

# *HR Practices and Internal Corporate Social Responsibility*

## *A Conceptual Study*

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ISSN 2348-2869 Print

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Studies, NOIDA

Journal of General Management Research, Vol. 1,  
Issue 1, January 2014, pp. 37–50.

### Abstract

*This paper made an attempt to put forward the relationship between human resource practices and internal corporate social responsibility (CSR) in Indian Service sector. The paper is based on extensive literature review and has documented evidences from previous researches, wherein similar relationship has been shown. We argue intrinsic corporate social responsibility goes parallel to human resource practices in order to attain higher better. Literature review showed that internal corporate social responsibility in combination with human resource practices leads to improvement in outcome. This study makes a contribution to the relationship between corporate social responsibility and human resource practices by suggesting a relational model that may be tested in further researches.*

**Keywords:** Corporate social responsibility; human resource management practices; internal corporate social responsibility; Indian Service sector

## INTRODUCTION

There have been a lot of researches done in the area of Corporate Social Responsibility (CSR) in various sectors, but only a handful of studies showed the relationship between internal Corporate Social Responsibility (CSR) and human resource management (HRM). Human resource management practices are meant for the management of employees in an organization. Employees being an essential part of every organization are greatly influenced by the corporate social responsibility practices of a company. No organization can survive in isolation from its stakeholders and this puts an obligation on the organizations to operate in a socially responsible manner. This paper is an attempt to explore the link between human resource practices and internal corporate social responsibility.

The important elements of internal corporate social responsibility include human resources management, which deals with attraction, recruitment and retention of employees, employee development, employees' rights, health and safety, working conditions, work-life balance, fair treatment and fair wage distribution, education and training (Brussels, 2001).

Introduction to internal corporate social responsibility can be given through mention of a statement quoted by Mr. Manmohan Singh (Former Prime Minister of India, 2007), "first you need to have healthy respect for your workers and invest in their welfare". According to a survey of corporate

reporting (KMPG 2003), a huge majority of the fortune 500 companies are not only engaged in practicing socially responsible activities, but are also committed towards devoting considerable resources to practice and report CSR activities to a wide array of corporate stakeholders. In this paper, an attempt has been made to present a model that links human resource practices to internal corporate social responsibility. The basic objective behind writing this paper is to clear the air between internal and external corporate social responsibility practices and prove that CSR is not just for the society, but also for the internal public of an organization. The benefits of CSR to employees helps in strengthening the relationship between an individual stakeholder and the company. It is already proved that the stakeholders of an organization may respond to CSR with highly positive company-favoring behaviors (Sen et al, 2006).

## LITERATURE REVIEW

In order to understand the relationship between human resource practices and corporate social responsibility, a review of literature was done. The literature was collected majorly from research papers published online. Two streams of literature, one related to HR practices in business organizations; and the other on corporate social responsibility practices.

CSR is a broad term that encompasses several synonymous concepts related to business and the society (Matten & Crane, 2005).The

contribution of Carroll in defining corporate social responsibility has been commendable and acted as a basis for several research studies. Carroll (1999:291) stated that “concept of CSR has had a long and diverse history in the literature”. Contrary to this, Lantos (2001) said that CSR is a complicated concept with indistinct boundaries.

## INTERNAL CORPORATE SOCIAL RESPONSIBILITY

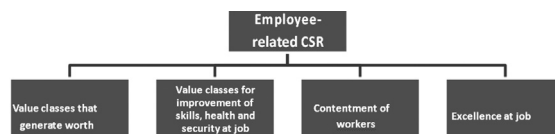
The internal dimension of corporate social responsibility focusses on the activities being performed inside an organization. It basically lays emphasis on the activities that can lead to improvement in well-being of employees. Wellbeing here is referred to both in terms of employees’ personal lives and productivity. Another emphasis of internal CSR is on profitability at the bottom line. Several studies have identified and stated that on alignment of CSR strategy with company’s core business, the outcome results in a wide range of bottom line benefits. These bottom line benefits include increased employee motivation and retention, higher productivity, reduced absenteeism and more efficient environmental- friendly production techniques among many others.

Despite of the differences between concept of internal and external corporate social responsibility, there is a close linkage between the two. Most of the drivers of corporate social responsibility are related to increase in profitability in an organization and on identification of any cost that a business may

intentionally or unintentionally pose to social challenges. For example: if there prevails unemployment, then this will indicate low levels of education and high crime rates. This will further result in an economic cost to business as then more investment would be required on security, dealing with low attendance, and other disciplinary issues. This proves that there is a direct relation between social challenges and economic success. Keeping this very perspective in mind, CSR has emerged as something above mere philanthropy and it is also engaging stakeholders and driving righteous behaviour through projecting strong corporate values.

