



## Relationship and Impact of Corporate Social Responsibility, Employee Motivation and Employee Relations

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**Abstract:** This research will study about what are the effects of CSR to Employee Relation while being Mediated by Employee Motivation. Aguilera et al. (2007) use a definition of CSR which refers to “the firm’s considerations of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social [and environmental] benefits along with the traditional economic gains which the firm seeks (Ferreira & de Oliveira, 2014). Motivated employees feel a closer relationship with the organization they work and hence perform (Chaudhary et al., 2015). The study has 5 Hypothesis this research is a quantitative study which is Casual, Correlational and Descriptive in nature and will be conducted in Bhaglenes Corporation in Bocaue, Bulacan with a sample population size of 80. This research will look at, effects and relationship of Employee Motivation, Corporate Social Responsibility and Employee Relation. Data will be analyzed using Descriptive Analytics, Multiple Linear Regression Analysis and Correlational Analysis. Based from the data *CSR* is positively and significantly impacts *Employee Motivation*. If *CSR* is broken down to its subconstructs of *Internal and External CSR* only *External CSR (Local Community)* is significantly impacts *Employee Motivation*. Data analysis also shows that *Employee Motivation* significantly impacts *Employee Retention*. While the highlight of the study is the mediation, it was found out that CSR was not a significant predictor of Employee Relation when Employee Motivation was included in the model.

**Key Words:** *Corporate Social Responsibility; Internal CSR; External CSR; Employee Motivation; Employee Relation*

### 1. INTRODUCTION

Corporate social responsibility (CSR) has been in the spotlight in the last decades. The challenges, derived from new technology and fast paced market changes posed different organizations, and a new, more informed consumer, raised the bar regarding how companies should behave towards its stakeholders which includes social, economic and environmental concerns (Ferreira & de Oliveira, 2014). Recent research on corporate social responsibility (CSR) has stressed corporations to assign substantial resources for the welfare of the community. Researchers are advising different business entities to consider the amount spent in CSR as an investment rather than as an expenses (Ali, Rehman, Ali, Yousaf, & Zia, 2010).

Nowadays corporations are realizing the multifaced benefits of CSR and are paying great attention to incorporate it in all spheres of business strategies (Davies & Crane, 2010). On the other hand, employees are increasingly questioning the meaning of their work, existence and role which companies fail to realize that it can become a problem in attracting, retaining and engaging best employees (Bhattacharya, Sen, & Korschun, 2008). CSR has been viewed and treated within different disciplines, such as business ethics, marketing and business and management studies (Cooke & He, 2010). However, this has been focused on issues such as performance, strategy, marketing, consumer behavior and environmental impact (Cooke & He, 2010; Ferreira & de Oliveira, 2014) neglecting the impact and



importance of human resource. Nevertheless employees has been proven a key factor in ensuring the success of CSR (Davies & Crane, 2010).

Bhaglenes Corporation is one of the top pillow manufacturers in the Philippines. It supplies to different hotels, hospitals, religious congregations, malls and public markets. Some of its notable customers are St. Luke's Medical Center, Asian Hospital, Makati Medical Center, SM Malls, Puregold, Landmark, Radyo Veritas and Diamond Hotel. The company can be considered as a family business according to Craig (2008) based on the 5 criteria they cited in their paper. The company is run by the children of the 2<sup>nd</sup> generation and all company shares are distributed in the family. Currently the company has a total of 84 employees but continually adds employees depending on the demand of its products.

The company never forgets about its stakeholders. The founder of the business was charitable and was known to help at any time of the day and will give even her last penny. The spirit of helping and giving back to society was passed on to the current management and is being expanded thru partnership with different orphanages, charities, activities and events.

Even though this company is profit oriented it never fails to help society. It always thinks about its impact to its stakeholders for the owners of the business also came from nothing and wants to help society, the poor, the sick, the afflicted and the needy. In this paper the researcher wants to know if the different CSR activities that it implements affects the Employee Relations and Motivation. The main problem statement of this paper is ***"What is the effect of CSR on Employee Relation mediated by Employee Motivation in Bhaglenes Corp."***.

