

Study of Relationship between Employee's Perceptions of CSR Activities on their Job Engagement

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Abstract:

The interest of Indian corporations and government in CSR activities has increased in the recent decade. Recently, The Companies Act 2013 has mandated for every public and private limited company with annual turnover of 1000 crore or net profit of 5 Crore to spend at least 2% of its previous three financial years average net profit on CSR activities. Although many researches has been conducted to know the impact of CSR on company's financial health and on customers but less has been done to explore the impact of employees perception of CSR on their job engagement. Researchers have found four major barriers that prohibits CSR opportunity to serve as an effective tool of talent management: non communication of extent and details of CSR initiatives to employees in a clear and consistent manner; limitations of corporations to understand diverse set of employee's needs fulfilled by such initiatives; lack of understanding of psychological mechanism linking CSR activities to anticipated positive return from employees like long tenures and Organisations citizenship behaviour; and following top down approach in formulation and implementation of CSR programs making it mandatory for employees rather than involving them.

The purpose of the study is to study the relationship between employee's perception of their organisation's CSR activities and their job engagement level in the Indian IT industry. The study will have the following central questions- 1. How employees perceive CSR activities of the firm. 2. How this perception is related to their engagement level. The next section will

discuss the theoretical background development of the research hypothesis, research methods, findings and implications for researchers and decision makers.

Keywords: *Employee engagement, corporate social responsibility, Employee's perception of CSR*

Literature Review:

The most pertinent issue is to know how various stakeholders perceive their organisation as a corporate citizen and react to the perceived reputation of a corporation on social issues in general. For example, studies have shown that consumers' preferences of different product as well as their evaluation of quality of product are influenced by perceptions of the manufacturer's performance on social issues. In addition, several studies have demonstrated that investors often prefer socially screened investment. Previous researches have also provided support to the notion that job seekers prefer organizations which are socially responsible.

Corporate Social Responsibility:

The roots of CSR can be traced from US literature where Bowen (1953) defined it as the obligation of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of objectives and values of our society.

Another significant contribution was from Keith Davis who defined CSR as "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm. It is the firm's obligation to evaluate in its decision-making processes the effects of its decisions on the external social system in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks. It means that social responsibility begins where the law ends. A profit maximizing firm under

the rules of classical economics would do as much. Social responsibility goes one step further. It is a firm's acceptance of a social obligation beyond the requirements of the law (Aguinis et al, 2012). Carroll (1979) proposed four dimensions of business in its CSR namely economic, legal, ethical and discretionary expectations of the society from the business. Economic dimension covers the responsibility to produce goods and services and selling them at right price to earn profit. Legal responsibility is defined by the legal framework of a country. Ethical responsibilities are not very much clear but still known widely and discretionary expectations are all other expectations of society from business in addition to economic, legal and ethical and are defined by norms in the society. The social norms are liable to change with time so is the definition of CSR also (Glavas, 2009). Waddock's (2004) defines CSR as the company's practices of caring for the well being of the overall environment with an objective of creating value for the business. It is manifested in the strategies and operating practices that a company develops in operationalizing its relationships with and impacts on the well-being of all of its key stakeholders and the natural environment. Glevas & Kelly (2014) modified this definition by adding a focus on well-being as well as creation of value for the business, which is in line with the propositions of Aguilera et al (2007) and Orlitzky (2011) to tie CSR to a company's economic fundamentals. Such a definition emphasizes the embeddness of CSR through strategies, structures, and practices, which represents a commitment to CSR that is integrated throughout the organization—as contrasted with symbolic practices in which CSR is administered by a few people in a separate department (e.g., CSR department or foundation). Defining CSR in this way also allows for micro-level research on employees for the following reasons. First, the concept of caring for the well-being of stakeholders (i.e., customers, employees, community, planet) can be measured at the micro-level. Second, the definition focuses on CSR that is integrated at all levels in the organization through strategies and operating practices—which is important for

measuring employee perceptions because it is difficult to measure CSR that is managed by a unit completely separate from the majority of employees (e.g., corporate foundation, CSR department, environmental safety and governance department, public relations), of whose activities employees might not be aware. Finally, both social and environmental aspects are included, which are in line with previous definitions of CSR (e.g., Aguinis, 2011; Elkington, 1997).

