Corporate Social Responsibility- A key Driver in Employee Engagement

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ABSTRACT

Organizations of all kinds have begun making a gradual and powerful move toward sustainability, as they recognize increasing convergences between economic and environmental interests. Pressure from customers, employees, and investors, as well as the promise of tightening regulations of greenhouse gas emissions and other environmental impacts, is helping to drive the advancement of corporate social responsibility (CSR) programs.

Employee engagement programs are initiatives that build employees' attachment to their workplaces and promote enthusiastic employee involvement in helping achieve organizational goals. To strengthen employee engagement and performance, organizations traditionally focus on internal factors, such as learning and development, career opportunities, and leadership effectiveness. Now, add corporate social responsibility (CSR) to the list. This is when the twist in story appears and gives it a different approach. The present study attempts to capture the flavor of the same from all the possible angles.

Primary and secondary data was collected to understand meet the objective of the study. Primary data in form of interview and secondary data through various sources as articles and references to various research from journals, magazines, e-library and websites have been collected to explore the correlation of CSR activities and employee engagement.

INTRODUCTION

In the current scenario companies have slowly started to realize that they must act upon their claim that employees are their greatest asset'. This is not only acknowledging the are, it is because case studies and research results have revealed how much happier and more satisfied employees contribute to the bottom line of the business.

Employee engagement really took a turn in 2009 when a study on the effects of employee engagement was conducted by Gallup Consulting with 356 companies involving 4.6 million employees. It revealed the (positive) effect employee engagement has on a business: less employee turnover, reduction in employees' sick days/absence from work, higher productivity, increased product quality and finally on the EPS (Earnings per share).

Making the connection between CSR and employee engagement means different things to different companies, but the basic premise is the same. Employees are people, they have families, they live in the environment, and they hope to thrive in their communities. Companies that do a good job of taking meaningful actions on their social and environmental priorities can expect a positive impact on their overall performance.

Recent reports from the Hidden Brain Drain Task Force, an initiative funded by a group of 50 multinational companies committed to global talent innovation, reveal that a majority of today's employees overwhelmingly require the same things to fully commit to their employers' goals. In surveys conducted in 2008 and 2009, 85 percent of respondents indicated that "meaningful work that contributes to a better society and healthier environment" is the biggest driver of engagement. Towers Perrin's 2008 Global Workforce Study echoed the finding, revealing CSR is the third most important driver of employee engagement worldwide.

The opportunity to give back to society can even trump compensation. In a 2009 poll by staffing company Kelly Services in Canada, a company's ethical behavior was cited as an important factor in deciding where to work by 97 percent of 7,000 people surveyed. Fifty-three percent said they would take a pay cut to work for an employer with a reputation for caring about employees and the community.

CSR and Employee Engagement – the connection, explained Organizations know, and research confirms, that one key differentiator of companies with superior financial performance is an engaged workforce. Companies that increase employees' engagement— their discretionary effort on the job, their dedication— stand to move ahead of the competitive pack.

Thus employee engagement can be defined as employees' willingness and ability to help their companies succeed, chiefly by freely and consistently delivering discretionary effort on the job. Highly engaged workforces are more likely to work in value-adding ways and achieve the kind of performance that shareholders demand. They're also less likely than other employees to leave their current employer for another, contributing to workforce stability in a talent-hungry market.

The link between employee engagement and company performance exists in virtually every type of business. When people are engaged around the right activities and understand clearly how their work affects the company's financial and other goals, the results are unmistakable. Employees routinely want to go the distance because they find it rewarding for themselves and the company. Conversely, if people are not engaged and feel little connection to the business and its larger goals, the results are equally unmistakable, showing up in the form of a poor service ethic, high turnover and absenteeism, low morale, and a host of other behaviors that cut directly into financial performance over time. To strengthen employee engagement and performance, organizations traditionally focus on internal factors, such as learning and development, career opportunities, and leadership effectiveness. Now, add corporate social responsibility (CSR) to the list.

Recent research shows that CSR is among the top drivers of workforce engagement globally, along with company image and reputation.

