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Employee Perceptions of Corporate Social Responsibility

The Implications for Your Organization

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Investing in small businesses to stimulate economic growth across the globe; allowing employees to take paid time off to volunteer in their communities; providing scholarships to students who are the first in their families to go to college; setting corporate goals to reduce carbon emissions; these are just a few examples of how one multi-billion dollar company is demonstrating its commitment to corporate social responsibility[1].

However, in tough economic times, ensuring a company's survival seems difficult enough, without adding corporate citizenship priorities into the mix. With everything going on, beginning or maintaining strong corporate social responsibility (CSR) initiatives may not be at the top of a company's priority list. Let's face it, not every company has money and resources to spare, especially now while the economy isn't strong. What are the benefits of investing in CSR? Does CSR impact employee attitudes? Might CSR actually help the corporate bottom line?

Research suggests that companies may receive external benefits from implementing CSR policies. Field-based and laboratory studies have found that CSR is linked to more favorable corporate evaluations, increased purchase behavior[2], higher customer satisfaction and market value of a firm[3] – all of which is believed to translate into increased profitability for the corporation.

There is also some evidence that CSR is beneficial because – as with customers – CSR improves employees' perceptions of the company. When a company has CSR initiatives, employees are more proud of and committed to the organization[4]. This is because our personal identities are partly tied up in the companies that we work for. If my company is saving the world, I am too, so my association with the company reflects positively on me and makes me feel good about the work I do for the company.

Data from CCL's World Leadership Study also support this finding: employees' perceptions of their organizations' concern for community and environment is linked to their level of organizational commitment. Even after controlling for a whole host of relevant variables[5], perceptions of CSR make a unique and positive contribution to overall commitment. That is, the higher an employee rates their organization's corporate citizenship, the more committed they are to the organization. Figure 1 shows one sample item from the CSR scale, "my organization behaves as a good corporate citizen" and its relationship to organizational commitment. Organizational commitment has been linked to favorable outcomes for companies including increased job satisfaction, reduced intentions to turnover, and increased job involvement[6].

Figure 1

Relationship between perceived corporate citizenship and committment

Mean score on org. committment scale

- Strongly Disagree: 2.27
- Disagree: 2.7
- Neutral: 3.2
- Agree: 3.67
- Strongly Agree: 4.07

My organization behaves as a good corporate citizen

It is likely the case that the relationship works both ways — commitment enhances employees' ratings of corporate image and positive image increases employees' commitment. It make sense that knowing about the "good deeds" of an organization might make an employee more eager to discuss their company with outsiders, as well as feeling more committed to their organization which is doing these good things. Either way, perception of CSR is one of many factors that impacts commitment, and the data also suggest that how strongly CSR is related to commitment may depend on which employees we're talking about.

The following sections provide insight into some of the variations we see by demographic groups.

Gender

On average, men and women tend to rate the CSR of their organizations about the same[7] – that is, both groups tend to think that their organizations are doing pretty well as corporate citizens. However, the relationship between perceptions of CSR and organizational commitment is different for women and for men. Our data show that the relationship between CSR and commitment is stronger for women than it is for men[8].

This finding is consistent with previous research that found a stronger relationship between CSR and commitment for women than for men[9]. Therefore, CSR may be particularly important for companies concerned with increasing the commitment of their women employees.

Generation

Looking just at Gen Xers, Early Boomers, and Late Boomers[10], Gen Xers rate their organizations' CSR slightly lower (M=3.9) than both the Late Boomers (M=4.0) and the Early Boomers (M=4.1). Though this might seem like a difference that should be paid attention to, it isn't. After controlling for organizational level and several other potentially confounding factors[11], the differences among the generations are neither significant nor meaningful.


Echoing the negligible difference among the generations about perceptions of how socially responsible their corporations are, there is no difference in the amount that CSR contributes to organizational commitment for members of each generation[12]. That is, CSR is equally – and positively – related to commitment for Gen Xers and both Early and Late Boomers. This result is consistent with other research that shows that most working adults – whatever their generation – want the same things at work, and are committed to their organizations for substantially the same reasons[13].

Organizational level

As seen in Figure 2, those at the highest levels in the organization have the most positive impressions of their companies' CSR initiatives[14]. Why? Well, top level managers are likely to have the strongest sense of ownership of CSR initiatives because they are responsible for making the most critical decisions (including CSR decisions) and therefore would be likely to have a positive view of the policies they helped create. Similarly, people at the highest levels in the organization are also the most committed to the organization[15]. While, the higher you are in the organization the more committed you are in general and the more positive you are about the organization's CSR efforts, the contribution of CSR to commitment is about the same across organizational levels[16].