Stakeholders' perception of Company's CSR activities:

It is contended that an important distinction needs to be made between objective measures of the level of CSR activity and the perceptions held by different stakeholders specially the internal stakeholders (Employees) regarding the company's CSR initiatives. As numerous studies have shown (Bhattacharya and Sen 2005; Sen et al. 2003), perceptions of a company's CSR initiatives are anything but uniform; responses to even a single initiative vary from person to person because individual stakeholders develop different assessments of such initiatives. While it is expected that large scale CSR initiatives will tend to produce the exposure necessary to lead to positive evaluations, this result is hardly guaranteed. Thus, stakeholder evaluations of the company's CSR initiatives are tied to, yet often entirely distinct from, the absolute level of CSR activity at the company.

Recent research indicates that there are at least two aspects to these perceptions. First, stakeholders evaluate CSR initiatives based on the degree to which initiatives are successful in improving the lives of the intended beneficiaries. In other words, they perceive initiatives in relation to the stated objectives of the initiatives.

There is also evidence that stakeholders are sensitive to poor CSR performance as well. For example, Tajfel & Turner (1985) find that a central factor in whether consumers participate in a boycott is the degree to which the individual perceives transgressions to be egregious.

Taken as a whole, it appears that an important aspect of stakeholder perceptions of CSR initiatives is the degree to which initiatives are seen to be effective in benefiting the cause beneficiaries and/or society.

A second aspect of stakeholder perceptions of CSR initiatives is attributions. Prior research (Ellen et al. 2000; Ellen et al. 2006; Forehand and Grier 2003) finds that stakeholders respond to CSR based on motives they attribute to the company's involvement in social responsibility-initiatives. These motives may be of two kinds (Batson 1998): extrinsic, in which the company is seen as attempting to increase their profits, or intrinsic, in which it is viewed as acting out of a genuine concern for the focal issue (Lichtenstein et al. 2004). Stakeholders are often tolerant of extrinsic motives as long as CSR initiatives are attributed to intrinsic motives as well (Sen et al. 2006). This tolerance of profit motives may be due to the fact, as we argue in the next section, that extrinsic motivations for supporting CSR initiatives can ultimately provide stakeholders with functional benefits that are highly valued. For example, cause-related marketing promotions may generate highly profitable sales (Bloom et al. 2006) that can benefit the company, and indirectly, its stakeholders such as investors and employees.

Employee Engagement

In the past decade, the organisations have developed a considerable interest in the concept of employee engagement and its role in improving the performance of the organisations and developing its competitive advantage (Kular et al., 2008). The concept of employee engagement seems to be first mentioned by Kahn (1990) as psychological and physical involvement of an employee in his job in the organisation. Since then many conflicting definitions were given by authors and seems to be similar with the concept like commitment and involvement as they all refers to positive attachment towards work. However job involvement stresses the cognitive and psychological identification with work and connotes

the idea that work satisfies needs and expectation, commitment is more related with attitudinal and effective aspect stressing more on emotional attachment based on shared interest and values with the organisation (Saks, 2006).

Kahn (1990) proposed that engagement will increase the more a person brings their entire back stage to the front stage. The more an employee can bring of their entire selves to the work place, the more engaged they will be (Kahn, 1992). If Rokeach (1973) and Heidegger (1962) were correct in their arguments that everyone has a value of caring, then employees could be less engaged if they are stuck in jobs that only focus on short term benefit to the company while ignoring caring for others.

An engagement matrix of an employee was developed by Riccardo including two elements of employee engagement: work engagement and organisational engagement. It was also stated by him that a fully engaged employee has both these elements.

