Drafting Out the Association Shared by CSR and Innovative Performance of the Firms:– The Intervening Role of Employee Collaboration

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Abstract

Introduction: Corporate social responsibility (CSR) has gained momentum for its ability to predict firm performance and achieve long-term growth. However, to cope up with rapidly developing global economic situation, significant changes in internal CSR implementation and management along with employee collaboration is required.

Background: For being more productive and goal-oriented internal CSR practices, organizations should include employees. It will improve people’s impulse and invoke a responsible response for knowledge sharing for the innovative performance of the firm.

Purpose: The current study aims at outlining the intervening role of employee collaboration for enhancing the interaction between CSR and innovative performance of the firms.

Findings: Affective commitment and knowledge sharing are two variables that are directly proportional to each other. Training and development are directly contributing to the innovative performance of firms and for that affective commitment and knowledge sharing must be done.

Keywords: CSR, Internal, External, Affective Atmosphere, Innovation, Knowledge Sharing, Societal Welfare, Stakeholders, Philanthropy, Collaboration, Greenwashing, Motivation.

Introduction

Corporate social responsibility or CSR has attained momentum for its ability to determine firm performance and achieve long-term growth. However, in order to be attuned to the novel and rapidly developing global economic situation, significant changes in CSR implementation and management have been observed. Along with this advancement, researchers and practitioners are lending an active ear to the concept that corporations should shift from acquiescent CSR activities to some CSR activities which have a strategic target, such as internal CSR. According to Tang et al., (2012) companies practising internal CSR have greater advantage than external CSR.

Internal CSR proponents argue that it is augmentative to firms as it influences employees’ allegiance, commitment, impetus, participation, and loyalty.
These qualities have been linked to a company’s performance (Cooke et al., 2010; Farrukh et al., 2018, Lee et al., 2019). In spite of the significance of internal CSR, very few publications empirically prove how it benefits firms. Internal CSR’s primary objectives include establishing a good working atmosphere and encouraging employee development. This appears to be easier and increasingly efficacious for various firms with bounded finances. External CSR is facile for competitors to replicate, according to Jamali et al., (2015), but internal CSR becomes tacit as a resource of a firm’s progress.

Organizational innovativeness encompasses staff innovations and a creative working atmosphere. Moreover, internal CSR has been found to have a favorable influence on the commercial effectiveness of a firm (Bharadwaj et al., 2000; Zhang et al., 2011; Lee et al., 2012; Liu et al., 2017). According to Laursen et al., (2003) and Shipton et al., (2006), every employee must be included in creative and innovation processes that demands more productive and goal-oriented internal CSR practices. Furthermore, businesses must establish an environment that will improve people’s impulse and invoke a responsible response for knowledge sharing for the innovative performance of the firm (Collins et al., 2006, Chuang et al., 2016).

Employees’ innovation levels are not adequate for companies to gain from creativity but innovation at organizational level can creates a conducive creativity-sparked work environment where concepts emanate may be more significant (Bharadwaj et al., 2000; Ekmeçeliolu et al., 2013). Internal CSR appears to be a prospective determinant of organizational innovation based on these considerations; as it can generate affective dedication and commitment and invigorate knowledge exchange between employees (Mory et al., 2016). However, the exact process through which internal CSR leads to organizational innovation remains unknown. As a result, further research is required to bring the issue under discussion, especially from organization point of view.

In this concern, the current study aims at drafting out the association shared by CSR and innovative performance of the firms through employee collaboration.

Literature Review

CSR: Concept and Importance

Corporate Social Responsibility (CSR) is defined from a number of perspectives, depending on political, social, and cultural factors, as well as authorship (Freeman et al., 2011; Hahn et al., 2013; Orlitzky, 2013). CSR in a broader envision indicates that a firm can do more than just generating shareholder value; it can also deliver social and environmental benefits to its stakeholders (Chan, Watson, & Woodliff, 2014).

CSR is the implementation of positive impact projects at a high level. It covers the company’s social responsibility objective and reports on how it affects things like employee morale and brand reputation among customers.

ESG, on the other hand, focuses on the quantitative measurements that evaluate if a company’s CSR actions are on track and achieving their objectives. A gauge for Environment, Social, and Governance (ESG), for example, is frequently numerical and quantitative.

A company’s CSR project, for example, could be to reduce CO2 emissions in their workplace. One ESG criterion for this effort may be that the company has reduced CO2 emissions by 50% in a year and has gone so with 60% of its employees.

