

THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON HUMAN RESOURCE POLICY. STUDY ON TRANSNATIONAL CORPORATIONS

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Abstract:

Often, transnational companies are accused of selfish human resource policies that focus on profit maximization without taking into account the needs of different stakeholders. This way, transnational companies are harmful both to employees in the country of origin, who lose their jobs, and employees from emerging countries, who carry out activities similar to those in developed countries, but in exchange for lower wages. Transnational companies bring many counterarguments, including: practicing fair human resource policies, ensuring higher salaries than average salaries in the countries where they operate, ensuring safe working conditions, employing fair recruitment and selection rules. This paper is based on the premise that corporate social responsibility supports the rethinking of human resource policies, as it favours the respect of ethics in human resource matters. The analysis we carried out showed a positive correlation between corporate social responsibility and corporate human resource policies. Organizations with a high level of corporate social responsibility are inclined to establish relevant and correct human resource policies.

Key words: *corporate social responsibility, employment politics, human resource management, multinational companies.*

JEL Classification: *M14, O15, F23, E24.*

1. Introduction

The rise of CSR has significant implications for HRM practice. Ranging from ethical standards in dealing with important stakeholders through employment practices that attract employees to social involvement in the form of employee volunteering, the HRM role is awash with CSR-related tasks (Lockwood, 2004).

Scholarly literature states: “a strategic approach to CSR is increasingly important to the competitiveness of enterprises” (Kahreh, et al., 2014, p.667). In addition, involvement in corporate social responsibility actions leads to considerable benefits in terms of risk management, human resource management, customer relations and the ability to innovate.

This paper deals with a topic of interest to both scholars and companies. Researchers should examine the benefits of corporate social responsibility in terms of human resource management as organizations design their social responsibility strategy based on the intention to improve organizational processes and functions, such as the human resource policy.

This study starts with a review of scholarly literature on the concepts of CSR and HRM and continues with a description of the research methodology, a presentation of the objectives and of the research hypothesis. Finally, we test the hypothesis and present the findings.

2. Literature review

2.1. About corporate social responsibility

CSR is not a new concept; it has been debated in management literature for more than half a century (Kahreh, et al., 2014, p.665). Archie Carroll (1999) states: „the concept of CSR has had a long and diverse history in the literature”.

According to the EU (European Union, 2002), “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Also, CSR has been defined as

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„actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams and Siegel, 2001, p.117).

Sahlin-Anderson (2006) stated that CSR „as a global trend incorporating business corporations, states, international organizations and civil society organizations”. In Inyang’s vision (2004), business „owes society an obligation or debt - for taking something from the former it must give something in return to the latter, which would continue to provide the fertile ground for its (latter’s) continuous existence”.

CSR has two features (Kornfeldova, 2011, p.102):

- Responsible activities are carried out voluntarily – beyond the obligations arising from legislation;
- Active dialogue with stakeholders (involvement of stakeholders who have significant influence on the company).

CSR has three pillars: economic, social and environmental (Kornfeldova 2011, p.103). The substance of the economic pillar is related to the impact on local, national and the global economy. The social pillar consists of three elements: employment policy, education and human capital, employee benefits, equal opportunities and the balance between personal and professional life, the support to others.

Corporate social responsibility is the result of three factors (Vogel, 2005): the erosion of the power of national governments in relation to multinational companies, the increasing impact of environmental activities or the developing mobility of companies and the increasing importance of financial markets in business success.

Some researchers estimate that, overall, businesses respond to requests or pressure of various stakeholders such as customers, shareholders, employees, and NGOs (Willard, 2005). The stakeholder theory authored by Edward Freeman (1984) „replaced the principle according to which managers are accountable to shareholders for an innovative concept, and stated that managers develop relationships based on trust with a variety of stakeholders that are directly affected by the actions of the organisations they manage, while shareholders cease to be regarded as the sole beneficiaries of corporate activities” (Gangone, Gănescu, 2014, p.539).

Corporate social responsibility involves treating stakeholders in a responsible or ethical manner, while maintaining corporate profitability, and requires a specific attitude of the company towards society, in which success is achieved by observing the law, behaving in an ethical fashion, focusing on the environment and taking into account the needs and interests of all partners (Hopkins, 2004).

For Michael Hopkins (2004), the social responsibility of an organization involves treating stakeholders ethically or responsibly, while preserving the profitability of the organization, and involves a specific attitude of the company towards the society in which success is achieved by complying with the law, behaving ethically, paying special attention to the environment and taking into account the needs and interests of all partners.

Stakeholder theory becomes a necessary process in operationalising corporate social responsibility (Matten, Crane and Chapple, 2003, p.111).

Among stakeholders, employees have a strategic role. Their involvement in CSR initiatives exerts a significant impact on the performance of organizations (Inyang, Awa, Enuoh 2011, p.119).

2.2. Human resource management

HR management is ”the philosophy, policies, procedures and practices related to the management of an organization’s employees” (Sims, 2003, p.2).

