

Research proposal on the relationship between corporate social responsibility and strategic human resource management

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Abstract: The purpose of this study is to develop a conceptual framework in order to analyse the relationship between corporate social responsibility and strategic human resource (HR) management. Thus far, both disciplines have advanced in isolation. Therefore, this paper aims to examine if a combination of these research lines can provide competitive advantages for enterprises. Specifically, we will analyse how a socially responsible orientation in the HRs practices can contribute to the achievement of these advantages through performance variables, such as work environment and intellectual capital.

Keywords: CSR; corporate social responsibility; intellectual capital; SHRM; strategic human resource management; working environment.

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1 Introduction

The uncertainty of the current environment underscores the importance of institutional factors and intangible resources in the process of adaptation and firm's survival (Gómez-Mejía and Balkin, 2002; Kang and Snell, 2009). Guided by theoretical perspectives, such as the resource-based view of the firm (Arthur and Boyles, 2007; Wright et al., 2001), human capital theory (Lepak et al., 2006) or social capital approach (Adler and Kwon, 2002; Moran, 2005), academics have demonstrated how human resources (HRs) represent a key mechanism to unlock the organisation's value and therefore one of the main sources of competitive advantages (Lengnick-Hall et al., 2009). Considering the framework proposed by Miles and Snow (1978), the success of an organisation is not based only on its internal strengths. Hence, it is necessary to establish a strategic fit between the internal resources of firms and their environment. To facilitate this adjustment, this study proposes an emergent strategic variable in management literature like corporate social responsibility (CSR) (Carroll, 1999; Galbreath, 2010; Lockett et al., 2006). CSR is defined as "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life" (World Business Council for Sustainable Development, 2000). The empirical evidence shows that those companies undertaking CSR actions can address more efficiently the pressures and social demands from the environment and their stakeholders (Bhattacharya et al., 2008a; Freeman et al., 2010; Husted and Allen, 2007).

Apart from these external benefits, the incorporation of CSR into business strategy can provide internal benefits to firms. In this sense, organisations that carry out a set of socially responsible practices:

- 1 appropriate employment relations and working conditions
- 2 communication, employee involvement and social dialogue
- 3 education and training
- 4 occupational health and safety
- 5 diversity and equal opportunities.

Literature on management shows that this kind of practices can generate a positive working environment among their employees (Bowen and Ostroff, 2004; Commission of the European Communities, 2001; Global Reporting Initiative, 2006; Gould-Williams, 2007; Muncherji and Gupta, 2004).

These circumstances improve the communication, trust and cooperation within organisation – social capital (Carmeli et al., 2009; Evans, 2005), and facilitates the exchange of knowledge, skills and attitudes among workers – human capital (Leana and Van Buren, 1999). As a result of these enhancements, the intellectual capital of the

organisation will increase, encouraging the achievement of competitive advantages (Burgman and Ross, 2007; Youndt and Snell, 2004). If we add the importance of HRs into the development of business and CSR strategies (Lockwood, 2004; Sharma et al., 2009), we will reach the main objective of this study: to analyse whether a socially responsible orientation in the HRs practices can help companies to accomplish their goals and economic performance through two ways:

- 1 From an external adjustment between society and stakeholders expectations and their satisfaction by firms (Barnett, 2007; Harrison and Freeman, 1999).
- 2 From an internal adjustment between business strategies and HRs strategies (Lengnick-Hall and Lengnick-Hall, 1988; Miles and Snow, 1984; Wright and McMahan, 1992). In this regard, we focus on the improvements that this adjustment could generate in variables, such as working environment and intellectual capital (Surroca et al., 2010; Youndt and Snell, 2004).

Following the institutional approach (Campbell, 2007; DiMaggio and Powell, 1983; Scott, 1995) and stakeholder's theory (Clarkson, 1995; Donaldson and Preston, 1995; Freeman, 1984), this study examine how organisations can achieve synergies stemming from CSR and strategic human resource management (SHRM).

2 Theoretical background and research propositions

In recent decades, the concept of CSR has gradually acquired greater importance in academic and professional fields (Carroll and Shabana, 2010; Crane et al., 2008). Researchers from different disciplines show how companies that incorporate social responsibility in their actions can achieve higher profits than their competitors (Table 1).

These studies illustrate how companies that develop CSR actions

- 1 can increase their financial performance
- 2 improve the relationship with their stakeholders
- 3 enhance the commitment of their employees.