For corporate social responsibility, voluntary guidelines were issued by The Ministry of Corporate Affairs (MCA) in 2009. This was India’s first attempt. Before that, the Ministry of Corporate Affairs released the Task Force on Corporate Excellence Report (MCA, 2000) CSR policy was introduced under the voluntary guidelines of 2009, and it included a focus on all shareholders, respect for human rights, promotion of social and general development, and respect for workers’ rights and well-being.
Benefits for the Company due to CSR

There are a number of benefits to implementing CSR. Many studies show that being a socially accountable firm proves advantageous to both the company in specific and the community in larger perspective as well as society. Arnold (2010) emphasized that CSR’s prime benefit is defined as a better partnership between business and community. Appearing as an ethical business earns the trust of society and improves the bottom line of a more open relationship. Figure 1 illustrates the advantages of CSR for firms.

According to Kurucz et al., (2008), CSR can uplift brand image. The company’s reputation as an answerable and accountable business is directly proportional to brand image and to see if all stakeholders’ needs are systematized. Another perspective is firms who diligently act in accordance with their CSR policies can leave their worries behind regarding their license to work in a social aspect (Balcerowicz, 2015). By improving and becoming legit, companies can increase their credibility and profit percentage. A tarnished persona of a company might lead to a proscription of its merchandise making “greenwashing” difficult. When consumers opt to do so, a greater part of consumers never buys from them ever again. As a result, the apt guideline is to never come under the scrutiny of media by upholding the conscientious guidelines from the birth of the company (Perry et al., 2013).
One of the perks of CSR is that companies can now have a clear conscience and the pivot philosophy being the earnest wish to “do good” is ingrained in every Homosapien and that is what channelises philanthropic acts and earns management employee’s satisfaction and motivation. Employees have to play a part in social duty and engage in such activities, so, they prefer to choose an esteemed organization. The factors which inspire an employee’s organizational commitment are an improved work environment and adequate human rights immunity safeguard. The number of sick days goes down, and the rate of work errors descends as a result of training programmers. Furthermore, employee turnover is decreased, resulting in cost savings from frequent recruiting and training of new employees. Decreased overtime results in decreased waste (Perry et al., 2013).

CSR activities like zero-waste initiatives have an escalating impact on the efficiency of the firm, making production economical, thrifty and eventually a surge in profit (Perry et al., 2013). Moreover, Mullerat, (2010), claims that a firm that prides itself on ethical behavior attracts talented individuals and preserves/sustains good employees.

Enterprise focus to instill an increased level of brand loyalty which social behavior helps them do so (Mullerat, 2010). According to Mullerat (2010), CSR also helps in daily administrative judgements and strategy articulation aside from making the company steer towards a progressive financially profitable zone. It instructs administrative and managerial heads to develop more viable and feasible plans that, in turn, create more merit for the organization, such as increased rational resource budgeting inside the enterprise.

Benefits of CSR to Society

The second facet is that it is mandatory that CSR contributes to society’s eudaimonia. A prime impetus for enterprise is to initiate and sustain CSR (Perry et al., 2013). Nonetheless, it is found that very few studies have emphasized the role in CSR in adding to the welfare to the society.

Corporate involvement in the issues of indigenous community improves the ecosystem and overall biological health (Goaszewksa et al., 2009). Seeing enterprises empath about the welfare of indigenous people makes citizens feel secure. The firms’ philanthropic and welfare-seeking activities serve the people who are needy thereby establishing trust. Organizations’ responsible behavior may impact others in their surroundings to follow the same practice. Societal engagement allows them to enjoy emotional rewards from helping others (Carrol et al., 2008).

Figure 2 summarizes the benefits of corporate social responsibility from the perspective of society. Many technical benefits arise because enterprises give importance to CSR. A firms’ societal obligation drove them to produce new technologies, innovations, infrastructure which is usable by everyone (Carrol et al., 2008). Companies that share their innovations aid the progress of society as a whole.
Partaking in CSR ideals and innovations lead to better government ties. Both parties as a result of this collaboration discover an impactful approach to serve society and provide it with a broader chance of economic development.

