

# Why CSR is a Great Human Resources Strategy

*Why do employees love working for socially responsible companies?*

*How do employees reward their companies for socially responsible behaviour?*



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## **One Friday morning in 1998 ...**

Sarah James locked her front door and headed to the train station. She was not dressed for work, though that was where she was headed. Her uniform was neatly folded in a shopping bag she carried. No way would she travel to work in her uniform. With so many retrenchments, site closures and those awful TV news reports, no way would she be seen wearing the company logo. If the job market wasn't so tight, she would like to quit.

## **One Saturday morning in 2003 ...**

Sarah James locked her front door and headed to the train station. She wore her company's T-shirt and her company's logo-embazoned cap. She wasn't going to work, though work people would be there. She was headed for the local community centre where a group of employees from her company ran a weekly workshop to help students develop skills for transition to the workforce. Sarah James was really proud of her company. That evening at dinner with friends, she encouraged one of them apply for a job there.

## **Human resources strategy**

What caused this change in Sarah James' feelings about her employer? She did not change jobs between 1998 and 2003, but her company changed strategy. It adopted social responsibility as a company-wide philosophy and action plan. With 25,000 employees, HR played a central role.

Sarah James is a fictional person. But the experience described above is true and applies to many thousands of employees working at firms which recognise that social responsibility is a way of doing business. The social responsibility way means doing the right thing by all stakeholders, whether they are employees, shareholders, suppliers or local communities.

Many companies embrace CSR because it is a great human resources management strategy. Research shows

*Employees say they are less likely to leave a socially responsible employer – so companies save money by reducing staff turnover.*

*The company we keep says a lot about our values – that's why employees feel proud to work for socially responsible companies.*

*When employees identify with their employer they are more likely to make decisions that put their employer's interests first and not act in self-interested ways.*

CSR has significant effects on employees: it increases their sense of commitment to and identification with their employer, it strengthens the image they hold of their employer and it reduces their intention to quit. A recent study of 270 managers in a large retail bank (Black, 2004) showed that CSR accounted for 26% variance in employee commitment, 22% of variance in the image employees hold of their employer, 18% of variance in communication openness, 15% of variance in employee's sense of identification with their employer and 10% of variance in employees' intention to quit. The more socially responsible the company was, the better the employees loved it.

These CSR effects on employees translate into business performance because they reduce the costs of employee turnover and workplace conflict and decrease the likelihood of self-interested behaviour.

### **Here's why it works**

Everyone needs to feel that they belong to a group that they value and admire. In psychological terms, we derive part of our identity from being part of a group, such as a family, community or a company. Psychology researchers say the part of identity we obtain from belonging to these groups is probably more important than the sense of identity we feel because of our gender, race, ethnicity, or nationality. Identification occurs when employees feel that they and their employer share the same values. When employees share their organisation's values, they can obtain important psychological benefits such as self-esteem and emotional well-being.

Employees express their identification with their employer when they make decisions that are in keeping with the company's goals and values. In other words, the more an employee identifies with their employer's values, the more she or he can be relied upon to make decisions guided by the employer's best interest, rather than personal interests. Employees want to belong to organisations they identify with.

What's this got to do with CSR? Everything. When employees feel that their organisations behave in socially responsible ways they identify with their employer and feel

that their employer shares their values.

*HR systems can link to CSR programs by ensuring employees have performance objectives related to demonstrating integrity and making ethical decisions.*

*Ethical decision-making skills can be learned. Think about using ethics training to improve the quality of ethical decision-making.*

So what can an employer do to become more socially responsible? Effective responses include offering employee volunteering programs, improving employees' ethical reasoning skills and incorporating CSR objectives into performance management systems. Here are some suggestions:

### **Develop or revise your company charter**

Talk to employees about what the company stands for and what its purpose is. Involve them in developing a statement of company values. This should be a meaningful exercise in which the company's core activities and stakeholders are defined, and should form the basis for setting performance standards.

### **Develop management standards and performance objectives**

These should be based on the company's values and audit adherence. Link values to performance bonuses. For example, if the company's values include providing a safe workplace, develop performance objectives related to improving safety and provide rewards linked to safety improvements.

### **Institute an employee volunteering program**

This is a particularly effective way of allowing employees at all levels of the firm to act in ways which express their values while "on the job". Research shows that employees are motivated to participate in employee volunteering programs for altruistic reasons such as a feeling of humanitarianism and that such programs increase employees feelings of pride and loyalty towards their employer (Zappala, 2003). Such programs are also a visible way of expressing a company's corporate citizenship.

### **Help senior managers to stay in touch with community and customer values**

Give them an external stakeholder relationship to manage or by requiring them to participate in industry bodies or

community organisations.

*A company's identity should be thoroughly examined and understood before developing a CSR program.*

### **Teach values and ethical reasoning skills**

Moral reasoning skills and ethical decision making can be improved by training and education. Such programs can decrease the chance that employees will act in unethical ways or in ways that do not take account of impacts on the company's stakeholders. They also send a strong message to both insiders and outsiders that the company understands the importance of values to decision making.

*The most effective CSR programs emerge from understanding what a company stands for.*

### **Talk about what the company stands for**

Talk about the ethical behaviour expected of employees. Keep on doing this long after the company mission statement is agreed and make sure the discussion with employees about values is revisited on a periodic basis. Visible top management commitment to ethics is vitally important to creating an atmosphere in which employees understand that values and ethics are central to business.

*Effective CSR programs work because they enhance employee identification with their employer.*

Human resources managers play a central strategic role in moving companies towards more socially responsible ways of behaviour and in doing so increase the contribution of human resources to business success because of lower staff turnover and improved employee commitment.

Black, L. D. 2004. **CSR Management Capacity: Construct and Empirical Test**. Paper presented at the Academy of Management, New Orleans.

Zappala, D. 2003. The Motivations and Benefits of Employee Volunteering: What do Employees Think?: 28. Melbourne: The Smith Family.