However, little has been researched about the benefits of CSR practices in the HR management field (Cuganesan, 2006). Until now, different researchers have emphasised the relation of HRs in the implementation and develop of CSR objectives and strategies (Garavan and McGuire, 2011; Sharma et al., 2009). In this manner, Rupp et al. (2006) highlight that organisations which carry out CSR practices can achieve more satisfaction and commitment from their employees. According to a study conducted by Sirota Survey Intelligence¹ (2007) in more than 70 companies during 2007, 70% of workers are more satisfied and committed to those companies which have social and environmental responsibilities. In this way, Bhattacharya et al. (2008b) proclaim that CSR activities comprise a legitimate, compelling and increasingly important way to attract and retain good employees as well as a good tool to satisfy customers with the aim to differentiate the company from its competitors in the market. Considering this background and relevance about CSR and HRM, this paper proposes a conceptual framework with two main goals: firstly, to explain the relationships between both fields; and secondly, to examine the external and internal adjustment that firms must carry out to achieve competitive advantages from this process.

Table 1 Empirical studies on the relationship between CSR and performance

<i>Study</i>	<i>Country</i>	<i>Data</i>	<i>Findings</i>
Waddock and Graves (1997)	EE.UU.	469 firms	Companies that carry out a set of CSR practices to improve the relationship with their stakeholders (employees, customers, communities and environment) and consequently increase their financial performance
Hillman and Keim (2001)	EE.UU.	308 firms	There is a positive correlation between CSR and the value creation for the stakeholders and the shareholders of the company
Simpson and Kohers (2002)	EE.UU.	385 firms	There is a positive link between CSR actions and social and financial performance of a enterprise
Déniz-Déniz and De Saa Pérez (2003)	Spain	50 firms	Companies that engage socially responsible human resources practices meet the expectations of their employees, achieving greater performance and commitment from this group as a result
Tsoutsoura (2004)	EE.UU.	500 firms	There is a positive linkage between CSR and financial performance that enables to invest in a improvement of employee relations, environmental concerns and community relations
Mittal et al. (2008)	India	50 firms	Companies that implement CSR initiatives (codes of ethics and conduct that listed in their annual reports) generate a significant economic and market value
Rettab et al. (2009)	Dubai	280 firms	CSR has a positive impact on organisational performance: financial performance, employee commitment and corporate reputation
Surroca et al. (2010)	Spain	599 firms	CSR practices provide an improvement of intangible variables of the organisation (innovation, human capital, reputation, culture and economic performance)

Source: Own elaboration.

2.1 External adjustment of CSR

Companies play a vital role in the development and welfare of society (employment generation, economic wealth, distributing goods and services, etc.), so they must assume additional responsibilities that go beyond their economic and legal obligations (Davis, 1960). In this sense, many organisations have incorporated social, ethical and environmental commitments to meet the society and stakeholder's expectations (Logsdon and Wood, 2002; Matten and Crane, 2005). The expression of these commitments has resulted in the integration of CSR by a large number of companies in order to legitimate their activity and increase their competitiveness (Aguilera et al., 2007; McWilliams and Siegel, 2001; Porter and Kramer, 2006). On the other hand, organisations that manage their resources in an irresponsible manner are punished with heavy criticism by the market. This causes an erosion of their image and value, damaging seriously their stakeholder's relations (Dowling, 2004; Sen and Bhattacharya, 2001). Some relevant examples of the social impact of firms are the accounting manipulations of information by Enron Corporation, the environmental pressures on Shell Oil's or the pressures on Nike about their employment policies (Wheeler et al., 2003). These companies were forced to redirect their behaviour towards sustainability models to adapt to society

requirements (Global Reporting Initiative, 2002, 2006; Principles for Responsible Management Education, 2009). For these reasons, literature based on the stakeholders approach underlines the importance of considering the needs of the firms interest groups (society, government, customers, suppliers, employees, shareholders, etc.) who can affect the firm's outcomes (Argandoña, 1998; Barnett, 2007).

According to the instrumental view of stakeholder theory, companies that combine the satisfaction of the interest groups with the accomplishment of its objectives can conduct their activities with greater guarantees of success as well as improve the relations with these groups (Donaldson and Preston, 1995; Jones, 1995; Odgen and Watson, 1999). Likewise, the process of adjustment between companies and their environment requires the internalisation of a set of institutional factors by firms in order to be accepted by the community and achieve more competitiveness (Dacin, 1997; Dacin et al., 2008; Scott, 2001). Thus, Meyer and Rowan (1977, 1991) and DiMaggio and Powell (1983) show how organisations that:

- 1 mimic the practices and strategies of greater success companies in their markets – mimetic isomorphism
- 2 establish and maintain good relations with their stakeholders – coercive isomorphism
- 3 get the support and institutional legitimacy of their community – normative isomorphism

can improve their market position, image, reputation and, consequently, their economic returns enhancing as a result a better adjustment with their context (Husted and Salazar, 2006; Mackey et al., 2007; Weaver et al., 1999).