Some Indian Companies’ CSR Innovative Initiatives
1. “Project-Drishti” was launched by Reliance Industries to restore the vision of visually impaired from the India’s underprivileged sectors. This effort has aided around 5000 people so far and has been instrumental in raising awareness for eye donation.
2. SAIL has been involved in environmental conservation, medical health and care, sports, self-employment programmers, education, and other activities.
3. BHEL has devised a CSR scheme titled “Be a committed Corporate Citizen, alive to its CSR.” BHEL implements socioeconomic and development projects in villages to facilitate and improvise education, life, and sanitation.
4. Employee Social Option (ESOP) is a unique initiative by Mahindra & Mahindra to allow its workers to participate in social responsibility activities of their choice. The company’s CSR activities include Mahindra Education Trust, Mahindra Pride School, and Mahindra Hariyali. Under Mahindra Hariyali, a million trees have been planted to boost the country’s green cover.

5. ITC: India’s ITC Limited (ITC) is a significant private sector organization with a wide portfolio of the businesses. ITC is working with the ‘triple bottom line’ concept, which will contribute to the advancement of social development, the environment, and the economy. The company’s major goal is to increase agricultural output and help the rural economy become more socially inclusive.

Innovation and its Role in Uplifting Organisational Performance

CSR strategies help to achieve balance of interests among stakeholders (Freeman, 2010). CSR is separated into two areas, according to stakeholder theory: external and internal CSR. External CSR encompasses and innovates in three primary issues: firm’s charity, firm’s volunteering entities and biosphere preservation (European Commission, 2001), whereas internal CSR focuses on innovation on employees and their working relationships.

According to Spence et al., (2000), the main motivation for diverse organizations to engage in CSR has a concern for their employees’ health and benefit, and thereby, enterprises are likely to begin with internal components of CSR. Although the previous study has claimed that generic CSR and HRM are not the same, they are more or less converging, especially in terms of internal CSR.
(Bettridge et al., 2007, Fenwick et al., 2008, Ehnert et al., 2011). Traditional HRM, on the other hand, must have more skills and integrate more components in order to implement internal CSR (Inyang et al., 2011; Jamali et al., 2015). Thus, internal CSR is contemplated as an accountable element of HRM. Internal CSR serves as a basic HRM activity and is regarded as a successful method in India for increasing employee experience, employee affective commitment and engagement, as well as information sharing (Story et al., 2015, Gupta et al., 2016, Chaudhary et al., 2018), all leading to organizational creativity (Story & Neves, 2015; Gupta & Sharma, 2016; Chaudhary & Akhouri, 2018).

When it comes to internal CSR, researchers feel they have similar innovations with respect to human rights, working conditions, employee-employer relationships, (European Commission, 2001; Turker, 2009; Murillo et al., 2006). This approach is seen in several studies (Maignan et al., 2004; Turker 2009; Papasolomou-Doukakis et al., 2005; Welford 2010), who attempted to build multiple scales to quantify internal CSR. Work diversification, constitutional rights, T&D, and work–life synergy are the four components of internal CSR.

Researchers from the Sino-German CSR Project (2012) classified the benefits that businesses receive as a byproduct of their commitment to socio-environmental problems in four categories: internal, external, direct, and indirect. Learning, broadening a talent pool, enhanced employee dedication and performance are among the internal direct benefits of creating CSR initiatives. Internally, the authors uncover several indirect benefits of CSR, such as innovation, cost savings, greater quality, and productivity. They include enhanced access to money and markets, customer satisfaction, and risk mitigation as examples of external indirect advantages. All of this leads to a competitive edge and improved financial performance.

CSR also encourages fair competition according to Arnold (2010). A good product quality benefits society as well as the enterprise. Following CSR guidelines cause them to eliminate all flaws during the production process which leads to fewer customer complaints and greater consumer satisfaction (Mullerat, 2010). CSR changes in a company ensures cost reduction, which again is a positive sign for higher profits as well as consumer satisfaction (Carrol et al., 2008) because now more people can buy due to their affordability because of price reduction.

Another way is CSR should portray itself as a pioneer of ethical behavior to encourage consumers to buy its products. (Gupta, 2012). A rising number of investors wish to invest in firms that are socially responsible. A company’s morale might get some business people, attracted towards the company, who wish to give their participation to the company’s profit and growth. As a result, after blending CSR into the practice of a company, goodwill can dramatically increase (Perry et al., 2013; Mullerat, 2010; Kurucz et al., 2008). According to Mullerat (2010), such businesses have higher stock market stability and from the criteria of stock exchange.

Porter et al., (2006) state that establishing a socially responsible CSR innovation involves not just costs and charity that bind managers, but also benefits them and society as a whole. They list technology advancements, multiple opportunities developing, and, perhaps most importantly, competitive advantage among these benefits.