Figure 2[17]

Perceived CSR by Organizational Level
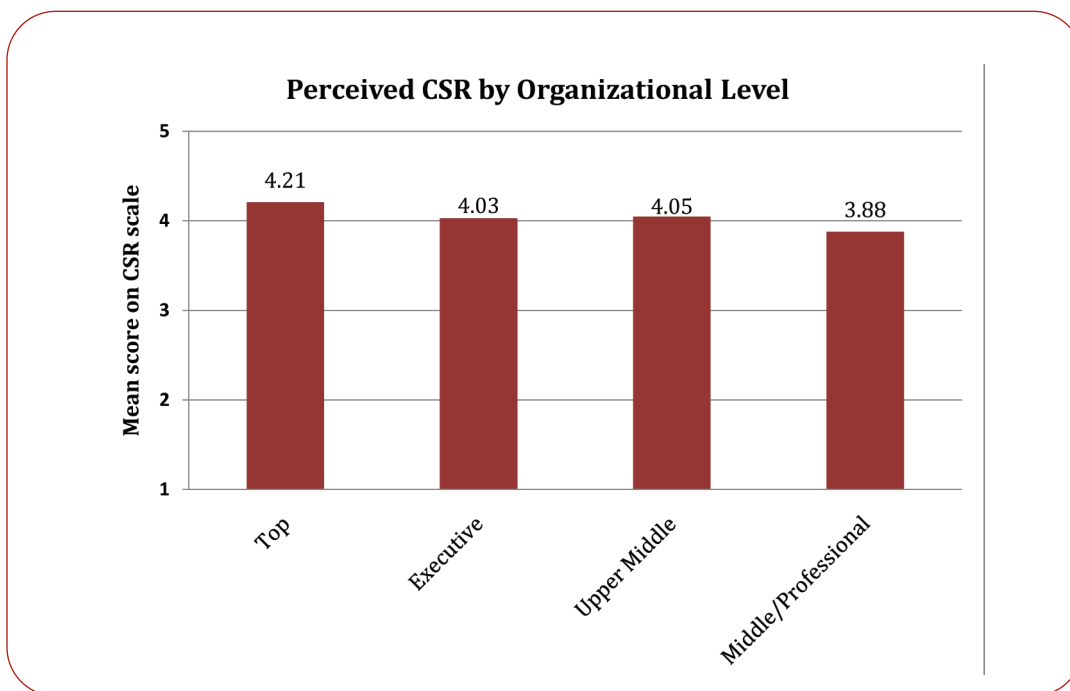
The effect of the recession

Over the course of the recession, employees' perceptions of CSR at their organizations have not changed[18] (see Figure 3), and perceptions remain fairly positive. This demonstrates that despite the recession, employees still believe that their companies are acting responsibly within their communities.

Stability of perceptions of CSR throughout the recession
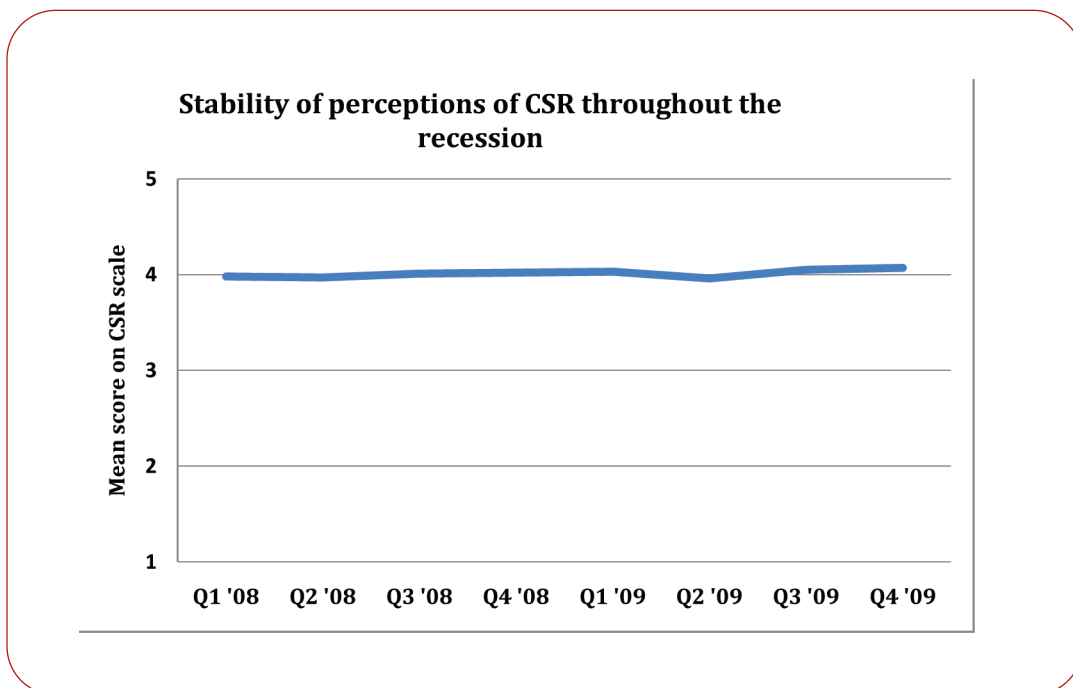
CSR is helpful, but it is not a panacea