In this paper, we focus on the coercive isomorphism. Concretely, we study the relationships between company and its employees as internal stakeholders. According to Lockwood (2004) and Sharma et al. (2009), workers play a key role in the development of CSR strategies. The level of employees' participation increases the welfare of firms as well as provides internal benefits from their commitment and loyalty (Brammer et al., 2007; Collier and Esteban, 2007; Cullen et al., 2003). A strong organisational culture reinforced by responsible HR management practices can ensure high levels of success in the market by the improvement of employee's satisfaction, their productivity, customer loyalty, legal compliance and the approval of society (Sharma et al., 2009). For these reasons, a strategic approach in the way of managing human capital can be crucial in the process of integrating CSR (Fuentes-García et al., 2008). Based on these arguments, our second objective is to explain the benefits that organisations can achieve by developing and implementing a CSR orientation in their HR practices.

2.2 Internal adjustment of CSR

Regarding the company's internal frame, literature stresses the importance of linking business strategy to HRs practices for improving the organisational performance (Becker and Gerhart, 1996; Miles and Snow, 1984; Youndt et al., 1996). The SHRM concept as Martín-Alcazar et al. (2005, 2008) mentioned represents an evolution of the traditional concept of HRs towards a new integrative perspective which include: a vertical link with the strategic management process, a horizontal link with the HR practices and an external link with other organisational and environment factors. The review on SHRM underlines that HR system can be a unique source of sustainable competitive advantage if there is a

fit between its internal and external components (Lengnick-Hall and Lengnick-Hall, 1988; Wright and McMahan, 1992). Muncherji and Gupta (2004) examine, in this sense, how sociocultural values can affect the development and building of HR practices in organisations. Recently, Peters et al. (2009), and Galbreath (2009, 2010) have discussed about the implications and benefits of a social phenomenon like CSR on organisation's strategy and their performance. The analyses of both authors suggest that CSR cannot be separated from corporate strategy, showing an important gap of research between CSR and the HR strategy. Considering these theoretical dissertations, this study aims to analyse whether a fit between business strategies towards CSR and the configuration of the HR practices can be in the long term a source of sustainable competitive advantages for enterprises. In addition, this paper explores if certain improvements in variables such as work environment and intellectual capital can positively affect the organisational performance as a result of HR practices with a socially responsible orientation. Thus, our first research proposition is:

Proposition 1: Companies that develop a socially responsible orientation in their strategy can achieve sustainable competitive advantages.

Different studies and research in CSR show how the integration of a social orientation in the firm's strategy can impregnate the HR policies and practices as well as the organisational culture of the company (fair labour rights, health and safety, quality of work, etc.) (Brammer et al., 2007; Greening and Turban, 2000; Peters and Vassar (2009); Peterson, 2004). According to the Commission of the European Communities (2001) and the Global Reporting Initiative (2002, 2006), this paper has focused on five socially responsible practices to analyse their effects on organisational performance:

- 1 appropriate employment relations and working conditions
- 2 communication, employee involvement and social dialogue
- 3 education and training
- 4 occupational health and safety
- 5 diversity and equal opportunities.

Hence, the second proposition is:

Proposition 2: Companies that develop a socially responsible orientation in their strategy should extend these values to its HR practices.

According to the literature, HR practices with socially responsible guidance can improve the working environment within the company (Gould-Williams, 2007; Patterson et al., 2004; Rogg et al., 2001). Moreover, in a context in which workers are treated fairly and equitably it is easier to create a work environment based on harmony and welfare, where the employees feel more committed and happy, reaching in this way in the long term more productivity and efficiency (Aguilera et al., 2007; Dutton et al., 1994; Phusavat et al., 2009). In this regard:

Proposition 3: A socially responsible orientation in the HRs practices can provide an improvement of the working environment of organisations.