Innovation has received more attention in research on the determinants of CSR. (Chin et al., 2013; Marquis et al., 2013; Briscoe et al., 2014; Tang et al., 2015), company’s tangible factors (Waddock et al., 1997; Johnson et al., 1999; McWilliams et al., 2000), and factors affecting the external environment (Marquis et al., 2013; Tilcsik and Marquis, 2013; Flammer, 2014)

Helfat (1994) observed that innovation necessitates firm-specific investments. To begin with, innovation entails a considerable amount of tacit knowledge, which is difficult to codify because it cannot be expressed precisely using words, numbers, or drawings. These communication codes and coordination procedures will eventually progress into “dynamic routines”, which will play an
important role in the firm-specificity of innovation. Second, innovation necessitates progressive path-shaped learning (Cohen et al., 1990; Dosi et al., 1992). As a result, the type of the gathered knowledge base determines the direction of innovation, supporting the firm-specificity of innovation (Helfat, 1994).

**Nexus between Innovation and CSR**

CSR has metamorphosed over time as a result of increased multiple pressures and legal evolution. Some believed that CSR versions exacerbated community’s health and environmental issues. They failed to provide novel techniques to deal with existing environmental challenges, in particular. He said that the concept of CSR has evolved over time, with overlapping ages such as the Greed Age, the Philanthropy Age, the Management and the Marketing Age. While the first three ages developed a responsive CSR stream, management age developed CSR as a basic age for pinpointing the nexus between CSR and innovation.

**Greed Age**

**Responsive CSR**

As per Porter et al., (2006) responsive CSR has two objectives: demonstrating ethical corporate citizenship behavior and risk minimization. In simple terms, responsive CSR lacks a clear strategic plan which would enable the company to procure a competitive advantage. The non-strategic side of CSR is a weak point for CSR scholars (Vishwanathan et al., 2020; Bocquet et al., 2019). Responsive CSR reduces the different types of business innovation, but strategic CSR enhances them.

**The Defensive CSR**

The Enron scandal was viewed as a turning point in CSR understanding in certain studies. They looked at how CSR has changed after the Enron scandal Defensive CSR, is unable to comprehend the needs of many groups, which leads to more agency conflicts. Also, it is unable to restore the company’s reputation, posing a threat to innovation success. Bertrand et al. (2020), outlines Defensive CSR as a “poor facilitator” of creativity.

**Age of Philanthropy**

The philanthropic era is the second ladder of CSR development, in which CSR is presented as a charity deed. In his paper “The Gospel of Wealth,” Carnegie 1889 had asserted that affluent investors must spend finances for the community’s well-being and to empower it. According to Stiglitz et al., (2012), wealth should be divided evenly to prevent the consequences of inequality or recession. Charitable actions can aid in the advancement of innovation. However, this CSR is no longer applicable.

**The Marketing Age**

Another type of responsive CSR is marketing CSR. It includes social media and public relations initiatives directed towards improving a company’s reputation and brand image. It aims at portraying the organization in a positive light. As a result, it improves profit and gives more ecosystem support, lowers brand and image tarnishing risk, and increases belief (Axjonow et al., 2018; Ting et al., 2018; Harjoto et al., 2018; Cui et al., 2018; Mayberry et al., 2018). The primary goal of promotional CSR is to ensure and encourage increased ‘Visibility.’ Cause-related marketing”, according to Singh and Dhir, is an emerging subject of research.
Esper addressed how CSR may be used to manipulate market perceptions through hypocrisy. Stakeholders could be deceived and subjected to maneuvering hypocrisy if there is a big disparity between how a firm shows off and how it operates, resulting in social scandals and trust collapse. To name a few, Siemens’ bribe scandal, Volkswagen’s test cheating, and BAE’s corruption scandal, are examples of companies that have strayed from their ethical obligations.

**The Management Age - The Strategic CSR**

CSR is a tool for reputation management (Axjonow et al., 2018). If CSR is successful in improving financial growth and performance by strengthening corporate reputation, one of the strategic CSR pillars has been met. Abugre et al., (2020) states reputation improvement is a process that arbitrates the connection between CSR and profit with growth. According to McWilliams et al., (2001) when companies engage in CSR, their efforts should benefit at least some stakeholders. CSR participation leads to contact with a variety of stakeholders, broadening the firm’s network and providing an ingress to fresh data. This data lowers the risk to the company (Vishwanathan et al., 2020). Furthermore, Mayberry et al., (2020) stated that CSR initiatives lower risk and provide insurance-like benefits to businesses.