Work engagement is defined by the positive, fulfilling work related state of mind characterised by strong vigor, dedication and absorption. (Schaufeli et al, 2002). They also state that engagement is a pervasive and persistent affective-cognitive state which is not focussed on any individual, object, event or behaviour. Vigor is characterised by high level of energy and resilience while working, dedication is sense of significance, enthusiasm, pride and inspiration while absorption is full concentration and happily engrossment with one's work.

The concept of job engagement and organisational engagement was differentiated by Saks (2006). Drawing from Kahn's (1990) seminal research, engagement is conceptualised as role related, reflecting the extent to which an individual is psychologically present in a particular organisational role. Thus, the two most dominant roles for most organisational members are their work role and their role as a member of an organisation. In his research, he found that

job and organisation engagement are different, not only because the scores were different, but their relationship with antecedents and consequences were also distinct. Although job and organisation engagements had impact in job satisfaction, organisational commitment, intention to quit, and organisational citizenship behaviour of the organisation, organisation engagement was a much stronger predictor of all of the outcomes than job engagement. Finally, job characteristics predicted job engagement and procedural justice predicted organisation engagement.

The consequence of engagement was best explained by Kahn(1990) as “The more people draw on their selves to perform their roles within those boundaries, the more stirring are their performances and the more content they are with the fit of the costumes they don.” Companies that are good corporate citizens allow for their employees to draw more on themselves.

Finding the CSR and employee engagement link:

A survey by Gallup (2013) in 142 countries on state of global workplace states that only 13% of the employees around the world are engaged at their work, 63% are not engaged and 24% are actively disengaged showing their unproductively and unhappiness at work.

Ikhlas&Altarawneh (2012) investigated the impact of internal CSR practices particularly training and education, human rights, health and safety, work life balance and workforce diversity on the two dimensions of employee engagement - Job engagement (JE) and Organisational Engagement(OE). The study concludes that the impact of internal CSR activities on organisational engagement was stronger than the Job engagement of an employee.

Perrinin (2008) in a global workforce study found Corporate reputation for CSR holding third rank when it comes to explore top engagement drivers among the organisations. The first two being management's interest towards employees well being and career advancement opportunities.

Research Methodology

Research problems: Pilot study has been conducted to find out the linkage between employees perception of CSR & employee engagement.

Determination of research objectives: the Research problem can be divided into the following research objectives.

1. To study employees' perceptions toward their organization's corporate social responsibility (CSR).
2. To study the relation between employees perception of firm's CSR and their engagement level in the organisation.

Hypothesis: The literature review helps to formulate the following hypotheses:

Null Hypothesis:

H01: There is no significant relationship between Employee's perception of firm's CSR and their engagement level.

Alternate Hypothesis:

H1: Employee's perception of firm's CSR and their engagement level is positively related.

Research design:

The research is a descriptive study aiming at examining the relationship between employees' perception of firm's CSR actions and employee engagement in the organisation.

Sampling & Sample size: Samples of 50 employees from specified IT firms of NCR region have been selected for the study. **Selected IT organisations were TCS, HCL and Wipro and respondents were selected on convenience basis.** A self-administered questionnaire was given to 50 members. The sample included respondents from both genders and diverse background and different ages so that result can be generalised.

Dependant and independent variable: employees perception of CSR is the independent variable while his/her engagement level at job is the dependant variable.

Data collection: primary data was collected through a questionnaire. A total of 50 Questionnaire were given to respondents using convenience sampling out of which 47 were returned to the researcher. Two questionnaires were discarded due to incomplete information and 45 were considered suitable for further analysis. The response rate therefore was 90%.

Scaling:

According to the hypothesis in the study, positive perception regarding firm's CSR is an antecedent to increased job engagement. In order to measure the impact of perceived CSR at an individual level, it needs to be measured at an individual level. Otherwise, if a measure was used at organisational level, it would not be possible to know if an individual employee in a particular company might have varying perception of how socially responsible is their company. It is also required to understand the importance of

Employee's perception of firm's CSR is measured by using PCSR (perceived corporate social responsibility Scale developed by Glevas and Kelly (2014). Cronbach alpha for social and

environmental responsibility combined in one composite scale is 0.87 which is quite acceptable.