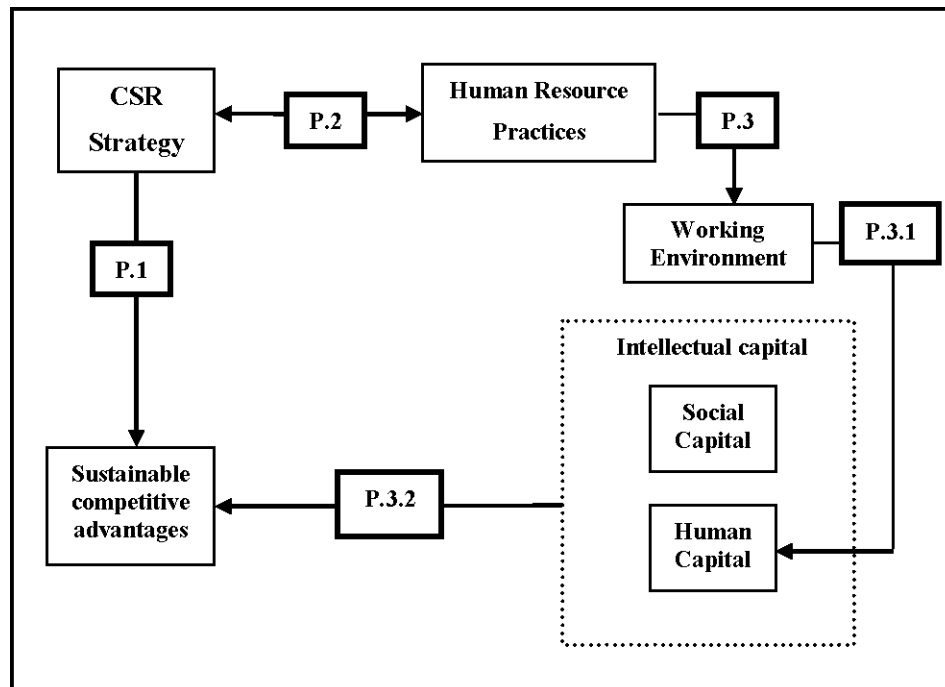
Additionally, the improvements in the working environment facilitate the communication, trust and cooperation among its members – social capital (Adler and Kwon, 2002; Nahapiet and Ghoshal, 1998). A positive work environment encourages the relations and the frequency of formal and informal communication within organisation, providing a higher cohesion among employees and the achievement of organisational goals (structural dimension of social capital) (Chen et al., 2009; Galán and Castro, 2004; Tsai and Ghoshal, 1998). This network of relations enhances the trust and reciprocity among workers, facilitating a collective welfare and a stronger commitment between them (relational dimension of social capital) (Prusak and Cohen, 2001; Putnam, 2001). The improvement and quality of the relationships promote an exchange of knowledge, skills and their experience among employees – human capital, increasing in this way the intellectual capital within the organisation, encouraging the achievement of sustainable competitive advantages through this capital (Youndt and Snell, 2004). Hence, our third and four propositions are:

Proposition 4: *An improvement of working environment resulting from socially responsible HRs practices can increase the intellectual capital of organisations.*

Proposition 5: *Companies with a socially responsible orientation in their HRs practices can achieve competitive advantages resulting from an improvement in the intellectual capital of organisations.*

The research propositions are reflected in the conceptual model shown below (Figure 1).

Figure 1 Conceptual model



Source: Own elaboration.

3 Concluding remarks

This paper examines the issues of development and testing of a conceptual model which analyses the casual relationships between CSR and SHRM. The literature review shows the importance of institutional factors (Campbell, 2007; DiMaggio and Powell, 1983; Scott, 2001) and stakeholder's expectations in the internal and external adjustment process of CSR (Aguilera et al., 2007; Barnett, 2007; Donaldson and Preston, 1995). Specifically, this study has focused on employees due to the importance of human capital in the process of integrating CSR strategies (Lockwood, 2004; Sharma et al., 2009).

The research objectives proposed are:

- 1 analysing how a external and internal fit regarding CSR can provide competitive advantages for organisations
- 2 show the benefits that organisations can achieve by developing and implementing CSR in their HR practices and strategies.

