

# Link between csr and hrm



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Corporate social responsibility (CSR) prevails in the past four decades. A great number of companies embed CSR principles into their daily business practices. The CSR practices are always subject to debates. Some researchers agree with the benefits of CSR for organizations, whereas others question the nature of CSR and argue that it conflict with business profitability.

Definition of CSR has been developed by various researchers; it varies in different context. World Business Council for Sustainable Development (1999 cited in Viljanen and Lahteenmaki, 2009) defined CSR as ‘ is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large’.

Furthermore, CSR is defined as ‘ treating the stakeholders of the firm ethically or in a responsible manner’ (Hopkins, 2003, p. 1, cited in Fenwick and Bierema, 2008). Similarly, in the study by Melynyte and Ruzevicius (2008), CSR was regarded to meet economic, social, environmental and ethical requirements of stakeholders. Moreover, Syed and Kramar (2008) cited the definition of CSR by EU: ‘ a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis’.

Based on the definition by previous researchers, the author understands CSR from three aspects: 1) Voluntary actions. 2) Concerns of stakeholders, local community and society. 3) The economic, ethical, social and environmental (positive) impacts of business operations.

Melynyte and Ruzevicius (2008) summarized CSR activities on the basis of previous research, including ensuring staff's health and safety at work, developing equal rights, providing continuous trainings, being responsible for consumers and customers, decreasing negative impact in environment, generating ecological products and services as well as participating in society activities.

In this paper, the author will illustrate two points of views: HRM should be linked to CSR; such a link is still realistic in the current tough economic climate. Both of standpoints are explained on the basis of different perspectives and arguments in previous literature.

## **Part Two: Link between HRM and CSR**

### **2. 1 literature debates**

In this part, four debates are identified, namely, feasibility of such link versus impossibility, classical views versus stakeholder theory, benefits from CSR actions versus CSR without returns, as well as soft HRM versus hard HRM.

Winstanley et al (1996) indicated that ethical concerns, such as job insecurity and insufficient regard for the autonomy of staff, should be expressed when criticizing contemporary HRM; it is also important that HR professionals engage with ethical issues. However, some researchers think that the ethical treatment of employees is impossible. Claydon (2000) explained it on the basis of the Marxist perspective on capital and labour relations. He thought that fundamental contradiction exists between capital and labour, so it is impossible to make working conditions more ethical. In addition, Legge (2000)- from the perspective of utilitarianism- indicated that

even though it is likely that ethical HRM will be found among the core workers, it is difficult to be found among sub-contracted or agency workers.

The study by Friedman (1970 cited in Greenwood, 2002) suggested that business has sole responsibility of making profit for its shareholders and should maximize its profits. He believed that the social responsibility is fundamentally contrary to the principle of free-market economy. This classical view emphasized the sole benefit of shareholders, which was related to ethical egoism; it implies that corporations should pay little attention to building CSR into management system.

This classical view was countered by stakeholder theory, which not only presents a conceptual framework of analysis of HRM (Ferrary, 2009), but also offers corporations a new way of thinking organizational responsibilities (Jamali, 2008). The stakeholder theory was defined by Freeman (1984) that managers have a responsibility to attend to all who has a stake in organizations. Similarly, Greenwood and Cieri (2007: 128) indicated ‘ managers must act in the interests of stakeholders and management must engage stakeholders in decision-making’. Freeman (1984) also gave the definition of stakeholder as ‘ any group or individual who can affect or is affected by the achievement of organization objectives’, consisting of shareholders, employees, customers and suppliers. In addition to traditional interest groups, local communities and environment- regarded as silent stakeholders- should be included (Simmons, 2004 cited in Jamali, 2008). This theory suggested that corporations should ‘ turn attention to considerations beyond direct profit maximization’, because ‘ the needs of shareholders

cannot be met without satisfying to some degree the needs of other stakeholders' (Jamali, 2008).

Since employees are regarded as key stakeholders, corporations must be responsible for staff and take them into consideration to large extent in managerial decision making. It implies that HRM should be linked to CSR. Papasolomou et al (2005) illustrated CSR actions to employees, such as building family-friendly work environment, sharing information with staff, offering equal reward and pay, administering diversity management in terms of selection and promotion, providing training and long-term development to all staff as well as encouraging staff engaging in social activities.