Towers Perrin Global Work Force Study

According to the Towers Perrin Global Workforce Study, the bottom-line benefits that accrue to companies from their

CSR initiatives come from a number of sources, some more obvious than others. At GE, for example, management's expectation is that CSR programs will generate bottom line profit improvements, irrespective of any ancillary benefits.

Towers Perrin's 2009 Global Workforce Study reveals that an organization's reputation for social responsibility is one of the top 10 drivers of employee engagement worldwide. CSR also plays a role as a driver of employee retention, along with the organization's reputation as a great place to work.

Top Global Drivers

| Top Attraction Drivers	Top Retention Drivers	Top Engagement Drivers
Senior management sincerely interested in employee well-being	Reputation of the organization as a great place to work	Senior management sincerely interested in employee well-being
Career advancement opportunities	Satisfaction with the organization's people decisions	Improvement of my skills and capabilities over the last year
Challenging work	Good relationship with super visor	Organization's reputation for social responsibility
Convenient work location	Understand career track	Input into decision-making in my department
Flexible schedule	work/personal life balance	Organization's quick resolution of customer concerns
Learning and development opportunities	fair compensation compared to other doing similar work	High personal standards
Vacation/paid time off	Environment where new ideas are encouraged	Excellent career advancement opportunities
Reputation of the organization as a good employer	Competitive training	Challenging work assignments that broaden skills
Reasonable workload	Input into decision-making in my department	Good relationship with supervisor
Organization's financial health	Organization's reputation for social responsibility	Organization's encouragement of innovative thinking

Thus it is clear from the above chart that taking care of these highlighte facets of the employer's reputation, will definitely translate into an engaged workforce.

CSR Classification

As seen in the diagram, following are 4 basic types of CSR with their sub categories.

1. Environmental.
2. Client related.
3. Staff related.
4. Community centric.

The following is an overview of the main groupings and classes of CSR activities as practiced in corporate India.
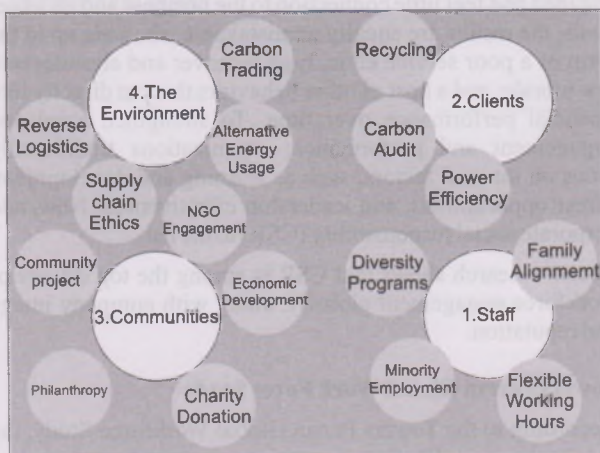
CSR in Corporate India

Main Groups in CSR activities	Classes of CSR activities (within main group)
The main CSR activities in relation to Leadership, vision and values are	• Purpose, values and vision • Policies and procedures • Putting it into practice • Ethical leadership
The main CSR related marketplace activities are	• Responsible customer relations • Product responsibilities • CSR product labeling • Ethical competition • Making markets work for all
The main CSR related workforce activities are	• Employee communication and representation • Ensuring employability and skills development • Diversity and equality • Responsible / Fair remuneration • Work life balance • Health and Safety and well being • Responsible restructuring
The main CSR related Supply Chain activities are	• Being a fair customer • Driving standards • Promoting social and economic inclusion
The main CSR related activities in stakeholder engagement are	• Mapping • Stakeholder consultation • Responding and managing • Reporting and communication
The main CSR related community activities are	• Types of support • Giving Cash • Giving employee time • Giving gifts • Being a good neighbor
The main CSR related environment activities are	• Resource and energy use • Pollution and waste management • Environment product responsibility • Transport planning

Research conducted by the Kenexa® Research Institute (KRI) evaluated Indian workers' perceptions of their organizations with regard to corporate social responsibility.