## 2. METHODOLOGY

### *2.1 Corporate Social Responsibility*

The inception point of corporate social responsibility can be traced in 1953 when New Jersey Supreme Court allowed Standard Oil Company to donate money to Princeton University as a philanthropic action. This decision was given against the suit filed by one of the shareholders of Standard Oil, believing that it would reduce shareholder's wealth. Literature provides diverse definitions of CSR; this study follows the definition of Mohr et al. (2001) which describes

CSR as a company's commitment to minimizing or eliminating any harmful influence and maximizing its long-run beneficial impact on society (Ali et al., 2010). Even though there are many CSR definitions and this concept has been studied in various scientific fields. Aguilera et al. (2007) use a definition of CSR which refers to "the firm's considerations of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social [and environmental] benefits along with the traditional economic gains which the firm seeks (Ferreira & de Oliveira, 2014).

The Commission of the European Communities (2001, p. 4) defined CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". Kotler and Lee (2005, p. 3) defined CSR as "the commitment to improve community well-being through discretionary business practices and contributions of corporate resources". In other words, we can state that CSR can be defined as policies and practices that organizations engage regarding creating positive social, including environmental, changes aimed at different stakeholders. It is important to note that this is a voluntary approach (Ferreira & de Oliveira, 2014).

The notion of CSR was initially advocated by Beyer (1972) and Drucker (1974) while stating that corporations should do social activities for the welfare of the community and feel sense of self-ombudsman ship. It was argued that corporations are earning huge amount of profits from community and deteriorating the natural resources, therefore they should contribute for the sustainability of the environment and other natural resources and work for the uplifting of the society (Ali et al., 2010).

For CSR to be accepted by a conscientious businessperson, it should be framed in such way that the entire range of business responsibilities are embraced. It is suggested that there are four kinds of social responsibilities that constitutes CSR (Carroll, 1991). In the paper published by Carroll (1991), it has stated four kinds of social responsibilities which includes Economic, Legal, Ethical and Philanthropic.

### *2.2 Employee Motivation*



Employees want to earn reasonable salaries, as money represents the most important incentive, when speaking of its influential value (Stanwick & Stanwick, n.d.). The term motivation is derived from the Latin word *movere*, which means to move. According to Mitchell (1982) motivation represents "those psychological process that cause the arousal, direction and persistence of voluntary actions that are goal oriented." Robbins (1993) defines motivations as the "willingness to exert high level of effort toward organizational goals, conditioned by the effort's ability to satisfy some individual need."

Motivation has been divided into internal and external motivation. External motivation includes an incentive which provide materialistic benefits whereas internal motivation relates to all behavior which leads to satisfaction, enjoyment and pleasure in doing your tasks (Chaudhary et al., 2015). Internal motivation is the driving force within us which enables us to perform better than others and do a good job. According to the Motivator-Hygiene theory of Herzberg (1966) suggest that employees describe satisfying experience as those that involved factors which are intrinsic to the job content. These factors were termed as "motivators" and included variables like achievement, recognition, enjoyment, gratification, job satisfaction. The literature on motivation suggest that employees high on internal motivation, or high performers take pride in doing their jobs and are always wanted by organization as their work force (Chaudhary et al., 2015).

### *2.3 Employee Relations*

Industrial relations which has been rechristened as employee relations in the twenty first century is a multidisciplinary lens that examines the relationship between employers and employees (Lincoln, Travers, Ackers, & Wilkinson, 2002). Ratnam, (1995) defines employment relations to be an overarching term for relations between employers and employees in all aspects of work. With the changing character and composition of the workforce, employee relations are being viewed as a further broadening of the HRM itself (Banfield & Kay, 2008). The industrial/employee relations policy of organizations is influenced by a variety of factors including the external and internal

environment, organizational culture, technology and legislations and together determines the presence of industrial peace. Organizations must devise and execute their employee relations strategy by considering their contextual specificities. Harmonious employee relations assume a critical stature in organizational priorities in a milieu where workplace indiscipline and incivility may range from rudeness to even physical altercations (Agarwal, Singh, & Acharya, 2015). That inadvertently would affect the employees' presence within the internal business environment of the organization and ideally must be avoided in order to maintain the decorum. An employee can be looked upon as a major stakeholder in the co-creation and implementation of innovative business systems and may thus drive him/her to become more involved and establish increased coordination amongst all organizational members. As CSR has developed more into a dynamic and evolutionary process, it currently relies on enhanced employee participation (Agarwal et al., 2015).