Moreover, some researcher (such as Friedman) emphasized that companies should put the profit object first (Woodall and Winstanley, 2000), so CSR actions are minimized. It seems that primacy of the profit motive becomes a primary reason why researchers and managers oppose to connect HRM with CSR or minimize CSR activities. Some researchers questioned whether the company can obtain returns when adopting CSR initiatives (Heugens and Dentchev, 2007). On the contrary, many researchers hold that CSR can offer potential profits and improve long-term corporate profitability. Brammer et al (2007) indicated that it pays off when HRM is linked with CSR, on the ground that CSR is beneficial to the attraction, retention and motivation of employees. Similarly, Bohdanowicz and Zientara (2008) considered that corporations can get payoff in the long run if they treated ethically to employees. In addition, CSR play a critical role in enhancing employees' job satisfaction and further organizational commitment, both of which affect employees' performance and workplace behavior (turnover and workplace

deviation). Melynyte and Ruzevicius (2008) also hold similar views: the combination of CSR and HRM ' does indirect positive influence to the organization's financial results' through influencing staff's morale, job motivation and loyalty to organizations.

Furthermore, in the study by Michie and Sheehan-Quinn (2001 cited in Viljanen and Lahteenmaki, 2009), soft HRM approach, named as ' high-road' HRM, regards employees as resource, which is valuable to continuously develop, and makes efforts to increase employee commitment. On the contrary, hard HRM, called as ' low-road' HRM, is lack of organization promise to job security and pay little attention to the staff training. It seems that soft HRM advocate HRM should be linked to CSR whereas hard HRM do not take CSR into account. However, Legge (1995) indicated that even though some corporations make a display of soft HRM, it is ' hard' in reality.

## **2. 2 HRM should be linked with CSR**

On the basis of analysis of previous academic debates, the author personally supports that HRM should be linked to CSR. It will be explained from four aspects.

Above all, it is possible to integrate HRM with CSR, although some writers explained the impossibility of this kind of integration (as mentioned above, Claydon and Legge). In the study by Vuontisjarvi (2006), sub-themes of CSR, which refer to the integration of CSR and HRM, were identified: ' training and development, employee involvement, job security, employee health and well-being, equal opportunities, work-life balance and diversity management'.

Many corporations took on a series of HRM practices which is linked with the principle of CSR. In the case of PSA Peugeot Citroen, which is a famous French car manufacturer, diversity management was adopted. This company not only sought diversity workforce through recruiting a ration of non-French employees and secondary school graduates in the local city, but also ensure the equal treatment of each staff and non-discrimination. In 2003, the company recruited 129 non-French employees (including 45 women), who are in position of engineers and managers, which account for 10% of new staff. In addition, age issue also was taken into consideration. In 2003, 60% of new staff were younger than 30; 13% of new staff were older than 40. Furthermore, all employees had equal rights to be informed what vacancies are available because all the information was publicized on the company intranet. Further measures also include offering apprenticeships to people who were difficult to find job. (Syed and Kramar, 2008) In addition to PSA Peugeot Citroen, many cases- such as retraining programme offered to staff by Deutsche Bank in the climate of redundancy (Syed and Kramar, 2008)- prove the feasibility of integration of CSR and HRM practices.

Secondly, according to stakeholder theory, firms not only meet the requirements of shareholders but also satisfy employees. A series of responsible HRM practices- such as work-life balance (offer female employee childcare support or flexible working time) as well as initiatives mentioned above- meet the requirements of staff. Moreover, in addition to money, employees are also provided the ' the feeling of meaningfulness and possibility to take responsibility for quality of future generations' life' (Melynyte and Ruzevicius, 2008). That companies offer chance to staff to join

social activities meet the psychological needs of employees. Given these reasons, HRM should be linked with CSR.

Thirdly, the issue of business profitability becomes the bones of contention. Some researchers refuse to build CSR into HRM practices because of consideration of the corporation profits. However, a lot of research (as mentioned above) indicates that potential profits can be obtained if companies effectively incorporate CSR rules into HRM practices.