According to Brammer et al. (2007), the internal CSR practices are associated with in-house operational activities of a firm. There is a great mention about this kind of CSR in the European Commission (2001) Green Paper “Promoting a European framework for corporate social responsibility”. Employees are considered as an essential in-house stakeholder and a variety of CSR activities are adopted to fulfil expectations of the employees.

### Employee-related CSR employee-related activities are divided into four categories



The four employee-related corporate social responsibility practices include:

1. Value classes, which generate the worth for the stakeholders of a firm, which

would further satisfy their hopes (Longo et al., 2005).

2. Employee value classes related to employee development such as improvement in employees skills, societal justice, health and security at job
3. Value classes related to contentment of the workers
4. Those related to **excellence of job**

According to Aguilera et al. (2007), corporate social responsibility lays emphasis on fulfilling the psychosomatic needs of employees by promoting societal interaction both within the organization and among the organizations. This practice further results in ensuring that the employees rely upon those organizations, which care for them.

Many researchers named, Meyer et al., (2004); Locke and Latham, (1990); Mosley et al., (2005); Greenberg and Baron, (2008); Mullins, (2006) in their respective studies proved that CSR practices put a positive impact on employee satisfaction, employee self-worth, trustworthiness and loyalty and these attributes were further linked with employee motivation.

### **Stakeholder Theory Of Corporate Social Responsibility**

The concept of internal corporate social responsibility is entirely focused on the internal stakeholders of an organization. Based on this, Stakeholder theory of corporate social responsibility came into existence. This theory lays emphasis on considering all

stakeholders as a part of the decision making process. According to the theory, the logic behind considering employees as a part of decision making process are:

1. It is morally and ethically correct
2. Practicing this would benefit the shareholders
3. It would reflect the entire functioning of an organization.

### **Components of Internal Dimensions of Csr**

Broadly, the major components of internal corporate social responsibility are:

1. **Human resource management:** One of the major challenge for every organization is to manage human resources. Managing human resource includes attraction and retention of skilled workers.

Measurement of human resource management is performed on the following variables- learning, empowerment, work like balance, work force diversity, equal pay and career prospects for women, profit sharing and job security. Businesses are expected to operate in a responsible manner in all human resource functions right from the stage of recruitment till retention. Responsible recruitment specifically means non-discriminatory practices wherein no biasness is done on the basis of status, duration of work with an organization, and sex of the applicant. These are important practices

in order to reduce unemployment rate. Learning in a long-run can be ensured by taking care of training needs at all levels and by encouraging an environment, which inspires lifelong learning for employees.

2. **Health and safety at work:** Another important dimension of internal corporate social responsibility is taking care of health and safety needs at workplace. One of biggest challenge in practicing this is the trend of getting work outsourced from contractors and suppliers, which makes the entire functioning dependent on their safety and health care measures. Now a days, organizations are largely hunting for ways to promote health and safety. It is quite evident that the importance of measuring and reporting such practices is increasing with an increase in its awareness. Moreover, it is now included as a criteria for certification.
3. **Adaptation to change:** Internal corporate social responsibility is greatly focused on making the employees feel good about the change. Change often takes place when an organization has to take a downsizing decision. Restructuring must be well-planned taking all related costs into consideration in order to reduce need for redundancies. Rights of the employees must always be safeguarded to ensure the employability of their staff.
4. **Managing natural resources:** Internal corporate social responsibility includes management of natural resources so

