EFFECTS OF CSR FOCUSED HRM ON EMPLOYEES' SATISFACTION: A STUDY OF INDIAN ORGANISATIONS

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Abstract *The purpose of this study is to investigate the potential effects of various components of CSR focused HRM on employees' satisfaction towards their job. Primary data based on 563 respondents from 204 organisations operating in India have been analysed to test the stated hypotheses. Using regression analysis, this study has revealed that adoption of CSR focused HRM in form of legal compliance HRM and employee-oriented HRM leads to increased job satisfaction among employees working in organisations operating in India. No such relationship has been detected for other CSR focused HRM components i.e. general CSR facilitation HRM and general CSR conduct. The implications for HR practitioners and organisations are also discussed.*

Keywords: *Corporate Social Responsibility, Employees' Satisfaction, India, CSR Focused HRM*

Introduction

Several studies have claimed that human resources in an organisationare now regarded as an important component for gaining competitive advantage and adoption of HR practices effectively influence the firm performance (Choi & Lee, 2013; Kundu & Malhan, 2009). In opinion of Batt (2002), with introduction of novel HR practices, unique organisational structures are created in organisations that have ability to persuade employees to perform better which further results in improved firm performance. Kundu and Gahlawat (2015) have stated that adoption of HR practices related to development and empowerment and supportive organisational culture are positively related to firm performance as well as innovation performance. On the same line, Kundu and Vora (2004) have argued that HR strategies focusing on attracting the right talent, developing and retaining them through relevant support systems assist in achieving the strategic competitive advantage. Overall, it can be said that human resource management plays an important role in organisational performance.

In the last two decades, organisations in India have begun to realise the strategic importance of investing in CSR initiatives so as to improve their relationships with various stakeholder groups. 'Human resources' being a key stakeholder and most crucial production factor, has grabbed the major attention of organisations who are looking forward to become highly socially responsible (Bucčiūnienė & Kazlauskaite, 2012). Since, it is the HR function in an organisation that is held responsible for an organisation' CSR activities (Cohen, 2010), the HR professionals are, therefore, expected to concern with issues like equitable treatment of employees in management practices, ethical issues in employee relations, establishment of ethical culture and ecologically sustainable workplaces (Bucčiūnienė & Kazlauskaite, 2012; Greenwood, 2002; Orlitzky & Swanson, 2006).

In combination with escalated competition and increased commercial pressures, tightened regulatory standards and heightened consumer expectations, concept of corporate social responsibility is becoming more dominant within the Indian business environment (Gupta & Gupta, 2008). In this rapidly changing environment, an organisation' success and its long-term survival very much depends upon its HR systems' performance in terms of facilitating and enhancing the climate of ethics among various stakeholders (Manroop, 2014). It becomes pertinent to understand what kind of socially responsible HR practices or CSR focused HR practices will prove beneficial for organisations to adopt. To answer this question, the present study is particularly aimed to investigate the effects of various components of CSR focused HRM on employees' satisfaction towards their job. Previous studies have claimed job satisfaction as an important employee-level reaction that can further help in predicting employee performance (Judge, Thoresen, Bono & Patton, 2001) and ultimately, organisational performance. Till recently, no study has been conducted in Indian context that has primarily focused on CSR focused HRM and employees' attitudes. Being first of its kind, this study will definitely add to the management literature in emerging economy context.

Review of Literature and Hypotheses Formulation

Organisations, nowadays, are implementing a wide range of progressive HR practices related to CSR which can be termed as 'socially responsible HR practices' or 'CSR focused HR practices' and these particularly include internal communication, employee empowerment, clear definition of training needs, equitable pay criteria, concern for employee health and safety, and work-life balance issues (Celma, Martínez-García & Germà, 2014; European Commission, 2001). According to Shen and Zhu (2011), socially responsible HR practices of an organisation can be categorized into three components and these include labour law-related legal compliance HRM, employee-oriented HRM, and general CSR facilitation HRM. Taking stakeholder theory into consideration, Freeman (2004) has stated that an organisation's CSR initiatives are driven by its concern for the interests of various stakeholders such as employees, customers, suppliers, and other communities since they all have some influence upon the performance of the organisation. But these are the employees only who act both as a stakeholder to CSR initiatives and an important constituent in delivering these initiatives. So, it is very relevant to examine the employees' attitudes and behaviours over the adoption of socially responsible HRM in organisations. One such attempt has been undertaken in this study by measuring employees' satisfaction on implementation of various CSR focused HR practices.