There's a lot of discussion right now about how important CSR is to employee commitment and retention. While our data show that CSR does make a unique contribution to organizational commitment, it is a small contribution, and not as important as basic job satisfaction. Also, our data show that CSR is not directly related to intent to stay (e.g. lower turnover) after controlling for other factors that we would expect might be related to intent to stay (e.g. job satisfaction, organizational commitment)[19]. Therefore, if your employees are not generally happy and trusting of the organization, a strong CSR program is less likely to result in an improved retention rate than are initiatives that directly improve individual employee job satisfaction such as job enrichment and autonomy.

Leveraging your CSR initiatives

We've seen thus far that people tend to think their companies are doing a pretty good job in the CSR arena, and that perceptions of organizational corporate citizenship matter to employees, though not as much as other key factors such as overall satisfaction with the job. Even for companies that find themselves struggling to do more during lean times, there are things that can be done to make the most of whatever resources are available to devote to CSR. Organizations that are investing in CSR should leverage that investment to improve both employee perceptions of the organization and customer perceptions.

First, communication about the CSR investment and what the tangible positive outcomes are of that investment will help employees better understand the contributions the organization is making. After all, employees can't be proud of something they aren't aware of. Additional communication about CSR initiatives is likely to be especially important for those at the lower levels in the organization who report lower levels of perceived CSR and organizational commitment. They might not be aware of all of the CSR initiatives underway that the C-suite knows about. It is easy for high level managers to forget that not everyone knows what they know. Organizational leaders should publicize these efforts – this will maximize any internal benefits of CSR. At the same time, your employees will detect if you're making "much ado about nothing." Be sure that the programs and policies are actually making a difference (e.g., show how much money or paper is saved through initiatives to reduce paper waste), and that you really have something to toot the company horn about.

In addition to publicizing the organization's CSR efforts, get your employees involved. When possible, provide opportunities for employees at all levels to give input about which types of initiatives are important to them, and to participate in the efforts. Companies that do CSR well are those that have it embedded in employees' jobs. There are multiple advantages to doing this. Employees may come up with really innovative ideas for how to make a positive impact in the community and meet a business need at the same time. Also, investing in the initiatives that are important to your employees will increase the importance they attach to CSR, and the commitment they have to your organization. Getting your employees involved in this way is consistent with the principles of participative management, and the idea that employees prefer work environments where they can make a contribution to work they find meaningful.

Conclusion

Done correctly, companies have enormous potential to affect change in their communities and the environment by investing in CSR initiatives. Our data point out that CSR matters to employees (more to some than others) but not as much as some of the basics like job satisfaction. Leaders need to be aware of what pay-offs they can expect to get from an investment in CSR, and it should be noted that a miraculous improvement in retention rates is not likely to be one of them. Though immediate benefits might be few, it is likely that the importance of CSR will increase in years to come as people become more interested in the social and environmental effects of corporations. Leaders who stay aware of CSR and the implications for their organizations will be able to make the most informed decisions.

About the Authors

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Endnotes

[1] For a complete definition of corporate social responsibility and a description of leadership practices see: Quinn, L. and Van Velsor, E. (2010). Developing Globally Responsible Leadership; <u>CCL Handbook of Leadership Development, 3rd edition</u>, Van Velsor, E., McCauley, C., and Ruderman, M. (Eds), San Francisco, CA: Jossey-Bass/Wiley

[2] E.g., Lichtenstein, D.R., Drumright, M.E., & Braig, B.M. (2004). The effect of corporate social responsibility on customer donations to corporate-supported nonprofits. *Journal of Marketing, 68*, 16-32.