Our review indicates that the development of a socially responsible orientation in HR practices (Brammer et al., 2007; Greening and Turban, 2000; Peterson, 2004) allows companies to obtain an improvement in variables, such as working environment (Bowen and Ostroff, 2004; Gould-Williams, 2007) and intellectual capital (Kang and Snell, 2009; Youndt and Snell, 2004), leading to obtaining sustainable competitive advantages through this process. According to a report published by PricewaterhouseCoopers (PWC)² in 2010 aimed at managers and professionals of different parts of the world, recruitment and retention of talent are one of the most important current concerns of organisations regardless of their size. The professional consultant underscores that the 85% of HR managers believe that attracting and retaining talented people can offer companies a significant long-term advantage of differentiation, which could result in a positive way to their account results. It is clear that companies must provide in their HR practices: issues and social improvements which can meet the expectations of their current and prospective employees.

Therefore, the integration of CSR in the field of SHRM represents an opportunity to improve the engagement, sense of belonging and productivity of employees (Brammer et al., 2007; Collier and Esteban, 2007). CSR has become in this sense, in a key partner that contributes to the value's generation in the HR management, helping to retain and motivate the human capital and improving the firm's performance and sustainability of firm's (Aguilera et al., 2007; Galbreath, 2009). To sum up policies and organisational practices represent the principal initiatives of HRM to internalise social responsibility and ensure that CSR issues become part of the firms (Agrawal, 2007).

4 Future research

This research is at an early stage of analysis and construction of the theoretical framework. Once the propositions can be tested, we will offer a series of indicators to clarify and quantify the benefits of HR policies with a socially responsible orientation. The sample of this study will compose of large-scale Spanish companies (more than 500 employees) that have HR department, belonging to different industry sectors in order to contrast the institutional theory and make comparisons.

Based on Dess and Davis (1984) and Robinson and Pearce (1988), we will develop three questionnaires aimed at the general managers, HR directors and employees in order to analyse the following issues:

- 1 strategy of the company
- 2 internal measures of CSR
- 3 strategies and HR policies
- 4 intellectual capital
- 5 working environment
- 6 organisational performance.

The questionnaire uses a Likert scale to measure these items. We will use the social categories of practices from KLD Analytics, Inc. (<http://www.kld.com>) and the GRI (<http://globalreporting.org>) to analyse the effects on employee and organisational performance. Regarding intellectual capital, we follow the methodology proposed by Bontis et al. (1999) and Hung (2004) to structure and measure the intangible asset in three different aspects: structural, social and human capital. Moreover according to McGuire et al. (1988), we consider expert evaluations and also the content of annual CSR reports and other corporate documents to contrast the information. Depending on the number of valid responses and the progress of the investigation, we will determine the statistical methodology to implement different analysis techniques. Through the statistical results, we will proceed to contrast the hypotheses and analysis of the conclusions reached in the academic and professional field. Likewise, there is a great interest in analysing the social orientation of HR practices in other countries to make comparisons. In this sense, Brewster (1995, 1999) and Gooderham et al. (1999) show that the environment influences the performance and corporate strategies as well as the development of the HRs policies.

Another significant aspect could be studying the effects of socially responsible HR policies in social capital dimensions: structural and cognitive. Schoemaker et al. (2006) proposed that CSR can be integrated with greater effectiveness in organisations where social capital is more developed. In addition, Degli-Antoni and Saconi (2010), propose the idea of a virtuous circle between the different levels of social capital and the implementation of CSR practices, encouraging the creation of a cooperative networks between the firm and all its stakeholders as well as the promotion of social norms of trust, trustworthiness and cooperation. For these reasons, social capital plays an important role in the process of integration and development of CSR.

Finally, the effective implementation of HR strategy, oriented towards social responsibility, not only depends on the variables that we have showed. The status of individual employees (behaviours, attitudes, reactions, experiences, job satisfaction, etc.) and the perception that they have about the organisation and carrying out their policies are very important in the process of implementation CSR (Liao and Rupp, 2005). According to Colquitt et al. (2001), workers feel more identified, satisfied and engaged with companies that exercise social responsibility. Therefore, we believe that contributions based on organisational justice theory (Fortin, 2008; Rupp et al., 2006) can help us to analyse the behaviour of employees in the process of implementing CSR through the analysis of three kinds of employee's perceptions: procedural, distributive and interactional.

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Notes

¹ Sirota is a private company that works with clients (private, public and not-for-profit) committed to the sharing of industry best practices, improvement of certain aspects of employee, customer relations and stakeholder research in general. *Source*: Available at: <http://www.sirota.com/>.

² PWC offers multidisciplinary solutions, designed to help companies effectively position themselves and move towards a sustainable business model. With more than 6,000 professionals in over 100 country clubs, the PWC network has one of the world's largest human resource organisations advisory. *Source*: Available at: <http://www.pwc.com>.