An employees' satisfaction towards his/her job is generally defined as an overall internal state that is expressed by affective and cognitive evaluation of various aspects related to the job such as terms and conditions of employment, relationship with co-workers and supervisors, and factors comprising the physical work environment (Baptiste, 2008; Whitman, Van Roddy & Viswesvaran, 2010). A number of studies have revealed job satisfaction as a very important factor to be measured, since it is able to predict turnover (Tett & Meyer, 1993), employees' subjective well-being (Bowling, Eschleman & Wang, 2010), as well as the performance (Judge *et al.*, 2001). Through a survey of 480 blue-collar employees in Turkish organisations, Gürbüz (2009) has highlighted that HR practices targeted at employees such as employee participation, empowerment, job rotation, and self-directed work teams have a positive impact on job satisfaction. In a study of 269 human resource professionals from large US manufacturing firms, Green, Wu, Whitten and Medlin (2006) have also highlighted that strategic HR contributes positively to the employee attitudes such as commitment and satisfaction.

In another study, Elci and Alpkan (2009) have stated that HR systems in an organisation promote managers and organisations' compliance with the established professionalcodes while disclosing and communicating them throughout the organisation. And these professional codes of ethics enhance organisation culture as well as identity, which, further, result in positive attitudes and behaviours among employees (Manroop, 2014). Similarly, few other authors have revealed that encouraging ethical climate in organisations through HR practices is related to positive responses among employees towards their job and the organisation (Deshpande, 1996; Valentine & Barnett, 2003). Drawing on social exchange theory, it is argued that employees perceive HR practices as a 'personalised commitment' to them on the part of the organisation which is reciprocated back by them in the form of heightened trust, satisfaction, and commitment (Hannah & Iverson, 2004). The identical perspective can also be proposed for CSR focused HR practices. Hence, following hypotheses are advanced on the basis of above literature:

Hypothesis 1: Adoption of legal compliance HRM is positively related to employees' satisfaction.

Hypothesis 2: Adoption of general CSR facilitation HRM is positively related to employees' satisfaction.

Hypothesis 3: Adoption of employee-oriented HRM is positively related to employees' satisfaction.

Hypothesis 4: Adoption of general CSR conduct is positively related to employees' satisfaction.

Research Methodology

Sample

In order to gather the data, questionnaire survey method was adopted. Primary data based on 563 respondents from 204 organisations were analysed for testing the stated hypotheses. The sample consisted of 48.04% Indian companies and 51.96% MNCs and managers sampled in Indian companies were 48.0% andin MNCs were 52.0%. Out of the total sample, 73.4% weremales and 26.6%were female managers/employees. Considering the designation of employees, 39.6% were HR managers and 60.4% were non HR (line) managers. Average age of the respondent employees/managers was 31.04 years whereas average age of the organisations was 40.63 years.

Measures

CSR focused HR practices (independent variable): The present study adopted the three component approach suggested by Shen and Zhu (2011) for measuring the socially responsible HRM i.e. legal compliance HRM (LCHRM), employee-oriented HRM (EOHRM), and general CSR facilitation HRM (GFHRM) and in addition, also introduced the fourth component related to general CSR (GCSR). The first component 'Employee-oriented HRM' was measured by four items (Bardoel, De Cieri & Mayson, 2008; D'Netto & Sohal, 1999; Guest, 1999; Shen, Chanda, D'Netto & Monga, 2009; Winstanley, Woodall & Heery, 1996). The second component 'Legal compliance HRM' was calculated through three items (Kolr & Tulder, 2002; Shen *et al*., 2009). The third component 'General CSR facilitation HRM' was also measured by three items (Shen & Zhu, 2011). The fourth and last component 'General CSR Conduct' was measured using three items which incorporated poverty reduction, environment protection, and AIDS awareness (Basu & Palazzo, 2008; Jenkins, 2005; Walsh, 2005). Respondents were asked to assess their opinions on a five-point Likert scale ranging from strongly disagree (one) to strongly agree (five) regarding the extent to which their companies adopted these socially responsible HR practices.