In the case of Scandic (Bohdanowicz and Zientara, 2008), a famous hotel in Scandinavia, CSR was embedded into HRM, which is a part of 'Omtanke' programme. Scandic strives for treating equally all staff. For instance, when the company planned to design new working clothes, different nationalities of employees were taken into consideration. As a result, headband, a part of uniform, is not compulsory to wear. Moreover, all staff were congregated to discuss what CSR actions to community should be adopted. Employees were offered opportunities of information sharing as well as rights of participation of decision-making. In addition, with regard to employee health, the hotel propagated the information about cancer to employees in the form of lectures; the company also assisted staff to quit smoke through offering guidance. Scandic showed that the firm indeed cared for its staff by implementing these initiatives (equal treatment, information sharing as well as health of employees). The outcome of this study revealed that these responsible HRM practices were beneficial to enhancement of employees' job satisfaction (employees feel that they are cared), thereby affecting work performance and behavior. As a result, employees performance well, namely



offering the high quality of service for customers and the turnover has decreased, all of which are regarded as potential profits of corporation.

Therefore, CSR principles should be integrated into HRM practices because it benefits for company by improving job satisfaction, enhancing organizational commitment, advancing employees' performance and decreasing the turnover.

Finally, even if CSR is sometimes described as window-dressing, it actually helps corporations to establish good image and reputation, which is conducive to HRM. The company who takes CSR measures is more attractive to candidates (Greening and Turban, 2000, cited in Brammer et al). In modern times, CSR has become the trend, potential employees, especially new graduates, prefer to work in the corporation which has strong social responsibility and good reputation. Likewise, Bohdanowicz and Zientara (2008) indicated that socially responsible company can more likely attract and retain employees who care about green issues. In addition, since the company which integrates HRM with CSR advertises the equal treatment and non-discrimination during recruitment and promotion, potential staff are more likely to apply for this kind of company. Therefore, CSR help the corporation to have competitive edge over other firms which pay little attention to CSR initiatives during recruitment

Furthermore, employees are always proud of working in socially responsible firm which has good reputation, thereby they have more loyalty and commitment to the organization, which makes employees stay longer in this company (Bohdanowicz and Zientara 2008). In the case of Babyfood which is

famous for 'socially and environmentally responsible food company', a good reputation is considered as the primary factor enhancing staff's loyalty and motivation. The research shows that although employees' satisfaction is not pronounced compared with other food companies, and salaries are even lower than average in this industry, staff are still willing to work in this company due to its good reputation. 'Babyfood's rate of turnover is 20% lower than food industry average'. (Lamberti and Lettieri, 2009) In sum, since CSR, leading to good image of company, is beneficial to recruitment and retaining of employees, CSR should be embedded into HRM.

Additional advantages of integration of HRM and CSR were identified in the study of Melynyte and Ruzevicius (2008): establishing partnership environment, increasing customers' satisfaction and trust as well as attracting external investments. All in all, HRM should be linked to CSR because of its feasibility and positive effectiveness.

### **2.3 Links between HRM and CSR**

HRM refers to the issues in people management and treatment of employees; many CSR approaches stress the significance of meeting the requirements of employees who are regarded as key stakeholder. Therefore, how to deal with employees becomes a key point when analyzing the link between HRM and CSR. In addition, Syed and Kramar (2008) indicated that the integration of HRM and CSR can be achieved when they get support from employers, investors as well as institutions.

Melynyte and Ruzevicius (2008) reviewed previous research about links between HRM and CSR and then summarized three forms of links. 1) 'CSR

functions identical to HRM functions (interdependent link)'. 2) ' HRM functions making impact on CSR (SR activities emerging from HRM)'. 3) ' CSR functions making direct or indirect impact on HRM (how SR activities make impact on HRM)'.

The first one includes removing child and enforced labor, establishing healthy and safe work environment, safeguard individual rights, offering job security, producing the process of justice, ensuring equal treatment of staff and diversity management, designing reasonable and flexible working hours (e. g. holiday time and work at night) as well as equal pay and welfare benefits.

Secondly, HRM functions can influence CSR. Many practices can be identified. a) HR manager can plan and initiate CSR activities, such as mobilizing employees to recycle paper. b) The process of recruitment, selection and dismissal can be judicial and transparent. c) Managers share information with employees and staff participate in decision-making. d) When companies are faced with changes, HR manager still need to take social responsibility into consideration and ensure staff rights. e) Corporations provide continuous training to employees. f) Employers strive for meeting staff needs, such as addressing the issue of work-life balance and providing medical insurance.

Finally, CSR functions also influence HRM. For example, while recruiting, CSR activities are advertised in order to attract competent candidates. In addition, social responsibility issues are introduced to staff. Moreover, employees engage in the CSR activities initiated by companies they work in.

