THE RELATIONSHIP OF CORPORATE SOCIAL RESPONSIBILITY AND EMPLOYEE RETENTION

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Abstract

Corporate social responsibility has been primarily focused at the organizational levels with an emphasis on the impact on external stakeholders such as organization branding and reputations. However, recent studies begun to explore at micro level and found that corporate social responsibility is positively related to employee retention. Objective of this article is to identify the benefits of corporate social responsibility and how it help in employee retention for an organization. Corporate social responsibility has been link to enhancement of engagement; working meaningfulness and job satisfaction in the organization’s employees thus lead to higher commitment, loyalty, and organizational citizenship behaviours and improve the employee retention rate. All this further help to improve organization productivity, performance and overall profitability. In conclusion, corporate social responsibility should be integrated into human resource management as an effective measure to improve the employee attraction and retention.

Keywords: Corporate Social Responsibility, Employee Retention, Employee Engagement, Work Meaningfulness, Job Satisfaction, Human Resource Management
INTRODUCTION

Corporate Social Responsibility (CSR) is a concept based on the idea that corporation should be responsible for all of their stakeholders who involved in the business processes in order to benefit the society (Freeman, 1984). The responsibility is taking voluntary actions to produce positive impact towards the society on top of the ordinary business and legislation obligation. CSR can be described as the continuing commitment by a business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as local community and society at large.

Therefore, CSR has become an important part in most of the organizations and companies. Being a good corporate citizen is an important aspect of the corporate identity, values and vision. It has been defined in several ways. CSR is action on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law (Waldman, Siegel, & Javidan, 2006). Besides this definition, CSR also been defined as the context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social and environmental performance (Zedeck, 2011).

There are many Fortune 500 companies who involve in CSR, some even launching massive media campaigns promoting their CSR endeavours. Based on the finding from World Economic Forum survey of CEOs and leaders, (Voice of the Leaders Survey) corporate brand reputation outranks financial performance as the most important measure of success. Companies with a public commitment to ethics perform better on financial measure which on average; have 18% higher profits (Gupta & Sharma, 2009). CSR is one of the ways a company achieves a balance or integration of economic, environmental and social imperatives while at the same time met the expectation of shareholder & stakeholder (Gupta & Sharma, 2009).

Under globalization, social, economic and political problem can be merging into one another and same goes for the solution. In response, CSR has emerged as an unavoidable priority for entrepreneurs and a response to new conditions, new challenges and new opportunities for a sustainable business (Gupta & Sharma, 2009). There are plenty of researches and studies related to CSR had been done, research found that 181 articles have been published in top-tier management journals with about half being published since 2005 (Aguinis & Glavas, 2012). Majority of the research in CSR has been primarily focused at the institutional and organizational levels with an emphasis on the impact on external stakeholders (Aguinis & Gllavas, 2012).

Employee retention is one of the critical functions under human resource management. It refers to the techniques and strategies employed by the management to help the employees
stay with the organization. Employee retention strategies involve motivate the employees to ensure they stick to the organization for the maximum time and contribute effectively. However, employee retention has become one of the major concerns in organizations. Employees that had been trained have a tendency to leave their organizations for better prospects which includes lucrative salary, comfortable timings, better environment and better career advancement.

Employee turnover can be frustrating especially when the departures are unexpected and causing the administrators to spend precious time and effort to recruit, select and train new replacement employee (Buck & Watson, 2002). Therefore, it is crucial for the human resource management to implement some effective plan to enhance the employee retention rate so that the trained and experiences employee will remain in the organization to render their best to the organization as long as possible.

Perception of organizations being fair towards and caring for well-being of the employee directly have been found to be related to job satisfaction, organizational commitment, evaluation of authority, organizational citizenship behaviours and performance (Colquitt et al., 2001). Apart from that, employees will be impacted by perception of what the organization is doing to others in addition to perceptions of how the employee is directly treated.

A more recent review of 588 journal articles and 102 books found that measurement at the individual levels still essential (Aguinis & Glavas, 2012). It is important to understand the employee’s perception of CSR because they can significantly influence workplace attitudes, behaviours and performance (Bargh & Burrows, 1996).