Cegarra-Navarro et al. (2016) proposed innovation augmentation as a CSR strategy that increases financial performance in their alternative model. Their findings back up Bocquet et al., (2019) assertion is that innovation plays a mediation role in the CSR-CFP link.

**Employee Collaboration and its Importance**

Internal CSR, which is a viable option for many businesses, may also be an important factor of organizational innovation because it promotes a more opportunistic and conducive working atmosphere with CSR activities including “diversity promotion, training programmers, work–life balance, and family-friendly employment” (Mendibil et al., 2007, Jenkins, 2009;). Internal CSR, through affective commitment, may have a positive impact on organizational innovation.

Affective commitment, normative commitment, and continuation commitment are the 3 types of organizational commitment. Out of these 3, affective commitment appears as the most advantageous for businesses because it can spark employees’ affection for and the wish to endow to the firm with their talent and skills (Allen et al., 1990; Miller et al., 2001; Meyer et al., 2002).

When past studies have suggested a favorable association between the two, internal CSR has been seen as the spring of affective commitment (Rettab, Brik & Mellahi, 2009; Al-bdour, Nasruddin & Lin, 2010; Thang & Fassin, 2017) focusing on employees and attempts to improve their working environment and provide them with more chances.

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**The Three Types of Employees**

1. **Engaged employees** work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.
2. **Not-engaged employees** are essentially “checked out.” They’re sleepwalking through their workday, putting time – but not energy or passion - into their work.
3. **Actively disengaged employees** aren’t just unhappy at work; they’re busy acting out their unhappiness. Every day, these workers undermine what their engaged co-workers accomplish.

*Source: Gallup (2006)*
Affective event theory (Weiss et al., 1996) explains that employees of better internal CSR strategies of work settings contribute positively to the growth and development of the organization. Employees are more attached to and desire to contribute to a successful organization if it is seen positively by them (Rettab et al., 2009; Thang & Fassin, 2017; Al-bdour et al., 2010). Employees are thus more driven which leads to them collaborating as employees for innovations within the company.

Knowledge sharing (KS) has become increasingly important for organizations as the knowledge-based economy has grown in prominence (Camelo-Ordaz et al.,). Former empirical studies have found a strong relationship between HRM and information sharing within organizations (Camelo-Ordaz et al., Chiang et al., 2011). Empirical research that supports the good effects of HRM on KS can be applied to internal CSR. Compensation and incentive policies to other types of employee motivation, will help in knowledge improvement and activities related to information sharing (Shen et al., 2014).

Individuals and organizations both benefit from the knowledge. Hu et al. (2009), Carmeli et al. (2013) Zhang et al. (2011) have proven many benefits accrue to an organization when knowledge is broadly shared and deliberated. The fear of losing self-worthiness is another factor that encourages employees to keep their information to themselves. This is especially prevalent in collectivist nations such as China and Vietnam. Those who share expertise may feel embarrassed if the information isn’t useful to the recipients (Hwang et al., 2003; De Luque et al., 2000). As a result, affective commitment is becoming apparent as a key aspect in overcoming people’s innate aversion to knowledge sharing (Allen et al., 1996; Hislop, 2003).

Employees’ voluntary knowledge-sharing behavior appears to be driven by affective commitment (Van den Hooff et al., 2004; Camelo-Ordaz et al., 2011).

**Conclusion and Recommendations**

This research successfully tested and proved the pragmatic relationship between internal CSR which has two components - knowledge sharing and affective commitment which mediates the performance of a firm. Training and development are directly contributing to the innovative performance of firms and for that affective commitment and knowledge sharing must be done in a conducive environment of work-life balance, respecting the employees, allowing them to be heard of their ideas and giving them recognition for their contribution and collaboration. Diversity and active communication are direct precursors for knowledge sharing. Based on the three types of employees by Gallup 2006, affective commitment should be measured by the employees instead of the manager. So though CSR and innovation nexus is grossly conformed by
administrative perspectives, the manager’s social commitment is affected by social, economic and legal framework pressures as well as the new buzz adding to the digital world, the virtual world. So, this research proves that strategic CSR can evolve itself to adapt to the new core of business values or transform itself as a metamorphotic CSR to create innovativeness driven by affective commitment, high-end intrinsic motivation, encouraging knowledge sharing and being creatively creative and not critically creative. This research is the road map for the paradigm shift moving towards tapping in the humane component of every human, investing on it and retaining it and this is employee collaboration. So, the association shared by CSR through an affective environment creates a conducive atmosphere for employee collaboration and establishes the base for innovative performance of the firm.

References