Furthermore, CSR can be used as an element of the system of appraisal, reward and promotion (Syed and Kramar, 2008).

### **Part three: the link between HRM and CSR in the circumstance of global financial crisis**

In the current social-economic environment, global financial crisis is ongoing, thereby leads to mass restructuring and redundancies. A number of HR actions are conducted to react to the economic crisis. Many debates about CSR or ethics and HRM emerge. Based on different perspectives in precious research, the author will explain her own view: in the climate of global financial crisis the link between HRM and CSR is still realistic.

Mankelow (2008) indicated that responsible HRM are adopted because employees are regarded as key resource to maintain competitive edge in market. The purpose of CSR actions to employees is to improve work efficiency and increase business profitability. It implies that although the importance of CSR is admitted, it after all services for the business profits and is inferior to the significance of corporation benefits. In the current financial crisis, it is no doubt that companies fight with survival firstly and CSR may be neglected. In addition, He suggested that socially responsible activities to staff are subject to certain conditions. It seems that CSR should base on appropriate economic conditions; it is a challenge to connect CSR with HRM in the face of tough economic environment (Mankelow, 2008).

Although the link between HRM and CSR is questioned in current environment (can company can afford CSR in global financial crisis? Or CSR should be subject to business benefit, and the current condition does not

permit the implementation of CSR), some researchers indicate the possibility that CSR is embedded into HRM in the environment of financial crisis. For example, In the study by Jones et al (2000), good image and reputation, established through CSR actions and other initiatives, can protect corporations from the decline of market in the chaotic economic environment; the stock price of firms with good image fall less than those without good reputation. Schnietz and Epstein (2005) held a similar view. Therefore, CSR is conducive to financial performance even in such tough circumstance.

Furthermore, some researchers consider that it is costly to embed CSR principles into HRM practices. For instance, many employers are unwilling to notify downsizing plans in advance, which is a responsible HRM practice, on the ground that the productivity will decrease, employee will lose morale and turnover increase, all of which is costly (Leana and Feldman, 1992, cited in Forde et al, 2009). On the contrary, Hopkins and Hopkins (1999, cited in Forde et al, 2009) suggested that advance notification virtually minimize the costs, because it alleviates the pressure of post-layoff through retraining employees and offering counseling. It implies that some actions comprising CSR principles can be helpful to cost-saving.

In current climate of global financial crisis, redundancy and restructuring is inevitable. However, it does not mean that the link between HRM and CSR is unrealistic. ‘ Socially responsible restructuring’ is identified, which embed CSR principles into restructuring. It was defined as ‘ the use of one or more approaches to consciously take into account the interest of all the organizations stakeholders- managers, owners/shareholders, workers, as well

as the large community' (International Labour Organization, 2002, cited in Forde et al, 2009). Since restructuring and redundancies are also parts of HRM functions (Redman and Wilkinson, 2001), socially responsible restructuring can be regarded as special integration of HRM and CSR in special economic circumstance.

Forde et al (2009) proposed that- from the perspective of ' business case'- socially responsible restructuring are implemented because it can be beneficial to the competitiveness of company. However, Heller (2009 cited in Forde et al, 2009) argued that with the intensity of global financial crisis and increases of redundancy, fewer corporations take up socially responsible restructuring. In fact, Legislation and labor market policies are enacted and implemented to advance companies to adopt socially responsible restructuring measures. For example, ' Trade Adjustment Assistance Act' is used to promote ' social accountability' when redundancy and layoff increase (Office of the US Trade Representative, 2009, cited in Forde et al, 2009). Therefore, with the support of legislation and government policies, the link between HRM and CSR is realistic even if it is faced with deepening economic crisis.

Viljanen and Lahteenmaki (2009) analyzed different HR reactions to global financial crisis from two HRM philosophies: hard and soft. Hard HRM is in pursuit of ' maximal short-term saving' and obtain cost efficiency by direct personnel cuts. On the contrary, soft HRM seek for the maintenance of business in the long run. The HR actions according to this kind of approach include dismiss employees temporarily, implementing pension plans as well

as offering support to staff in the face of redundancy (such as outplacement services and retraining).