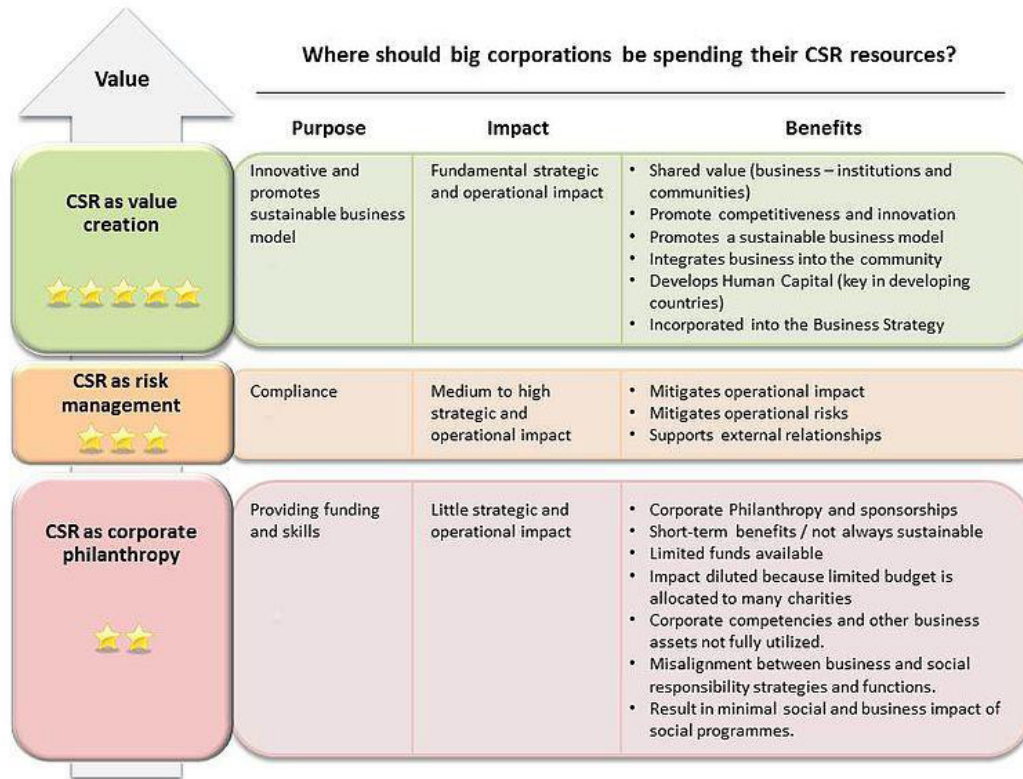
that these can be used in a sustainable manner. Reducing pollutant emission can definitely lessen its negative impact on the environment. This kind of environmental investments are actually promoting a “win-win” situation wherein both business as well as the environment are being protected. For example: there is an approach that facilitates corporate social responsibility as the Community’s Eco-Management and Audit Scheme (EMAS) ISO 19000. It basically encourage company’s voluntary efforts to set up environmental management practices.

As per the table, Human resource management practices, which specifically includes equal opportunities, attribution of objectives and responsibilities is one of the most practiced internal corporate social responsibility (CSR) activity. This makes it evident that there exists an overlapping between CSR practices and HR practices.

## HRM PRACTICES & CSR

Researches have shown the significance of HR practices in achieving efficiency in an organization. A review of literature has been done on HRM practices, which showed that most researches have been done related to organizational strategy. With the coming of globalization, there has been a drastic increase in the importance of Human Resource practices, both in businesses as well as in public life. The business climate turned turbulent with the coming of liberalization

## Framework for Corporate Social Responsibility (CSR)



Source: [http://commons.wikimedia.org/wiki/File:CSR\\_framework\\_-\\_value1.jpg](http://commons.wikimedia.org/wiki/File:CSR_framework_-_value1.jpg)

### Most Common Internal CSR Practices

		%
HR management	Equal opportunities	80
	Attribution of objectives and responsibilities	65
Workplace health, safety and hygiene	Workplace healthcare provision	93
	Lighting, ventilation, temperature and noise levels	68
Employability	Training plan	65
	Identification of training needs	65
Information and communication	Internal meetings	87
	Information panels/newsletter/bulletins	56
Social services	Canteen, common room	62
	Complementary social security plans	40
Change management	Reorganization of working processes with employee input	58
	Participation, consultation and information on change processes	38

Source: Santos, M. (2011). CSR in SMEs: strategies, practices, motivations and obstacles. *Social Responsibility Journal*, 7(3), 490-508.

and globalization leading to advancement advances in information technology made available to managers (Davis, 1995).

The linkage between human resource management and corporate social responsibility can be seen in two directions. One direction sees human resources as an object of CSR and the other direction says that responsible organizations are supposed to take better care of the employees by making efforts to improve their well-being. The human resource activities of an organization show an organizations responsibility towards their internal as well as external stakeholders (Schoemaker et al, 2006). Here, a question that comes forward is to see how HRM and CSR are related and how do these put an impact on an organizational performance and outcomes. Human resource management and corporate social responsibility researches have focused mainly on the ethical issues (Guest, 2007; Margolis et al, 2007; Kamoche, 2007).

This paper argues that corporate social responsibility practices combined with effective human resource management practices leads to better organizational outcomes. The basis of the study lies in the fact that employees reciprocate to an organizations corporate social responsibility policies in a positive manner. This makes it very clear that for successful implementation of CSR, an organization needs to be extremely careful in all planning and execution of its human resource management practices. Right from the stage to recruitment to engagement, a careful selection and development of

employees needs to be done. The employees recruited must be ethically stable and further should be given proper training and development (Orlitzky & Swanson, 2006). In order to keep the employees engaged in an organization's CSR activities, a positive attitude development is a mandate (Baptiste, 2008). Human resource practices varies from an organization to organization, but several practitioners, in their researches, have identified those human resource practices that put an impact on employee engagement. In the proceedings of a European Council (2000), CSR related appeal was made in which priority human resource management practices were highlighted. The direct benefit that was seen due to this identification was a great improvement in employability and negligible existence of skill gaps. In addition to this, great learning opportunities were identified and flexible working was accepted. All this, finally lead to a better work- life-balance for the employees and further lead to improvement in the performance.

