Impact of Corporate Social Responsibility Policy on an Organisation's Relationship with its Employees – A study of IT Sector in India

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Abstract

The study examines the influence of the concept of Corporate Social Responsibility on the organization's relationship with its employees - a study of IT Sector in India.

The data used in paper is primary in nature and method of collection is questionnaire and personal interview in the form of questionnaire from a sample of 304 IT professionals working in different IT Organizations in India.

Key Words : *corporate social responsibility, CSR , employee relationship, employee attrition, corporate governance.*

Introduction

In order to maintain a good working relationship with the employees, an organization need to fair and honest in their approach for the welfare of the employees, by addressing their concerns. Employees need to be assured that the company is not just after the monetary gains but is also socially responsible by being honest with its customers and by caring for the environment (Tamm et al., 2010).

An organization's ability to motivate employees can be affected by CSR activities. A company can reap the benefits of CSR activities by boosting the morale of its employees, resulting in employee satisfaction and loyalty (Hopkins, 2003). The production capabilities of employees can be enhanced if the company is involved in CSR activities (Mittal et al., 2008).

Employees are treated as vital assets by most of the companies (Young and Thyil, 2009). Talented and skilled human resources are less in numbers and it is difficult to either replicate or replace them (Prahalad and Hamel, 1990). Therefore, it is very crucial for a company to attract and retain its employees (Hopkins, 2003). According to a study of Brammer et al. (2007) employees perceive that the CSR activities of an organization impact the commitment of that organization.

An employee judges the company's ability to manage its responsibilities and then decides to join the company (Waddock et al, 2002). Employees tend to work for companies which have values similar to their own (Backhaus et al, 2002). Satisfied employees identify with the values of the company and tend to remain loyal to the company (Chatman, 1991). Studies have revealed that encouragement from the company management inspires the employees to perform to the best of their abilities (Ramus and Steger, 2000).

Job satisfaction is the concept of the employees' well-being at work which can be determined by factors like rate of payment and work compensation (Clark et al., 1997). A thorough understanding of the employees' expectations from the company will only contribute to improving relations between the employer and the employee. An employer can nurture relations with the staff by rewarding them in recognising their contribution and efforts to the company, by creating a well-maintained system of work-life balance, by providing personal growth and development opportunities, by providing safety measures at workplace, by providing sufficient health cover and by making provisions for good retirement benefits (Maignan et al, 2005). An employee looks for the

following factors for job satisfaction namely the basic remuneration, career growth and opportunities, supervision, the workload entrusted, working conditions and social relations. The basic remuneration of an employee includes the rewards and compensations offered by the employer. The career growth and opportunities are determined by the employees' abilities resulting in promotion and other benefits. Employee involvement and due recognition of employee efforts are important supervisory traits that result in a harmonious relationship between the employer and the employees. The workload of an employee determines the work-life balance. The relationship between colleagues and management is also important as social relations play a crucial role. Safe working environment and healthy surroundings are a must for the optimum transactions at the workplace. The employee also has to be taken care of his cover for medical liabilities and other related expenses. The social security aspect also is very important as the employee seeks to retire from his work gracefully (Tamm, Eamets & Mõtsmees, 2010).

Organizational activities of a company should positively involve primary stakeholders because engaging the employee is an important aspect (Greenwood, 2007). Involving employees in company affairs enhances their levels of commitment, enthusiasm and focus. The behavior patterns of the employees are also positively impacted by such activities (Tamm, Eamets & Mõtsmees, 2010).

Factors like behaviors and attitudes of employees result from the working environments in which they are subjected to and such factors contribute significantly to the effectiveness of the company (Macey & Schneider, 2008). Employees are also benefited by the process of engagement. Greenwood (2007) states that, "In the organizational setting, employee involvement in decision making may not be undertaken to achieve the goals of employees, but rather done to further the objectives of the organization".

The corporate image of a company is built by the fulfillment of the expectations of the stakeholders. Engagement of stakeholders and CSR reports can prove to be the intermediaries through which companies respond to the demands of the stakeholders resulting in satisfactory demonstration of CSR activities. The transparent CSR activities are in favor of the stakeholders and the organization can be deemed as socially responsible. As per findings of earlier studies, employees tend to be highly responsible towards the stakeholders if the organization in which they are working is perceived as a socially responsible company, which serves the community and performs its societal duties. A positive link between work and reward expectancies and external perceptions of the CSR activities of the organization can be established from the study of Gavin and Maynard (1975).

