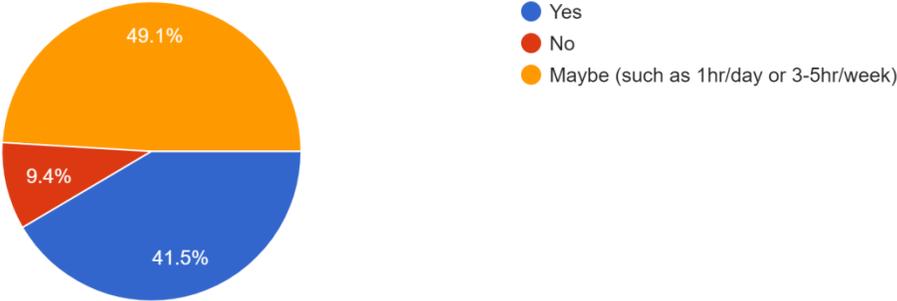
Which statement best describes you?

53 responses



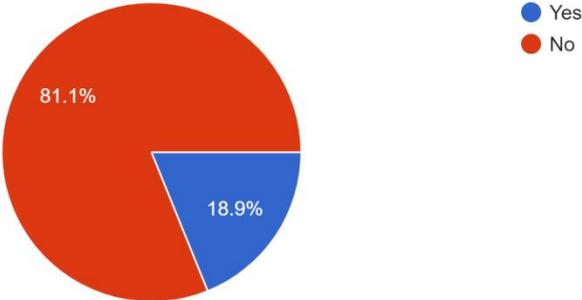
Would you like to incorporate social activities in your daily routine?

53 responses



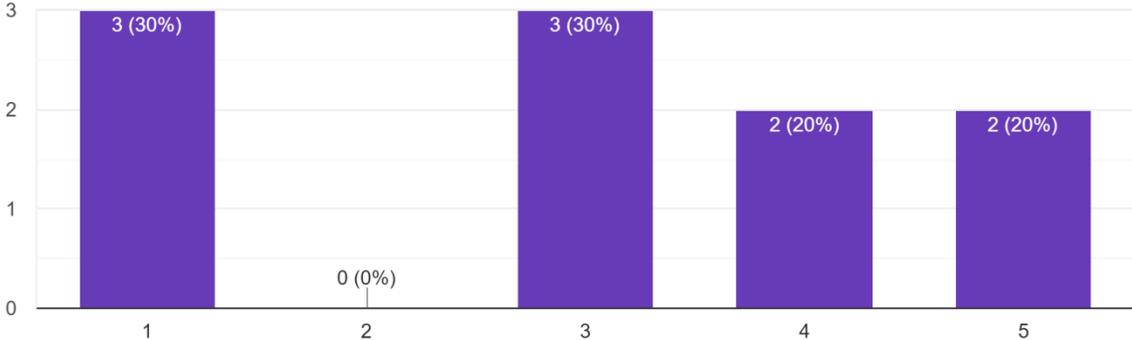
Do you belong to the HR/CSR department of your organization?

53 responses



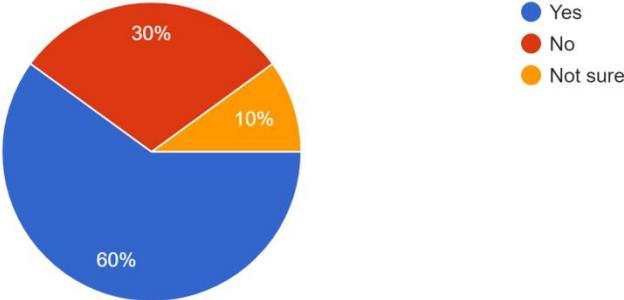
On a scale of 5, how much does your organization involve employees other than the one in CSR Department in CSR planning?

10 responses

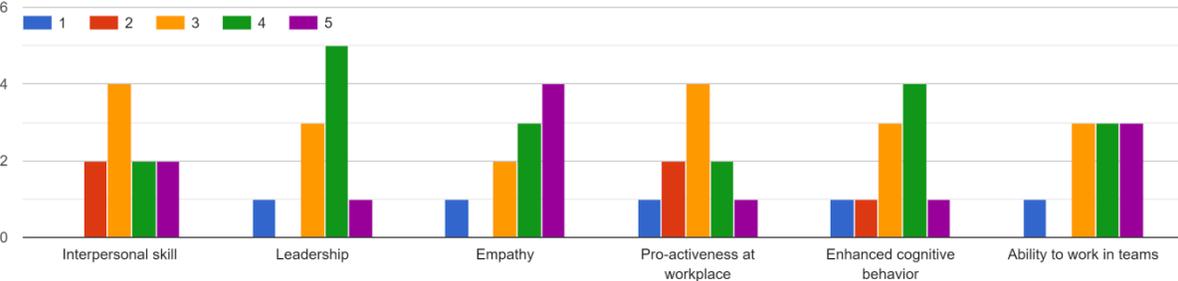


Are employee feedback and suggestion on CSR activities implemented?

10 responses

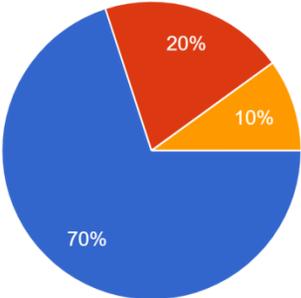


How CSR is likely to affect an employee directly involved?



If your answer to 3 out of 5 options is above 3-point, then, does that progress translates into an increased engagement of employees, back into functional roles?

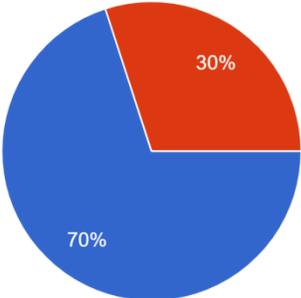
10 responses



- Yes, employees are better engaged
- Yes, but it is not long lasting
- No, it doesn't translate into increased engagement back in functional roles

Do you think the CSR practices of an organization has an effect on employee motivation?

10 responses



- Yes, it can be one of the contributing factors for employee motivation
- No, it doesn't have an effect on employee motivation

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