In the Green Paper promoting the European framework for CSR (2001), the European Commission referred to such responsible HRM practices as employee empowerment, responsible recruitment practices, better information throughout the company, better definition of training needs, equal pay and career prospects for women, profit sharing and share ownership schemes, and concern for job security.

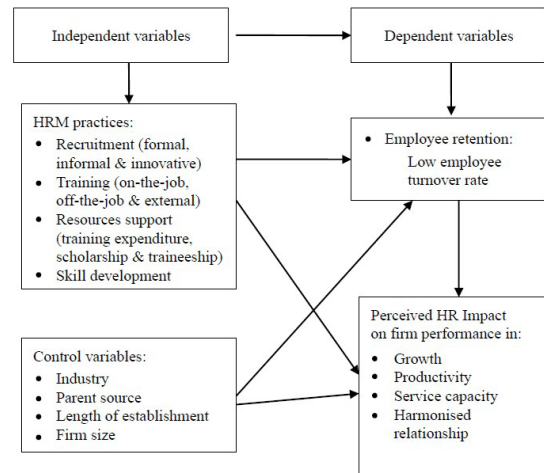
Aguilera et al (2007) quotes the relationship between communication, as an HRM

practice, and CSR. Vountisjarvi (2006) referred to eight groups of HRM-related CSR activities. These groups are: values and principles; training and staff development; employee involvement; job security; employee health and well-being; equal opportunities; work-life balance; and integration of disadvantaged groups into the work-force.

Based on the findings and recommendations from above authors, it can be concluded that organizations engaging in CSR must also concentrate on improving their HRM practices. This would lead to emergence of a concept called CSR-related HRM practices. Corporate social responsibility is not just a mandatory act to be completed by the management, in fact it means behaving in responsible manner while performing all HR functions such as recruitment, training, career planning, job designing and communication, employee involvement, employee health and well-being. Adopting responsible human resource management practices would help in dealing with two big problems, which are low employee commitment and high turnover. Researches on HRM-performance linkage have already shown that responsible HRM practices reduces employee turnover and encourages commitment (Addison & Belfield, 2001; Guest, 2001; Batt, 2002; Wright et al, 2003).

Respectively, it is made clear that adopting CSR-related HRM practices, would positively impact employee commitment, which would further help in reducing turnover.

## CONCEPTUAL MODEL: HR PRACTICES AND INTERNAL CORPORATE SOCIAL RESPONSIBILITY (CSR)



**Figure 1.** A conceptual model: HRM practices, employee retention, and perceived HR impact on firm performance

Source: Zheng, C. (2009). Keeping talents for advancing service firms in Asia. *Journal of Service Management*, 20(5), 482-502.

The above model was proposed in a study wherein the author (Connie Zheng, 2009) identified the relationship between HRM practices and employee retention. The human resource management practices taken in the study were recruitment, training, resources support and skill development. A conceptual model is proposed to highlight the relationship between the above stated HR practices and employee retention within an organization. In addition to this, the impact of perceived HR on firm performance is studied. The firm performance was analyzed on the basis of four variables, namely: growth, productivity, service capacity and harmonized relationship.



## PROPOSED MODEL: INTERNAL CSR AND HR PRACTICES

### HR Practices Recruitment Training



### CONCLUSION

The conceptual model is an illustration of the relationship between internal corporate social responsibility (CSR) and human resource management practices. Both HR practices and internal corporate social responsibility dimensions when clubbed together result in increased employee commitment and great output. Internal corporate social responsibility practices that majorly relate to an organizations HR practices are employee health, security, employment conditions and hygiene. These mention of these attributes in the 108 Best HR practices identified by a widely accepted survey (Great places to work) makes it clear that these are key attributes of a good organization. Moreover, the conceptual model adapted from a study (Zheng, 2009) throws light on the relationship between HR

practices and employee retention. Clubbing these two concepts, it has been shown in the model that HR practices in summation with internal corporate social responsibility can result in outcomes favorable for both an organization as well as the employees. Limitations of the paper are lack of empirical evidence, time constraint and is restricted to the literature reviewed for this paper. There is scope of further research wherein the proposed model can be empirically tested or further dimensions could be added to the same.

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