CSR has been found to be positively related to employee performance (Jones, 2010) and commitment (Maignan, Ferrell, & Hult, 1999). Besides, CSR also increase the attractiveness to prospective employees (Greening & Turban, 2000; Turban & Greening, 1997), organizational citizenship behaviours (Jones, 2010; Lin et al., 2010; Sully de Luque et al., 2008), engagement (Glavas & Piderit, 2009) and identification with the organization (Carmeli, Gilat & Waldman, 2007).

Apart from that, CSR also improve creative involvement (Glavas & Piderit, 2009), employee relationships (Agle, Mitchell & Sonnenfeld, 1999; Glavas & Piderit, 2009) and also employee retention. CSR will help to improve the working environment in many aspects. Effective CSR can help to enhance the sense of belonging in employees, improved skills and motivation, better productivity, lower rate of attrition and thus lead to higher job satisfaction and increased in retention rate. This review will explore the relationship between corporate social responsibility (CSR) and employee retention.
CSR Enhanced Employee Engagement

Corporate social responsibility (CSR) and employee engagement are two of the most discussed issues in the business environment today. Evidences show that CSR is an emerging and increasingly important driver of employee engagement. The evidences are from the surveys, management consulting, journalistic and corporate sources. The academic literature consistently influence on employee attraction, retention and engagement.

There is a clear correlation between attraction, retention and engagement. Employee engagement is particularly important on business outcomes and there will be significant cost associated with a disengaged workforce. Study had been conducted to explore the connection between corporate social responsibility (CSR) and employee engagement. Understanding of engagement must be established before any effective strategy to attract and retain employees can be developed.

There is no single definition of employee engagement. However, there is agreement that engagement entails more than just motivation or performance. Employee engagement mostly defined as the commitment to and belief in the organization and its values and a willingness and ability to contribute ‘discretionary effort’ to help the organization succeed. Employee engagement does not mean employee happiness and making employees happy is different from making them engaged (Kruse, 2012). Employee can be happy at work but them not necessarily working hard, productively on behalf of the organization. Besides, employee satisfaction also does not equal to employee engagement. A satisfied employee might show up for her daily work without compliant yet they might not go the extra effort on her own (Kruse, 2012). However, engaged employees will normally derive satisfaction from the success of their organization.

Employee engagement also been defined as “harnessing of organization members” under the name of personal engagement (Khan, 1990). Work engagement is one of the fundamental roles in organizational effectiveness. Organizations will prefer to recruit employee that is loyal and committed because they will devote their full capabilities towards their work (Deepa et al., 2014). Besides, normally engaged employees are also more creative and more productive (Bakker & Demerouti, 2008).

Employee engagement is the emotional commitment the employee has to the organization and its goals, a passion for work and feelings of hope about the future within the organization. Engaged employee will be motivated, excited, thoroughly involved and engrossed in their work and contribution and willing to offer their discretionary energy to accomplish work goals. This means that the employees are concern about their work and their organization. They will work towards the organization’s goals and not just for the salary or promotion. They will use
discretionary effort when they are truly engaged. Basically, engaged employee are those who willing to act beyond their core duties even without the supervisor or instruction from their superior. Engaged employees will lead to better business outcomes (Kruse, 2012).

Employees will be motivated by jobs that challenge them and enable them to grow and learn, and that they are demoralized by jobs that are monotonous or provide little opportunity for growth and learning. There are two core elements of employee engagement must be available: work engagement and organizational engagement in order for an employee to be fully engaged.

Employees who are engaged are more likely to be loyal to an organization and thus enhanced the retention rate. CSR had been one of the ways to increase employee engagement. Successful CSR strategies need to be based on a clearly articulated and contingent input-output perspective, bring employees closer to such strategies, satisfy key and varying employee needs, encourage employee identification, and be co-created in partnership with employees. Specifically, CSR is most effective when employees play the role of the actual enactor of CSR programs with the company acting as an enabler.

Corporate social responsibility (CSR) can serve as a highly effective component of internal marketing programs by fulfilling employee needs and drawing them to identify strongly with the company. Thus, CSR activity is capable of yielding substantial returns to both the employee and the company. CSR is a complex strategic endeavour that demands considerable attention and commitment by the company in order for it to pay back. However, if done right, it can yield rich dividends as a potent internal marketing instrument.