Legge (2005 cited in Forde et al, 2009) concluded that in order to seek for profits, companies are 'forced' to take hard HRM actions, such as direct personnel cuts. Moreover, collapsed market also compels employers to strive for cost-saving by directly cutting headcounts of employees. It seems that HRM actions easily turn hard in the circumstance of global financial crisis.

It is indeed a challenging for company not only to strive for survival in tough environment and make the balance of short and long term profits, but also to maintain its good reputation and performance reliable employer. Although these activities appear to be hard in common situation, when they are located in the climate of economic crisis, HRM seems not to be hard. It is possible to integrate CSR with HRM during global financial crisis. (Forde et al, 2009)

It is impossible that companies can meet requirements of all stakeholders (including shareholders and employees). In the tough economic environment, what firm can do is to strive for minimizing the loss of benefits of all stakeholders and avoid direct personnel cut (hard HRM). Therefore, CSR can play a potential role in restructuring, on the ground that socially responsible restructuring minimize negative influence of layoffs and redundancy.

' whilst at present we do not have a viable CSR tool for the successful anticipation and management of corporate change, there are a range of possibilities for connecting restructuring to CSR' (Forde et al, 2009). It

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affirms the viability of the link between HRM and CSR. Indeed, considering that in the environment of financial crisis CSR is beneficial to financial performance, that some actions comprising CSR principles can minimize the costs and that socially responsible restructuring are promoted by legislation and government policies, it is realistic and feasible to integrate HRM with CSR in current economic environment. Three case studies will be illustrated to prove that such link is possible in the face of tough economic environment.

In the case study of steel industry in the UK (Corus and ASW), previous to the declaration of layoffs, both Corus and ASW offer high level of training which enhances the employability of employees and help them adapt to changing environment. In addition, ASW held a formal meeting to notify employees in advance that company will lay off staff because of unstable financial situation. During the period of announcement of layoffs, Corus did not put layoff planes into action immediately. Instead, it offered 90-day consultation time. Moreover, in the period of implementation of layoffs, companies establish equitable criteria to choose employees who should be laid off. At Corus plants, workers who were voluntary to leave were hunted prior to the adoption of compulsory redundancy; early retirement schemes were implemented, namely employees, in the age of fifty and above, can retire early with sufficient pension. Furthermore, Corus offer criteria for the selection of redeployment. In addition, many support activities were administered, such as offering information about job opportunities and career advice, providing retraining programme as well as offering counseling.



Deutsche Bank also did well in combining CSR with HRM practices in the climate of restructuring. Many HRM actions were devised to help staff whom the bank laid off to find another job. Vocational retraining and 'job coaching' (e. g. advice for job applications) were offered. Staff were redeployed by internal temporary work agency. Both internal (e. g. HR advisers) and external counseling were provided. In addition, the bank also offer part-time working and have outplacement activities (Syed and Kramar, 2008).

Another case is Hotel Villa Magna-Park Hyatt. In 2007, the hotel implement 're-decoration' programme which lasted for 14 months rather than lay off employees. The company showed that it truly care for staff by providing chances for employees to participate in all activities (Bohdanowicz and Zientara, 2008).

In a sense, the integration of HRM and CSR is realistic by insert CSR principles into redundancy and restructuring, even though it is different from the responsible HRM practices in normal circumstance (such as job security and work-life balance).

## **Part Four: conclusion**

In this research, the author demonstrated that HRM should be linked to CSR. It was explained with references to academic debates from four aspects. Firstly, such link is feasible on the ground of reality that responsible HRM actions are actually adopted by many companies. Secondly, according to stakeholder theory, corporations should strive for meeting the requirement of all stakeholders (including shareholders and employees). CSR actions can meet the psychological needs of employees. Next, the integration of HRM

and CSR can bring about potential profits by improving job satisfaction, enhancing organizational commitment, advancing employees' performance and decreasing the turnover. Finally, CSR is conducive to establishment of good reputation of companies, thereby help employers recruit and retain employees.

In addition, 'socially responsible restructuring' is regarded as the special links between HRM and CSR in such tough economic climate. The researcher also proposed that such link is still realistic in the current climate of restructuring and redundancies on the ground that it helps companies set up better reputation, which can alleviate the economic loss of firms in collapsed market, that it can be beneficial to cost-saving in the face of redundancy and that it is supported by legislation and government policies. Although restructuring and redundancy are considered as hard HRM actions, such link seems to be 'soft' in current tough climate.