Employee Engagement was measured using The Gallup Workplace Audit (GWA) which was developed by Gallup (Harter, Schmidt, and Hayes, 2002). Although all 13 items are not included in the scale. There has been debate as to how this scale defines engagement and whether it properly measures engagement (Macey & Schneider, 2008). However, Harter and Schmidt (2008) countered that what matters most is that a survey measures a construct that is of practical use.

Data Analysis and Interpretation:

The descriptive statistics is given in Table 1.:

| | N | Mean | Std. Deviation |
|-----------------------|----|--------|----------------|
| Age of respondent | 45 | 1.9778 | .58344 |
| Tenure in the company | 45 | 2.6444 | .64511 |
| Gender | 45 | 1.1556 | .36653 |
| Education level | 45 | 2.1333 | .34378 |
| Marital status | 45 | 1.3333 | .47673 |
| Valid N (listwise) | 45 | | |

*Age : 1-18-28 years, 2-28-40 years, 3-Above 40 years.

Tenure: 1-below 6 months, 2- 6months to 1 year, 3- 1-5 years, 4- above 5 years.

Gender: 1-male, 2-female

Education: 1-not completed bachelor, 2-graduate, 3- post graduate.

Marital status: 1-Married, 2- Unmarried.

The table depicts that mean age of respondents lie between 29-40 years and majority of respondents were in the company between the time periods of 1- 5 years.

Interpretation of data:

As shown in table, the data was first compiled into tables which represented the frequency of responses under a scale ranking for each item. Subsequently, the data was then collapsed, as shown in Tables below. For Tables, all responses that were a 1 or 2 were collapsed into the “not satisfied” or “disagree” category. All responses that were a 4 or 5 were collapsed into the “satisfied” or “agree” category.

Employees work engagement scale (Gallup Workplace Audit): s

| Questions | Not satisfied | satisfied | Ratio |
|---|----------------------|------------------|--------------|
| 1. On a five-point scale, where 5 is extremely satisfied and 1 is extremely dissatisfied, how satisfied are you with your company as a place to work? | 5 | 36 | 7.2 |
| Questions | Disagreed | Agreed | Ratio |

| | | | |
|---|----|----|------|
| 2. I know what is expected of me at work. | 4 | 38 | 9.5 |
| 3. I have the materials and equipment I need to do my work right. | 7 | 29 | 4.14 |
| 4. At work, I have the opportunity to do what I do best every day. | 10 | 24 | 2.4 |
| 5. In the last seven days, I have received recognition or praise for doing good work. | 17 | 21 | 1.2 |
| 6. My supervisor, or someone at work, seems to care about me as a person. | 5 | 34 | 6.8 |
| 7. There is someone at work who encourages my development. | 14 | 29 | 2.07 |

Note: the tables are split into three categories. Question 1 from the Engagement Scale is split into categories of “Not Satisfied”, “Neutral”, and “Satisfied”. All other questions in the scales are split into “Disagree”, “Neutral”, and “Agree”.

It can be analysed from the table that overall, the survey responses were high with most of the respondents agreeing to the questions. The ratio of agree to disagree is found to be high.

Therefore it can be concluded that the employees in this study were engaged at their job. As can be seen in above, most respondents were satisfied with their company as a place to work with a ratio close 7 more respondents being satisfied with their company than those that were not satisfied. The highest ratio of those that agreed was for question, “I know what is expected of me at work”, for which almost 10 times more respondents agreed than disagreed.