Employees' satisfaction (dependent variable): Employees' satisfaction was measured by using the four item scale adapted from Green *et al*. (2006) study. Responses were taken on a five-point scale ranging from 1 (strongly disagree) to 5(strongly agree). The items were "I find real enjoyment in my work", "I feel fairly well satisfied with my job", "Most days I am enthusiastic about my work", and "I like my work". Cronbach alpha for this scale was 0.85.

Table1:Factor Analysis Related to CSR Focused HRM

Factors	Loadings	Eigen value	Percent of variance	Cronbach Alpha
Employee-oriented HRM (EOHRM)		4.352	19.513	0.782
Provision of adequate training and development opportunities to employees	0.856			
Provision of equal opportunities in HRM	0.830			
Employees participate in decision making and total quality management	0.745			
Adoption of flexible working hours and employment programs achieving work-life balance	0.556			
Legal compliance HRM (LCHRM)		2.072	18.148	0.751
Organisation comply with all the laws regarding hiring, employee welfare, occupational health and safety and working hours	0.799			
Managers comply with all the labour laws	0.759			
No use of child labour or forced labour	0.718			
General CSR facilitation HRM (GFHRM)		1.612	17.672	0.797
Rewarding employees on their contribution to charity, community and other CSR activities.	0.844			
Giving priority in employment to candidates who are in difficulty and who are local	0.824			
Appointing staff to implement general CSR activities	0.734			
General CSR conduct (GCSR)		1.015	14.286	0.705
Organisation takes initiatives that assist in poverty reduction	0.793			
Organisation takes initiatives that facilitate environment protection and natural disaster relief	0.688			
Organisation takes initiatives that increase AIDS awareness and its protection	0.673			
Total scale (13 items)				0.830

Control variables: Three variables were chosen for exerting controls in our study and that included ownership of the firm, gender, and age of the employees. Age was classified into six categories: under 25 years, 26-30 years, 31-40 years, 41-50 years, 51-60 years, and above 60 years. Gender was categorized as male and female and ownership of the firm was classified into two i.e. Indian and MNCs.

Results

Factor Analysis

On subjecting the thirteen items regarding CSR focused HRM to principal component factor analysis with varimax rotation, a total of four factors were extracted that had eigen values 4.352, 2.072, 1.612, and 1.015, respectively, and explained 69.619 percent of the total variance (see Table 1).The four derived factors were named as employee oriented HRM, legal compliance HRM, general CSR facilitation HRM, and general CSR conduct and considered as subscales for further analysis. Cronbach alpha values for the subscales were found within the range of 0.71 and 0.80, and for full scale, the value was found to be 0.83 depicting high reliability (Hair, Anderson, Tatham & Black, 1998).

Descriptive Statistics

Means, standard deviations, and bivariate correlations are reported in Table 2. These correlations supported the hypothesized linkages between various components of socially responsible HRM and employees' satisfaction towards their job. In order to check out the possibility of multicollinearity among predictor variables, the collinearity diagnosis was computed. The calculated average VIF was 1.03, not substantially greater than 1 and therefore, regression was not biased (Bowerman & O'Connell, 1990). The lowest tolerance value was found to be 0.62, far away from the 'rule of thumb' value of 0.40 (Allison, 1999). Hence, there was no need to concern formulti collinearity problem in the specified equations.

Regression Analysis

To test the stated hypotheses, regression analysis was adopted in this study.The regression model in both the steps was found significant according to F statistics (see Table 3). In step 1, only control variables were included in the regression equation. Coefficients of gender and age of employees were found positive and significant for employees' satisfaction (β =0.090, $p \leq 0.05$; and β =0.133, $p \leq 0.01$, respectively). Further, in step 2, when all the four CSR focused HRM components were introduced in the regression equation, the coefficients of LCHRM and EOHRM were found positive and significant for employees' satisfaction (β = 0.296, $p \leq 0.001$; and β =0.165, $p \leq 0.001$, respectively) whereas GFHRM and GCSR did not show significant effects on employees' satisfaction. Accordingly, the results supported the hypotheses 1 and 3 only. Hypotheses 2 and 4 were not found supported.