Evidence is mounting that a company’s corporate social responsibility (CSR) activities is a legitimate, compelling and increasingly important way to attract and retain good employees. Apart from that, there are more employees seek out socially responsible companies to work with. Practitioners and theorists are increasingly turning to internal marketing as the rubric under which CSR can be used to acquire and retain employees.

**CSR Enhanced Work Meaningfulness**

Work meaningfulness is an important factor that positively relate in employee retention. There are many people who work their whole lives trying to figure out their purpose in life. Besides, work meaningfulness has been recognised as one of the top 3 employee engagement drivers. Thus, work meaningfulness is a key element in enhances staff retention.

Employees that failed to identify work meaningfulness will lead to disconnection of values in between the employee and employer. The employee will have a deep sense of meaninglessness and not feeling being recognized for their hard work or even view their existence in their company as pointless. This creates negative work environments that
demotivate them and they will begin to lose the sense of control and power. All these will eventually increase the employee turnover rate.

Work meaningfulness is not just composed from joy; the meaning can also come from a job that has moments of emotional pain or full of challenges and struggles. The feeling of having to cope when working gave the meaning to moments that were more than just happy and simple tasks. The sense of work meaningfulness can leave a lasting impression on their view on their jobs and their values in lives.

Organizations that succeeded in creating work meaningfulness are more likely to attract, motivate and retain the employees they need. This help to build sustainably for the future and create the workplaces those human beings can thrive. According to a survey done by Hackman (2016), 92% of college graduates stated social responsibility is important to them when working at an organization. They will prefer working for an organization that creates positive changes and adds meaning to their lives. Employee not just want to benefit themselves but they also want to feel their work benefits others, this normally known as the quality of self-transcendent. While work meaningfulness is a personal thing that an organization hardly to control, employers should actively try to support in creating the work meaningfulness.

Different with job satisfaction and engagement which can be managed with company policies, work meaningfulness is more individual and personal. They only find their work meaningfulness from the reflection on their work. Normally work meaningfulness goes beyond the workplace and is more about finding a connection to humanity, through their jobs. Therefore, most of the organizations will improve this by creating a culture of ethics and morals that help to brings an employee’s personal values and work life together. Thus, corporate social responsible which able to improve the sense of work meaningfulness become one of the major focuses in most of the organizations.

Corporate social responsibility can create positive impacts towards employee’s work meaningfulness as they see their job as helping the organization improve society and community in some way.

Work meaningfulness can yield benefits for an organizations and lead to positive result such as job satisfaction, engagement, commitment, higher performance and retention. Work meaningfulness can come from individual or the organization when they found their work to have significance contribution that broader their meaning in life. Recently, plenty of organization routinely emphasise the importance of CSR that help in socially beneficial dimensions of work in an effort to foster commitment, motivation and sense of work meaningfulness among employees. The connection to the organization’s social purpose is routinely used to recruit and
select employees and has been shown to motivate and enhance commitment among employees (Boxx et al., 1991; Preston & Brown, 2004).

Empirical evidence shows that strong corporate social performance has the potential to enhance employee engagement. Corporate Social Responsibility helps to create greater positive organisational identification that helps to increase employee well being (Turban & Greening, 1996; Grenning & Turban, 2000; Backhaus et al., 2002). Besides, changes in the relational dimensions of work could enhance work meaningfulness and improve performance (Grant, 2007).

According to the job characteristics model (1976) from Hackman and Oldham, they established that sense of work meaningfulness can contribute to positive work outcomes that have beneficial effects for individuals and organisations (Hackman & Oldham, 1976). One of the key forces that can contribute to work meaningfulness is ‘task significance’. Task significance can be defined as efforts that are seen by the person doing them as ‘work towards the greater good’ or in certain way serving or helping others. Thus, these provide conceptual support for a link between work meaningfulness and positive job attitudes (Hackman & Oldham, 1976). Corporate social responsibility is in fact considered the analogous to this concept. Apart from that, Thompson and Bunderson's work on 'ideological currency' suggests that employee perceptions about social impact extend beyond their direct experiences in the organisation (Thompson & Bunderson, 2003).