Employee relations (ER) as a discipline initially emerged to address workplace problems such as unemployment and power imbalances between employees and employers by focusing on the practices of workplace institutions and organizational behaviors (Kaufman, 2008). ER encompasses 'the processes of regulation and control over workplace relations, the organization of tasks, and the relations between employers and their representatives, and employees and their representatives, and is the sum of economic, social and political interactions in workplaces where employees provide manual and mental labor in exchange for employability, compensation as well as the institutions established for the purpose of governing workplace relations (Muthoka, 2016).

### *2.4 Operational Framework*

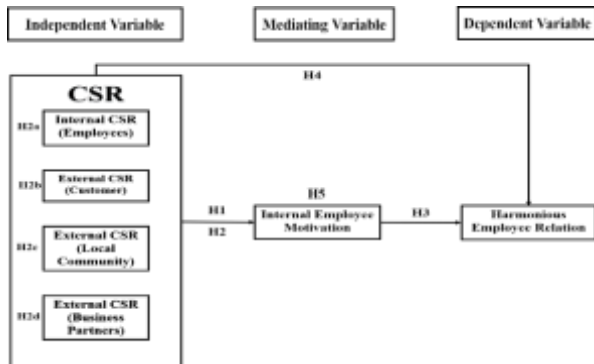


Figure 2 Adopted framework from the research *Impact of CSR-Driven Internal Employee Motivation on Cordiality of Employee Relations* by Agarwal et al., (2015)

The framework used by Agarwal et al., looks at the dynamics of Internal and External Corporate Social Responsibility on what are its effects and relationship to employees Motivation and Relations. Based on the Review of Related Literature, Motivation and Employee Relations are important in a company in order for them to work properly, effectively and efficiently (Cornelius, Todres, Janjuha-Jivraj, Woods, & Wallace, 2008; Kaufman, 2008; Stanwick & Stanwick, n.d.).

In the research conducted by Agarwal et al., (2015) they correlated CSR to Mediate Employee Motivation to Employee Relation. They have 186 participants in their survey. They have found that all variables are highly significantly correlated based on their data. Agarwal et al., (2015) also indicated in their paper that their model should be further tested to have better implications.

### 2.5 Research Design

The research undertaking can be described as descriptive, correlational and casual explanatory. The research is descriptive because it identifies frequency, mean, standard deviation of the demographics being studied in this paper. It is also correlational because it looks at the relationship between the different variables in the study. This variable is: Internal CSR (Employees), External CSR (Customers), External CSR (Local Community), External CSR (Business Partners), Employee Motivation and Employee Relations.

The respondents of the research questionnaire are the

employees of Bhaglenes Corporation. Because of the size of the company, all the employees know how the business operates especially its Corporate Social Responsibility Activities. Currently at the time of writing this paper, the company has a total of 96 employees due to the influx of orders. Only those employees that have more than 6 months tenure ship in the company will be surveyed which is 80 employees.

### 3. RESULTS AND DISCUSSION

With the data collected from Bhaglenes Corporation with a sample population size of 80, it was analyzed using correlation, mediation and linear regression.

Table 1 Summary of Hypotheses

Hypotheses	P-Value	Results
H01: There is no significant relationship and impact between <i>CSR to Employee Motivation</i> in Bhaglenes Corp.	$p = .019, R^2 = 0.07$	<b>Reject Null</b> Linear regression model was significant
H02a: There is no significant relationship and impact between <i>Internal CSR to Employee Motivation</i> in Bhaglenes Corp.	$p = .239, R^2 = 0.02$	<b>Accept Null</b> Linear regression model was not significant
H02b: There is no significant relationship and impact between <i>External CSR (Customer) to Employee Motivation</i> in Bhaglenes Corp.	$p = .050, R^2 = 0.05$	<b>Accept Null</b> Linear regression model was not significant
H02c: There is no significant relationship and impact between <i>External CSR (Local Community) to Employee Motivation</i> in Bhaglenes Corp.	$p < .001, R^2 = 0.17$	<b>Reject Null</b> Linear regression model was significant
H02d: There is no significant relationship	$p = .271, R^2 = 0.02$	<b>Accept Null</b>



and impact between *External CSR (Business Partners to Employee Motivation)* in Bhaglenes Corp.