Corporate social responsibility (CSR), a strategic corporate initiative that has been receiving an increased amount of attention, provides more benefits to an organization than simply reducing costs by recycling and giving back to the community.

Among the six surveyed countries, the research indicates that working for an organization where employees positively view CSR efforts has a significant, favorable impact on how they
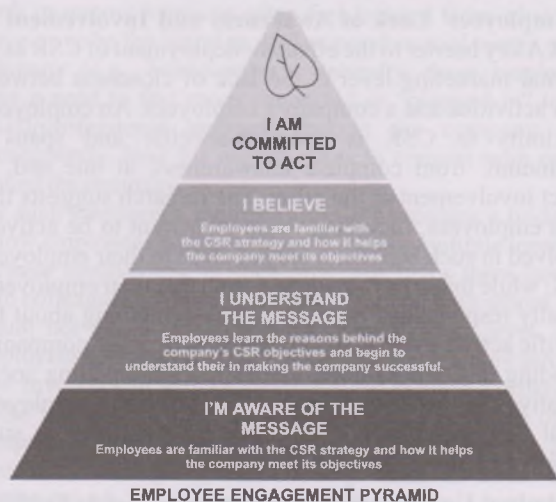
rate their pride in the organization, willingness to recommend it as a place to work and overall satisfaction.

Furthermore, those employees with favorable opinions of their organization's CSR activities are more likely to say they intend to stay relative to those who have unfavorable opinions of their organizations' CSR efforts. Favorability regarding their organization's CSR initiatives varies notably among the countries studied. Workers in India are the most favorable, while workers in Germany are the least favorable. In India and China, the oldest workers have the most favorable views of their employer's support for CSR, while in Germany, the United Kingdom and the United States, it is the youngest workers.

Results in India indicate that an organization's CSR efforts also positively affect an employee's personal outlook of the future, satisfaction with their job and confidence in the company's future.

Employees who rate their organization as having a strong CSR culture outscored those who viewed their company's CSR activities as weak on each of these key indicators. Furthermore, employees who work in a strong CSR culture are more favorable toward their colleagues' willingness to do the very best for the organization, and have more favorable views of their company's ability to motivate people to work hard and put in extra effort.

Favorability regarding their organization's CSR initiatives varies notably across industries. Indian workers in education and the electronics and computer manufacturing industries are the most favorable, while workers in construction and the banking and financial services industries are the least favorable. Technical and clerical employees have more favorable views of their employer's support for CSR, while those who are managers and supervisors are less favorble.

I AM COMMITTED TO ACT

I BELIEVE
Employees are familiar with the CSR strategy and how it helps the company meet its objectives

I UNDERSTAND THE MESSAGE
Employees learn the reasons behind the company's CSR objectives and begin to understand their in making the company successful.

I'M AWARE OF THE MESSAGE
Employees are familiar with the CSR strategy and how it helps the company meet its objectives

EMPLOYEE ENGAGEMENT PYRAMID

The above pyramid explains the various stages of CSR being incorporated into the soul of the employees. It all begins with "I'm aware of the message", in which employees are familiar with the CSR strategy and how it helps the company meet its objectives; to "I understand the message"

Where in employees learn the reasons behind the company's CSR objectives and begin to understand their role in making the company successful. The next stage is "I believe", where employees feel conviction towards the company's CSR values and objectives, and finally, "I am committed to act", at the pinnacle of the pyramid. Those employees who are and feel their basic job needs are being met and who achieve this level, will be inspired to act in ways that help the company reach its goals.

Example 2: For over two decades Wainwright Bank & Trust Company has been steps ahead of the industry with a socially progressive agenda like no other bank in the country. Many of the 14,000 banks in existence, when Wainwright was found in 1987. Many of the 14000 banks in existence, were devoting themselves to maximizing only the financial bottom line, while Wainwright was planning a strategy that would depend not only on doing well, but also doing good. The Bank's social justice platform, its second bottom line, is fueled by the business platform, and in turn its social justice initiatives help fuel business— these are mutually supportive. Many of the Bankers progressive initiatives have helped the bank acquire over $820 million in assets, making it among the largest 700 banks in the country.