The HR management function has a special importance as it deals with all those activities aimed at the development, motivation and maintenance of a high performance workforce, with a role in increasing the competitiveness of organizations.

HR management is a component of the organization's strategy. Strategic HR management integrates strategic HR objectives and creates added value and competitive advantage. Thus, we can identify the following arguments (Inyang, Awa, Enuoh 2011, p.121):

- HR professionals become strategic business partners;
- HR managers become partners in the execution of business strategy;
- Employees can become experts in the organization, execution, and optimization of operations, ensuring reduced costs and increased quality of products and services;
- Employees may become representatives of the interests of others;
- Employees could become agents of change.

Scholarly literature identifies the following dimensions of human resources that enable the effective application of a management system: recruitment, training, teamwork, organizational culture, organizational learning. These dimensions are directly related to the HR management model employed by the organization (Jabour, Santos, 2008, p.2153).

2.3. The relationship between corporate social responsibility and human resource management

The question then arises: to whom are companies responsible? From a certain perspective, “effectiveness of CSR in generating improved employment relations in the current climate” (Cotton, 2010). According to a study published in 2012, organisations that are socially responsible and follow a strategic approach to HRM exhibit better performance outcomes, profitability in particular (Buciuniene, Kazlauskaitė, 2012). The paper confirms the existence of a connection between human resource management, CSR, and performance. Based on statistical methods of analysis, it has been demonstrated that organizations with effective human resource management better develop CSR policies.

Regarding the internal aspect, CSR has focused on two main issues: adopting responsible procedures for employee relations, with problems referring to investment in human capital, work safety and security, change management; adopting best environmental practice, the main problem being environment and resource management employed in the operational system (Munteanu, Pantea, Stefi, 2007, p.76). The authors consider that these two concerns have created ways of reconciling social development with competitiveness.

The main areas related to the internal dimension of CSR (European Union, 2002) are: human resource management, work safety, change management, natural resources and environmental impact management. The main areas of the external dimension of CSR are: partnerships with the local and business partners, human rights, the global protection of the environment.

It is obvious that human resource management is an essential aspect of CSR actions. For many companies, developing human resources and attracting the best performing employees is an on-going concern. In this context, CSR can include actions such as: stimulating continuous learning, empowering employees (delegation and participative management), transparency and better communication throughout the company, a general and sustainable balance between work objectives/ tasks and family needs, equal payment and career opportunities for women and minorities, active promotion of employees in situations of inactivity due to illness and temporary or permanent handicaps. In the context of this dimension, special importance is given in Europe to recruitment procedures based on non-discriminatory practices, facilitating recruitment of ethnic or religious minorities, women, elderly or unemployed.

4. Research methodology

The purpose of this paper is to assess the impact of corporate social responsibility on human resource management. We established the following objectives of the study:

- O1. Determine the evaluation model of corporate social responsibility.

O2. Assess human resource management by defining its metrics.

O3. Identify the degree of correlation between the index of corporate social responsibility and the index of human resource management using the Pearson correlation coefficient.

The hypothesis of the study is: "*There is a positive correlation between corporate social responsibility and human resource management.*"

4.1. The assessment of corporate social responsibility and human resource management in multinationals

To assess corporate social responsibility we designed an index based on three sub-indexes (Bonson, Bednarova, 2015, p.186):

- *the environmental reporting sub-index* was based on the following indicators: energy and water consumption, emissions, waste generation, waste processing;

- *the social reporting sub-index* was based on the following indicators: investment in human capital, investment in social capital;

- *the corporate governance reporting sub-index* was based on the following indicators: the independence of managers, executive committee, and audit committee.

The index was calculated using a scale of 0 to 10, depending on whether or not the information was included in reports published by companies.

To assess the human resource management we designed a second index, based on four sub-indexes:

- *the hiring practices sub index* refers to using non-discriminatory practices and includes the following indicators: non-discriminatory practices, employee gender diversity, gender diversity management;

- *the transparency sub-index* measures the length of information channels based on the following indicators: participatory management, feedback mechanisms;

- *the promotion policy sub-index* monitors the employment of personnel management policies and is based on three indicators: career planning, seniority, employee training;

- *the occupational safety and health sub-index* monitors compliance with regulations regarding work safety and the degree of application of these rules internally and voluntarily: quantification of absenteeism, work accidents, job stability.

This research used content analysis of reports published by multinational companies on their official sites. It used the 2014 Top of major companies conducted by Risco, a ranking which includes the first 20 major companies operating in Bucharest whose turnover had an important role in generating Romania's GDP.

Multinational companies in the energy, retail, tobacco and telecommunications industry occupy the first spots, followed by electronics or pharmaceutical companies (Table No. 1).