[3] E.g., Luo, X., & Bhattacharya, C.B. (2006). Corporate social responsibility, customer satisfaction and market value. *Journal of Marketing, 70*, 1-18.

[4] Brammer, S., Millington, A. & Rayton, B. (2007). The contribution of corporate social responsibility to organizational commitment. *Int. Journal of Human Resource Management, 18*, 1701-1719.

[5] Based on ANOVA using affective organizational commitment as the dependent variable and level of management as a fixed factor. Covariates were job satisfaction, organizational trust, pay satisfaction, and corporate economic status, $F_{(1, 793)}=29.52$, $p<.001$. When organizational trust is removed results are still significant, $F_{(1, 1772)}=100.25$, $p<.01$.

[6] For a review see Kacmar, K.M., Carlson, D.S., & Brymer, R.A. (1999). Antecedents and Consequences of Organizational Commitment: A Comparison of Two Scales. *Educational and Psychological Measurement, 59*, 976-994.

[7] On a 5 point scale, women rate CSR on average 3.98 and males rate CSR on average 4.04, $t=1.95_{(2188)}$, $p=.051$.

[8] Using ANOVA, tested interaction effect between gender and CSR. Interaction is significant, $F_{(1, 1781)}=9.69$, $p<.01$.; Split file analysis using the CSR-organizational commitment model specified in endnote 5 revealed larger F values and effect sizes for women $F_{(1, 391)}=31.78$, $p<.001$, partial $n^2 = .075$ than men $F_{(1, 393)}=4.26$, $p<.05$, partial $n^2 = .011$.

[9] This gender finding is also consistent with a finding from the previously cited Brammer et al study.

[10] There were too few born before 1945 (Silents) and after 1982 (Millenials) to include in this analysis. Gen Xers are defined as those born 1964 to 1981, Late Boomers 1955 to 1963, and Early Boomers 1946 to 1954.

[11] Using ANOVA with CSR as the dependent variable. Fixed factors were generation, organizational Level, and gender. Covariates were corporate economic status, organizational politics, job satisfaction, affective commitment, pay satisfaction, perceived organizational support, perceived supervisor support, $F_{(2, 1712)}=2.02$, $p=.133$. Re-ran in regression with the same result. Generation is not significant using either test.

[12] Using ANOVA, tested interaction between generation and CSR. Model included affective commitment as dependent variable. Fixed included organizational level, generation, and gender. Covariates included corporate economic status, organizational politics, job satisfaction, CSR and intrinsic motivation. Generation x CSR not a significant interaction, $F_{(2, 1732)}=.992$, $p=.371$.

[13] Deal, J. *Retiring the Generation Gap*. Jossey-Bass/Wiley, 2007.

[14] And, technically, they do. "Top" was statistically different from all other groups. Middle/Professional was also different from all other groups.

[15] Using ANOVA, there is a statistically significant effect of organizational level $F_{(3, 1791)}=41.98$, $p<.001$ such that the higher the level in the organization, the more committed the employee is. All four levels are statistically different from one another.

[16] Using ANOVA, tested interaction effect between organizational level and CSR. Model included affective commitment as dependent variable. Fixed factors were organizational level and gender. Interaction between organizational level and CSR was not significant, $F_{(3, 1767)}=1.50$, $p=.212$. Covariates included corporate economic status, organizational politics, job satisfaction, CSR, and intrinsic motivation. Interaction between organizational level and CSR was not significant.

[17] Top=Top of the organization (e.g. C-suite position); Executive=VP or Director; Upper Middle=Manager; Middle/Professional=Supervisor or Professional in a non-managerial position.

[18] Not statistically significant and has only fluctuated .11 points. Based on ANOVA with CSR as dependent variable. Quarter was not significant in the model, $F_{(8, 2181)}=.781$, $p=.619$ and there were no significant post hoc differences.

[19] Based on results from a MANOVA. Dependent variables were "intention to stay one year" and "intention to stay five years." The fixed factor was organizational level; covariates were job satisfaction, corporate economic status, organizational commitment, CSR, organizational trust, and perceptions of politics. CSR not significant in this model [$F_{(2, 786)}=.143$, $p=.867$]. The analysis was also replicated with linear regression. After controlling for covariates listed above, CSR is not a significant predictor of intention to stay one year (B= -.016, $p=.647$) nor was it a predictor of intention to stay five years, (B=-.003, $p=.926$).

About CCL

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