Example 3: At Brown Brothers Harriman & Co., the senior management stands behind their community involvement efforts. This provides the CSR initiatives the much-needed executive endorsement to make the programs successful with employees from all levels.

2. **Engage employees at all levels as decision makers and leaders in regard to CSR targets and activities** Corporate philanthropy and volunteer programs are opportunities for employees from throughout the company to become engaged citizens, both with their communities and with each other. Well designed programs provide mechanisms for garnering input from employees and giving employees choices as to how they might contribute. Recognizing that executive leadership will set the general direction for a corporation's CSR programs, employees should play a central role in helping define and refine these programs. Employees can help identify specific projects worthy of corporate investment. They can provide constructive feedback once a CSR program is launched as they participate, witness its impact and consider how the program might be improved.

Example 1: At IBM, employees can nominate local charities where they have volunteered to receive donations of IBM equipment. This helps to put IBM's corporate philanthropy into the hands of its employees.

Example 2: At Putnam Investments, employees have always played a key role in shaping the CSR initiatives. Fifteen years ago, when the program first began, employees were surveyed in order to determine the focus areas for the company's philanthropic and volunteer efforts. Employees have continued to be a part of the decision-making process.

3. **Leverage employees' skills and their ability to make positive contributions to the community** Employees deploying their skills to benefit a community can give them confidence in the positive contributions they can make and help the community see the employees—and the corporation—in a new light.

Example 1: At Unistress Corporation, part of Petricca Industries, "in-kind" contributions have enabled a sense of ownership in the organization's CSR strategy by leveraging the company's biggest asset, its employee skill base. As a manufacturer of precast/prestressed concrete products and specialists in road construction and large-scale highway infrastructure, Petricca's employees have unique skills in construction and heavy equipment operation. Employees are

ways that benefit the community they live in. Whether clearing land or constructing parking lots or playgrounds, the employees are encouraged to participate by leveraging their expertise as machinery operators and engineers. Not only could Petricca's employees feel proud about the contributions they made to Pittsfield, community members witnessed first hand the skill required to operate heavy machinery—and saw these crewmen with new appreciation.

Example 2: Verizon Foundation's Volunteer Incentive Program (VIP) allows employees to register their volunteer hours to get cash awards for their favorite nonprofits and public schools. Employees who complete a minimum of 50 hours of volunteer service can earn $750 grant awards for their organization. Verizon allows employees to earn two VIP awards each year.

Example 3: The Blue Crew offers Blue Cross Blue Shield of Massachusetts associates the unique opportunity to perform valuable community services during non-work and normal work hours.

With their leader's approval, associates can take one paid day of volunteer leave a year to volunteer for corporate-sponsored or corporate-approved community activities. The more than 1,000 Blue Crew members have spent countless hours serving the community, allowing employees to leveraging their current skills in addressing community needs.

4. **Provide opportunities for employees to develop new skills**: CSR programs provide valuable opportunities for employees to become engaged in new ways, not just as active citizens in their communities but also as valued team members when undertaking team projects. When employees take on new roles that are different from the ones they hold at their corporation, they are learning new skills—and their co-workers can recognize different strengths they might not employ in the workplace.

Example 1: At Staples, one of the goals for the corporate responsibility program (Staples Soul) is to develop more leaders with global perspective. For example, rather than spend resources on planning recreational events during company-wide meetings such as golf outings or gambling nights, Staples sometimes organizes community volunteer opportunities during trainings/conferences for its management and associates. Staples has seen that community involvement has helped employees develop skills that are outside of their day-to-day work, such as project management skills, leadership skills and interpersonal skills.

Example 2: In the fall of 2003, EMC entered a partnership with North High School in Worcester, MA. EMC is the corporate partner to the Technology and Business Small Learning Community in North High School. EMC employees provide support for the State Scholars Initiative (a national initiative that has business volunteers visit local high schools and encourage students to take more challenging courses to better prepare for college and the workforce) and volunteer assistance in the classroom. These initiatives allow employees to develop skills outside of their professional expertise.