**H<sub>0</sub>3:** There is no significant relationship and impact between *Employee Motivation* to *Employee Relations* in Bhaglenes Corp.

**H<sub>0</sub>4:** There is no significant relationship and impact between *CSR* to *Employee Relations* in Bhaglenes Corp.

**H<sub>0</sub>5:** There is no significant relationship and impact between CSR while being mediated by Internal Employee Motivation to Harmonious Employee Relations in Bhaglenes Corp.

Linear regression model was not significant

$p < .001, R^2 = 0.36$

**Reject Null**  
 Linear regression model was significant

$p = .505, R^2 = 0.01$

**Accept Null**  
 Linear regression model was not significant

**Accept Null**  
 Linear regression model was not significant  
 CSR\_total was not a significant predictor of ERT when EMT was included in the model

What's interesting with the data and result in this study is that when you run the model using correlation, mediation and regression some of its results are not the same with the results of Agarwal et al., (2015) and Ahmad et al., (2017). This can be the result of a small population. Given with a lot of thought and based from the Related Literature, Employee Motivation has a lot of factors that can be seen in the Two-Factor Theory. CSR can be one factor of employee motivation, but it is not the lone variable that affects it. In addition to this observation, External CSR (Business Suppliers) pertains how the business handles its activities with suppliers and doesn't have anything to do with employees that is why it doesn't have that much correlation to it and impact. It can be also noted that Internal CSR has insignificant impact to Employee Motivation because Motivation has a lot of factors and for Internal CSR to have an impact it should be combined with other variables.

To further test it, Employee Motivation and CSR was used as Independent Variable and Employee Relation as Dependent Variable it was found that it was a significant model with  $p < .001, R^2 = 0.37$ , indicating that approximately 37% of the variance in Employee Relation is explainable by CSR and EM.

Employee Motivation is significant to Employee Relation based from the results of the survey and data analysis which is consistent to the different researches of (Chaudhary et al., 2015; Dobre, 2013; Ferreira & de Oliveira, 2014; Lewis, Thornhill, & Saunders, 2003; Samwel, 2018).

#### 4. CONCLUSIONS

Based from the data *CSR* is positively and significantly impacts *Employee Motivation*. If *CSR* is broken down to its subconstructs of *Internal and External CSR* only *External CSR (Local Community)* is significantly impacts *Employee Motivation*. Data analysis also shows that *Employee Motivation* significantly impacts *Employee Retention*. While the highlight of the study is the mediation, it was found out that CSR was not a significant predictor of Employee Relation when Employee Motivation was included in the model.

Looking at the mean scores of each variable, employees mostly agrees with the statements. For the Internal CSR it has a mean score of 4.08 which can be interpreted that employees agree with all the statements and such activities are performed by the company. External CSR which is divided to Customers, Local Community and Business Partners has the following means score respectively; 4.35, 4.20 and 4.20. All these mean score shows that employees agree that the company practices such activities. Employee Motivation has a mean score of 4.24 that shows that the employees of Bhaglenes Corporation are highly motivated. The mean score of Employee Relation is 4.21 which depicts that employees and management has a good working environment.



The main beneficiary of this study is Bhaglenes Corporation because they have allowed their employees to participate in this study. The company should innovate their CSR and look at developing or transforming their business as a social enterprise to have a solid social mission that is geared towards addressing societal problems. If this is not possible, it may create a new department that can be a social enterprise like its printing department and sewing department. This can be transformed to a separate business entity which is geared towards addressing societal problems like, poverty, access to equal opportunity, work-life balance, commuting stress etc.

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