Discussion

Based on a sample of 563 respondents, the findings have indicated that adoption of CSR focused HRM in form of legal compliance HRM and employee-oriented HRM can help in enhancing employees' satisfaction towards their job in organisations operating in India. This favours the basic postulation regarding social exchange theory (Blau, 1964) that investments in HR practices on the part of organisation help in achieving positive employee attitudes and behaviours. A number of other studies have highlighted the similar findings. In a study of 313 US business managers, Valentine and Fleischman (2008) have also found a positive association between perceived CSR activities and employee job satisfaction. Similarly, Allen (2001) has confirmed that adoption of employee-oriented practices results in increased

Table 2: Means, Standard Deviations and Correlations

Variables	Mean	S.D.	1	2	3	4	5	6	7
1. Ownership	1.52	0.50	-						
2. Gender	1.27	0.44	-0.01	-					
3. Age of the employees	31.04	7.25	-0.13***	-0.28***	-				
4. LCHRM	4.14	0.61	0.04	0.08	-0.04	-			
5. GFHRM	3.45	0.84	0.14***	-0.01	-0.03	0.29***	-		
6. EOHRM	3.73	0.64	0.14***	0.04	-0.10*	0.35***	0.24***	-	
7. GCSR	3.61	0.76	0.13**	-0.03	0.01	0.29***	0.52***	0.37***	-
8. Employees' satisfaction	3.98	0.58	-0.08	0.05	0.13**	0.39***	0.19***	0.28***	0.24***

Notes: ***p≤ .01, ** p≤ .05, * p≤ .10

Table 3: Regression Results Showing Effects of CSR Focused HRM on Employees' Satisfaction

Independent Variables	Employees' Satisfaction	
	Step 1	Step 2
Constant	3.742***	1.556***
Ownership	- 0.063	- 0.107**
Gender	0.090*	0.073
Age of employees	0.133**	0.163***
LCHRM		0.296***
GFHRM		0.047
EOHRM		0.165***
GCSR		0.080
R^2	0.025	0.275
Adjusted R^2	0.020	0.262
F statistic	4.782**	22.448***

Notes: ***p≤ .001, ** p≤ .01, * p≤ .05

job satisfaction.

The findings have highlighted that ownership and age of the employees are positively related to employees' satisfaction towards their job. Likewise, through a survey of 313 business professionals, Valentine and Fleischman (2008) have claimed that age and gender of the employees are positively related to job satisfaction. The results further indicate that among all the four components of CSR focused HRM i.e. LCHRM, EOHRM, GFHRM, and GCSR, LCHRM has the highest positive standardised coefficient in the specified regression equation, therefore, can be said the stronger predictor of employees' satisfaction.This finding considerably supports the notion that one aspect of CSR is superior over others. Though, in other studies, legal dimension has not found superior over other dimensions related to CSR (Gond, El-Akremi, Igalens & Swaen, 2010; Peterson, 2004). Finally, it can be depicted that in order to enhance job satisfaction among employees, organisations need to put special emphasis upon the organisations as well as managers' compliance with all the labour laws.

The present study has some notable implications for HR practitioners and organisations in Indian as well as global context. From a practical viewpoint, the study recommends that HR managers are needed to devise and implement CSR focused HR practices very carefully, as these kind of HR initiatives are found to have far bigger potential benefits than doing social good and accruing financial gains. The current study gives a strong indication that organisations need to put extra emphasis on organisations and managers' compliance with the labour laws, provision of adequate training and development opportunities, equality in HRM, adoption of flexible working hours, and employment programs achieving work-life balance in an order to enhance employees' performance. Another important point is that mere implementation of CSR focused HRM will not serve the purpose, organisations are required to maintain a very effective internal communication as employee buy-in is very crucial in success of these initiatives (Davies & Crane, 2010).

Conclusion

The regression model presented in this study progresses our understanding of how CSR focused HR practices can affect employee attitudes. The results point out that adoption of CSR focused HRM in form of legal compliance HRM and employee-oriented HRM is positively related to employees' satisfaction. However, no such association has been found in case of general CSR facilitation HRM and general CSR conduct. This study possesses some limitations and therefore, offers directions for future researchers. The measurement of employee attitude was limited to employees' satisfaction only; future studies must cover other important variables such as organisational citizenship behaviour, commitment, and trust. Further, the studies must investigate the impact of CSR focused HR practices on firm performance. In addition, it is suggested that similar studies must be carried out in other cultural contextsto get more concrete and generalized results.

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