5. **Encourage teamwork through group volunteer programs :** Group volunteer programs allow team members to work with each other in new ways. By working together on projects outside of the office, employees can gain a better understanding of their co-workers and appreciate talents that may not be apparent within the work environment. This is also a time to have fun together.

Example 1: Managers at Putnam Investments, Blue Cross Blue Shield of MA, Staples, AT&T, and several other companies have used volunteer projects as team-building opportunities. Managers reported that their staff worked better together after participating in a group volunteer event. Developing these best practices requires commitment on the part of corporations. In the best cases, a team of stakeholders within the corporation are driving the development of formal programs to engage all employees in the corporation's philanthropic and volunteer programs.

Challenges or Roadblocks observed

Virtually all Fortune 500 companies engage in a multitude of CSR activities. These efforts are typically deployed based on normative motives, rather than business motives. Not surprisingly then, these programs are usually managed by the community relations department rather than departments or business units with bottom line responsibilities, thereby often depriving the CSR from being well integrated with business strategy. However, this is not to suggest that companies do not engage in any strategic thinking in deploying their CSR initiatives. But, perhaps because of the extant research and trade press attention paid both to the link between social responsibility and consumer's purchase intentions as well as the spate of corporate scandals, much of this thinking has been restricted thus far to external stakeholders such as consumers, regulators and social activist (i.e., watchdog) groups.

1. **Employees' Lack of Awareness and Involvement in CSR** A key barrier to the effective deployment of CSR as an internal marketing lever is the lack of closeness between such activities and a company's employees. An employee's proximity to CSR is program-specific and spans a continuum: from complete unawareness, at one end, to direct involvement at the other. The research suggests that most employees, including those who want to be actively involved in such activities, are not close to their employers' CSR; while many have a vague notion that their employer is socially responsible, they know little or nothing about the specific activities the company engages in. Even companies spending millions of dollars to support compelling social initiatives fail to seize opportunities to inform employees about their good works, let alone involve them in such initiatives.

2. **Limited Understanding of Employee Needs Fulfilled by CSR**

It has been observed that as with the basic facets of job-product such as pay, benefits, advancement opportunities and job role, a company's CSR programs can also satisfy as one or more important higher-order psycho-social needs that employees look to satisfy in their work life. In fact, it could be argued that the power of CSR as an internal marketing lever rests largely on its ability to satisfy, meaningfully these employee needs. These needs are not only numerous but also vary in their relative importance across employee segments.

3. Self-enhancement Issues

It was observed that some employees like to work for socially responsible companies because it provides opportunities both for personal growth and to learn new skills that are applicable to their work.

Thus, when outlets are made available to employees, through CSR programs, to express their own sense of responsibility to their immediate or even larger community, the result can be highly rewarding emotionally. In addition, research reveals that when employees work on CSR projects that involve tasks outside of their daily routine, they also learn specific skills that can help them advance in their career. For example, Green Mountain Coffee has sent over 20% of their full-time employees to coffee farms in an effort to educate employees about sourcing issues; employees subsequently use this knowledge in their daily work. In sum, CSR can fulfill the basic need to be a better employee and a better person.

4. Work-Life Integration

While most companies target their job-products to the needs of their employees as expressed in the workplace, we discovered that employees view their work & life, and the needs therein, quite broadly and holistically, encompassing key dimensions of their non-work or personal lives. In other words, people's work and personal lives are inextricably intertwined, and employees often look to integrate these two spheres so that they may transition more smoothly between them as a fulfillingly integrated whole. Interestingly, research suggests that CSR can help employees feel less stressed and more harmonious by balancing the often competing needs of their work and personal lives.

5. Bridge to Company.

The research shows that employees, particularly those who work in remote locations often feel isolated from what they perceive to be the literal as well as psychosocial center of the company (e.g., headquarters). Naturally, these employees have a need to feel more connected or "plugged-in" to the social/professional network that is the company and, consequently, look for opportunities to connect with others around the company.