Table no. 1. 2014 top of big companies

| Ranking | Company | Number of employees | 2014 turnover (billion lei) | Ranking | Company | Number of employees | 2014 turnover (billion lei) |
|---------|----------------------------------|---------------------|-----------------------------|---------|---------------------|---------------------|-----------------------------|
| 1. | OMV Petrom | 17866 | 16,5 | 11. | Electrica Furnizare | 1219 | 4,01 |
| 2. | OMV Petrom Marketing | 228 | 14,1 | 12. | Auchan | 9344 | 3,7 |
| 3. | Rompetrol Downstream | 1774 | 9,4 | 13. | OMV Petrom Gas | 45 | 3,6 |
| 4. | Kaufland | 12180 | 7,9 | 14. | Hidroelectrica | 3973 | 3,4 |
| 5. | British American Tobacco Trading | 654 | 6,9 | 15. | Vodafone | 2729 | 3,1 |

| Ranking | Company | Number of employees | 2014 turnover (billion lei) | Ranking | Company | Number of employees | 2014 turnover (billion lei) |
|---------|--------------------|---------------------|-----------------------------|---------|---------------------|---------------------|-----------------------------|
| 6. | Lukoil | 3013 | 5,8 | 16. | JT International | 621 | 2,9 |
| 7. | Carrefour | 7284 | 4,5 | 17. | Mega Image | 7161 | 2,8 |
| 8. | GDF SUEZ Energy | 554 | 4,5 | 18. | Samsung Electronics | 138 | 2,7 |
| 9. | Metro Cash & Carry | 5125 | 4,4 | 19. | Farmexpert DCI | 745 | 2,6 |
| 10. | Orange | 2653 | 4,3 | 20. | Cargill Agricultura | 280 | 2,3 |

Source: *Risco, A top of major Bucharest companies*

We evaluated the top five companies. For these companies, we studied annual reports, CSR reports and/ or corporate sustainability reports published for 2014 (Table no. 2).

Table no. 2. Top five companies based on results of the I_{CSR} and I_{HRM}

| Company | ERS (5 i) | SRS (2 i) | CGRS (3 i) | I _{CSR} | HPS (3 i) | TS (2 i) | PPS (3 i) | OSHS (3 i) | I _{HRM} |
|---|--------------|--------------|-------------|------------------|--------------|-------------|--------------|-------------|------------------|
| OMV Petrom | 100% 5,00 | 50% 1,00 | 66% 1,98 | 7,98 | 100% 3,00 | 50% 1,00 | 100% 3,00 | 66% 1,98 | 8,98 |
| OMV Petrom Marketing | 60% 3,00 | 100% 2,00 | 66% 1,98 | 6,98 | 100% 3,00 | 50% 1,00 | 66% 1,98 | 66% 1,98 | 7,96 |
| Rompetrol Downstream | 60% 3,00 | 50% 1,00 | 33% 0,99 | 4,99 | 33% 0,99 | 50% 1,00 | 66% 1,98 | 33% 0,99 | 4,96 |
| Kaufland | 40% 2,00 | 50% 1,00 | 66% 1,98 | 4,98 | 66% 1,98 | 50% 1,00 | 66% 1,98 | 66% 1,98 | 6,94 |
| British American Tobacco Trading | 40% 2,00 | 100% 2,00 | 66% 1,98 | 5,98 | 100% 3,00 | 50% 1,00 | 100% 3,00 | 33% 0,99 | 7,99 |

Source: *created by author*

4.2. Hypothesis testing

To process data we introduced the values of I_{CSR} and I_{HRM} in Eviews 8 for 5 of the 20 companies in the sample. We studied the relationship between the two indexes using statistical correlation methods. The correlation coefficient of 0.8343 proves the existence of a direct, positive, great intensity connection between I_{CSR} and I_{HRM} (Table no. 3).

Table no. 3. The matrix of the correlation between I_{CSR} and I_{HRM}

| | | |
|------------------|------------------|------------------|
| | I _{CSR} | I _{HRM} |
| I _{CSR} | 1 | 0.8343 |
| I _{HRM} | 0.8343 | 1 |

Therefore, the study's hypothesis that "*There is a positive correlation between corporate social responsibility and human resource management*" is valid.

5. Conclusions

Multinational companies are often accused of employing selfish HR policies that are oriented towards profit maximization without taking into account the needs of different stakeholders. In addition, many note differences between the official policies and practices adopted by companies in countries of origin and in countries with emerging economies.

Multinational companies are harmful to both employees in countries of origin, who lose their jobs, and employees from emerging countries providing activities similar to those in developed countries, in exchange for lower wages.

To mitigate these accusations, multinationals bring many counterarguments, including: practicing correct HR policies, providing wages above the average of countries where they operate, ensuring safe working conditions, employing fair rules of recruitment and selection.

This study highlights the impact of corporate social responsibility on human resource management in the sense of rethinking personnel policy, promoting the respect of ethics in human resources matters. The analysis conducted reveals that organizations characterized by a high level of corporate social responsibility tend to establish relevant and fair HR policies. We believe the study has some limitations, resulting from the research methodology and short time span of analysis.

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