Corporate social responsibility is believed in creating affective commitments that provide a sense of belonging and being proud to be a member of the organization. The continuances of commitment lead to loyalty and feeling of obligation to the organization (Dhammika et al., 2012).

**CSR Enhanced Job Satisfaction**

Overall, job satisfaction can be defined as the degree of contentment employees feel towards their jobs (Abraham, 2012). There are 3 major indicators of employee retention which includes whether employees expect to resign from their jobs in the coming year; whether or not they are currently looking for a new job and their commitment to the organization they work for. Work environment that takes care of employee’s needs and values help to improve job satisfaction of employees (Abraham, 2012b; Papoutsis et al., 2014).

Job satisfaction help in enhance Job satisfaction of employee is well known as a reliable predictor of employee retention, higher job satisfaction generally results in lower employee turnover (Lambert et al., 2001). Higher job satisfaction also relate with increase of organizational productivity and performance. Employees with high job satisfaction will fully engaged in their tasks and feel that the company appreciates their effort and diligence.
Study show that there is positive correlation between a company’s strategic Corporate Social responsibility activities and the job satisfaction of their employees (Valentine & Fleischman, 2007). The perceptions of employee towards the CSR activities will indirectly influence employee commitments to the organization. The internal stakeholders which are the employee may positively or negatively react to their perceived CSR programs (Wood & Jones, 1995). The perception derived from information about the organization’s CSR activities and refers to personal evaluations and interpretations at the individual level. It represents the employee cognition of the importance of CSR fulfillment and distinguished from external perspective of CSR such as organization image and reputation which mainly evaluated by external stakeholder outside the organization (Brammer, Millington & Rayton, 2007). The perception serves as a reference point in employee’s evaluations of an organization’s involvement in CSR programs and this eventually lead to formation of employee’s attitudes and behaviours (Beckler, 1984; Crites et al., 1994).

The perception of employee towards the organizational CSR refer to the undertaking of the organization in term of four major categories includes economic, legal, ethical and discretionary responsibilities exerted by its stakeholders (Maignan & Ferrell, 2001). Normally employee will concern on their organization’s fulfillment of social requirements and this influence on their job attitudes and satisfaction (Rodrigo & Arenas, 2007). Employee will tend to perceive their organizations as being fair to them when they perceive their organizations to be socially responsible. These create the sense of justice that enhances employee attitudinal reaction because it is asserted to positively affect employee job attitudes (Leigh et al., 1988).

Thus, employee’s perceived organizational CSR play an important role in promoting positive work attitudes such as job satisfaction. Generally, employees demand for organizational ethics that can help in increase job satisfaction (Vitell & Davis, 1990; Koh & Boo, 2001). Hence, employees who perceived their organization’s social awareness and engagement are more likely to possess greater level of job satisfaction and eventually lead to higher retention rate.

CONCLUSION
Corporate Social Responsibility development has significant influences on many function of Human Resources Management (HRM). CSR activities help to accomplished some of the HRM’s such as maintaining ethical principles of the organization when interact with major stakeholders and fostering of employment practices that enable employees to become socially involved by volunteering CSR can be strategically use in an organization as a powerful tool to attract and retain talents.
For instance, employee engagement, work meaningfulness and job satisfaction are the key organizational effects arise from CSR activities that help to increase employee retention rate. CSR activities which involve ethical practices help to improve the commitments and engagement of their employees. Employee commitment was the area most positively affected by the implementation of ethical policies.

Besides, organizational commitment towards CSR can lead to better reputation that eventually beneficial in employee recruitment. Employee will have the sense of being valued and respected when they are working in an organization that care about consumers, employees and the general public. Apart from that, CSR also provide additional advertising exposure opportunities and normally relate to higher profit to the organization.

In conclusion, organization should integrate CSR into their organizational culture and operating policies so that they can benefit from satisfying both internal and external stakeholder’s demands. Employees will have better working attitudes, more engagement, greater productivity, higher job satisfaction and greater retention rate when their organization able to fulfill their expectations on CSR (Trevino & Nelson, 2011; Tuzzolino & Armandi, 1981). According to the research of Pacific Northwest Bell suggested that employee volunteer activity was significantly associated with employee’s commitment and job satisfaction (Peterson, 2004).

REFERENCES