For such employees, a company's CSR provides a bridge to fellow employees who are scattered across multiple locations because involvement in such programs helps them interact with colleagues in other corporate functions with whom they would not normally work. At a more abstract level, such employees feel a sense of oneness with the company through their involvement in the collective effort to make a difference in the world. One such instance is the efforts of one of the companies part of study to aid the victims of the 2004 Tsunami; banding together to help those in need made employees all across the company feel more connected to others even though their designations and job types may have differed significantly.

6. Reputational Shield.

Employees often find themselves in situations where they have to defend their company's reputation to hostile external stakeholders. One example are global companies that sometimes have offices in locations where the local population and media have negative or even hostile feelings towards the company. These pockets of ill will can obviously be harmful to the company, but they can also hurt the self-esteem of individual employees. The research suggests that a company's CSR activity helps employees combat such negative external images by educating external audiences, and sometimes even themselves, about the company's core values and ethics. In this way, CSR provides a reputational shield that deflects negative sentiment found in their local communities.

7. Limited Understanding of Employee Returns to CSR

For companies to truly leverage their CSR as a strategic weapon in the war for talent, they need to have a clear understanding of the key pro-company outcomes produced by CSR, the underlying psychological drivers of these outcomes, and the multifarious contingencies that moderate these CSR-outcomes relationships.

8. Top down approach to CSR

Finally, perspective on CSR in the employee domain reveals a clear chasm between the sense of the company (i.e., the senior management) and its employees regarding the appropriate source and ownership of its CSR. In a recent study of CSR ownership by the Wharton School and the UN Global Compact, 71% of the 400 companies surveyed indicated that their CSR policies and practices were developed/ managed at the CEO level, 57% at the Board of Directors level and 56% at the senior management level. The findings of this research are no different: most companies view the development, implementation, and management of their CSR as a top-down process. In other words, it is senior management that decides what causes/issues to support and how.

In sum, companies and employees don't see eye to eye on who really is making the difference through CSR. Most of the power is held by the company, leaving the employees feeling unempowered, unmotivated, and sometimes even disenchanted and disengaged.

Conclusion

An encouragingly large number of organizations are already taking steps to engage their employees in their sustainability goals. While just 14% have formalized their efforts into company policy, 86% promote employee sustainability in some arena. These numbers suggest that many company leaders understand, on some level, the benefits of involving employees in social responsibility efforts.

Indeed, employee retention and public marketing were identified as primary motivations behind sustainability programs. But just 14% of all respondents said their employer was very effective at changing employee behavior, meaning there is room both to improve existing initiatives and establish new programs. Organizations in the environmental sector lead with the highest frequency, effectiveness, and satisfaction associated with their employee sustainability initiatives. This is not surprising, given the relevance of sustainability to the company's core missions and the inherent environmental interests of staff drawn to these types of organizations. However, the energy/ utility sector also stands out relative to other industries regarding the extent of its engagement programs. At the other end of the spectrum, organizations in the government, retail, and technology sectors do the least to set sustainability goals and activate employees to achieve them. The effectiveness of employee engagement depends on many factors including the frequency with which sustainable actions are promoted, quality of sustainable leadership, methods of communication, and employee incentives.

Making the connection between CSR and employee engagement means different things to different companies, but the basic premise is the same. Employees are people, and people want to make a difference. They want to work for companies that care about them, their families, their communities and the causes that are important to them. Socially responsible behavior to engage employees is not just for big corporations with deep philanthropic pockets or enterprise wide community service initiatives. There are many ways small and medium-sized companies can demonstrate CSR without huge financial investments.

Aligning employee recognition, incentive and gift programs with the organization's values and mission as well as corporate responsibility and sustainability initiatives is an obvious opportunity. In tight financial times, ongoing, meaningful rewards and recognition provide a low-cost way to raise morale and encourage higher performance because these small actions are visible and tangible.

Small, social environments where open communication is encouraged are more effective in activating employees than large ones. Companies that collect data on employees' sustainability practices, promote communication among staff, and employ social media are more likely to have highly effective engagement programs. The employees at larger organizations are much less aware of their employer's sustainability goals and initiatives, suggesting that in these environments, communication is lacking.

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