A firm owes much to the primary stakeholder group of employees as they are capable of influencing the outcomes of the firm (Greenwood, 2007). The relationship between an organization and its employees can be positive in nature since the company perceives to act in a socially responsible manner and the employees fulfill their due commitments to the company (Peterson, 2004; Schiebel and Pochtrager, 2003).

Retaining the employees can reduce the costs of a company, as the recruiting and training costs can be quite significant. A company's beneficial factors like increased productivity and better work attitudes are caused by the well-being and satisfaction of the employees (Tuzzolino and Armandi, 1981). Hence, it is important for a company to maintain healthy relations with its employees and drive the company to a steady growth.

Review of Literature

According to the Center for Ethical Business Cultures (2005), "Corporate Social Responsibility (CSR) is the integration of business operations and values whereby the interests of all stakeholders including customers, employees, investors, the community, and the environment are reflected in the company's policies and actions."

Benabou and Tirole (2010) define CSR as a voluntary act of going beyond the lawful and contractual responsibilities and sacrificing an organization's profits to serve a particular social cause. Several activities can be encompassed under CSR such as environmental protection activities, spreading awareness of ethical procedures, introducing employee-oriented benefit schemes, helping the local communities, supporting the arts, aiding the universities, etc.

Objective of the Study

To study the impact of the impact of CSR (Corporate Social Responsibility) policy of an organization on its relationship with its employees.

Research Methodology

This study is an empirical research and based on the survey methodology.

The data was collected by means of questionnaire and personal interview. The sample size used consisted of 304 IT professionals working across different IT companies in India. These organizations consisted of MNCs operating in India, Large Indian Service providers and middle sized Indian organizations.

A well-designed questionnaire was used for personally collecting data from different professionals.

Findings of the Study

The sample consisted of 68.4% male and 31.6% female respondents. Majority of the population i.e. 55.6% belonged in the age group 35-49 years.

51.3% of the respondents were in Middle Management and 27% were in senior management.

84.2% of the respondents agreed that "Policy towards Employees" was a significant area of the CSR.

Majority of the participants were in agreement that their organizations adhered to the policy of corporate governance with regard to "Strategic Leadership" (80.3%), "Stewardship" (79.3%) and Board Structure (62.2%).

Furthermore, 79% agreed that the senior management in their organisations duly kept CSR in mind while taking strategic decision.

87.8% agreed that there was a linkage between CSR and good governance.

Lastly, 60.8% agreed that they were highly likely to recommend a friend to their organisation based on its position o CSR activities.

Conclusion

The empirical study clearly showed that CSR activities were no longer taken up in isolation but were seen as an important tool not only for the society at large but also a key differentiator in maintaining Employer-employee relationship. So much so that CSR activities are now influencing some of the Strategic Initiatives taken up by the organization.

A well-defined CSR activity was now marketed by an organization to ensure that its overall goals were in synergy with the society and there was a growing trend to showcase it to the target segment. There was also an increasing trend in expanding the CSR to include the employee and partner ecosystem; as it not only lead to better implementation on the ground but also an increased visibility.

There is now a growing acceptance that the organization cannot treat the CSR activity in isolation but needs to align the overall internal policies with this concept.

Recommendations

With the growth of CSR activity in the industry, these activities cannot be carried out in isolation and in an arbitrary manner. The companies need to plan out the CSR calendar and also need to ensure that its employees are properly aligned and associate themselves both physically and emotionally with the CSR planning and any positive outcome of such an activity.

A well planned and executed CSR activity can not only lead to a social upliftment of a section of the society but also help the organization build a bridge with the community as a whole. It is an important tool whereas an employee not only feels proud of the activities being carried out by the organization but also identifies oneself

with the overall impact of such an activity.. Some of the Multi-National companies also utilize CSR to showcase their commitment to local population and country, in turn binding its local employees to its culture.

A well planned CSR activity which is in sync with the broad strategic goal of the organization can help an organization to not only connect to the community but also drives home the concept of Corporate Governance. This helps in reducing the employee attrition and also attracts new talent from the marketplace. A dedicated and detailed study can help in identifying the precise relationship between various parameters like brand Marketing Budget, CSR spend (money and man hours), Index of Corporate Governance, Employee Attrition, and Competitive Advantage. This would be of great benefit to not only the business houses but also to various regulators which are part of government agencies in India.

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