Importance of corporate citizenship scale:

| | <i>Disagree</i> | <i>Agree</i> | <i>Ratio</i> |
|--|-----------------|--------------|--------------|
| 8. It is important to me to work for a company that contributes to the betterment of the world. | 2 | 41 | 20.5 |
| 9. It is important to me that business goals are achieved by addressing social and /or environmental issues. | 3 | 40 | 13.3 |
| 10. It is important to me that social and/or environmental issues are integral to the strategy of my company. | 5 | 38 | 7.6 |

Again the agree to disagree ratio is quite high in case of all the three statements. The highest ratio was for question 1 with 21 respondents agreed for one disagreed. It can be interpreted that it is important for employees to work for a company which is a good corporate citizen.

Percieved corporate social responsibility scale:

| | <i>Disagree</i> | <i>Agree</i> | <i>Ratio</i> |
|---|-----------------|--------------|--------------|
| 11. Contributing to the well-being of employees is a high priority at my organization. | 6 | 37 | 6.16 |
| 12. Contributing to the well-being of customers is a high priority at my | 5 | 34 | 6.8 |

| | | | |
|---|----|----|-------------|
| organization. | | | |
| 13. Contributing to the well-being of suppliers is a high priority at my organization. | 13 | 20 | 1.53 |
| 14. Contributing to the well-being of the community is a high priority at my organization. | 7 | 31 | 4.42 |

It can be analysed from the table that overall, the survey responses were high with most of the respondents agreeing to the questions. The ratio of agree to disagree is found to be high. The ratio of agree to disagree was found to be highest in case of Question 1 and 2 i.e. “contributing to the well being of employees and customers is the highest priority for my organisation.” Therefore it can be concluded that the employees in this study perceived their organisation a good corporate citizen. For other questions also the agree/disagree ratio is high. Therefore employees in the study consider their organisation a responsible one towards the major stakeholders.

Table below displays the percentage of responses of individual scales including the dimensions of the Perceived Corporate social responsibility and Importance of Corporate citizenship for employees Corporate Citizenship scales. To create Table, the frequencies were added up and then divided into percentages that were collapsed into three categories. For question 1 from the Engagement survey, responses from one to two on the scale were collapsed into the “not satisfied” category, a response of three became the “neutral” category, and responses between four and five became the “satisfied” category. For the all the other items in the Engagement, PCR scale, ICC scale one to two on the scale were collapsed into

the “disagree” category, a response of three became the “neutral” category, and responses between four and five became the “agree” category.

| Survey Instruments | Not satisfied | Neutral | Satisfied |
|--|----------------------|----------------|------------------|
| Engagement Scale Q 1 | 11.11% | 8.89% | 80% |
| | Disagree | Neutral | agree |
| Engagement scale- Q2 to Q7 | 21.1% | 14.1% | 64.8% |
| Importance of corporate citizenship scale Q8-Q10 | 7.4% | 4.5% | 88.1% |
| Percieved CSR scale –Q11- Q14 | 17.2% | 15.0% | 67.8% |

Given that approximately 68% of the respondents agreed that their company is a socially responsible company, it is not surprising that the response was also high on each questions in the engagement survey. As proposed in the literature review that employees care for more than just making money. Company profit is important, but it is not the only motivator for an employee. In total for all questions agree to disagree ratio is quite high.

Conclusion:

This study is conducted to investigate the influence of corporate social responsibility perceptions of employees on their engagement level. The research supports the alternative hypothesis which states a positive relation between the independent and dependant variables taken in the study. It is an important study in the context that it provides management insight about employees’ behaviour regarding CSR. It depicts that organizations can enhance their employee engagement through involving themselves in social activities for instance,

identifying needs of the community and fulfilling them, working for better environment, involving in employee welfare, producing quality products for customers and complying with government rules and regulations and working within legal ambiance. All these activities significantly and positively improve their engagement level. This study provides important information to decision makers involved in designing employee related policies for uplifting their moral and motivate them to remain loyal, committed with their organization and work hard for the uplifting of organization.

The study has excluded individuals outside the IT sector and also outside the boundaries of NCR region. Hence, the generalizability of the results is restricted. Future research could be conducted to address the limitations outlined above.

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