EFFECTS OF PERCEPTIONS OF CORPORATE SOCIAL RESPONSIBILITY ON EMPLOYER ATTRACTIVENESS

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Corporate social responsibility, organizational attractiveness, job candidates, social identity, signaling theory

ABSTRACT
The importance given to Corporate Social Responsibility (CSR) has become a powerful strategy that is used to attract the best talent in recent years. This research aims to understand the impact of CSR activities are having to increase organizational attractiveness in the Turkish labor market context. Using five dimensional CSR framework of Dahlsrud (2006) we measure entry level job candidates’ perceptions about firms. We aim to answer two research questions: Do CSR activities increase the attractiveness of the organization? And which of the five dimensions of CSR affect the candidate to the largest extent? Policy capturing methods are used to gather data from 178 potential job candidates to answer these questions. Results indicate overall effect of CSR is highly positive on employer attractiveness. In addition, employee relations, community relations and product sustainability are the leading dimensions in terms of affecting job candidates’ evaluations of organizational attractiveness.

JEL Classification
M10,M12,M14

1. INTRODUCTION
There is a recent surge in the interest in effects of Corporate Social Responsibility (CSR), both globally and within Turkey. This interest has risen in the last years due to the corporate scandals that took place in the beginning of the 21st century (Muller-Camen & Elsik 2015). An increased number of companies are engaged in CSR projects (Ertuna & Tukel 2009). Importance of CSR stems from not only the financial gains but also from enhancement in corporate reputation, organizational attractiveness, diversity activities and employee relations (Lis 2012). Job applicant attraction is an important matter for companies because of the hiring costs and the importance of selective hiring (Evans & Davis 2011). Besides, one of the prominent ways for attaining sustainable competitive advantage is to employ qualified human resources (Dural et al. 2014 p. 142). As such, CSR appears to be a good tool in improving quality of human resources management (HRM) activities through increased organizational attractiveness (Greening & Turban 2000).

Literature in this subject gave some consideration to the impact of CSR on increasing organizational attractiveness (Backhaus, K.B.; Stone, B.A.; Heiner, K. 2002; Kim & Park 2011; Turban & Greening 1997). However very few studies addressed this issue from an individual’s point of view (Zhang & Gowan 2012). Research is especially sparse in dimensionality of CSR. There is a need for research that examines different dimensions of
CSR and how these dimensions impact employment decision differentially. The aim of our study is to identify which of the CSR dimensions that are most important to job seekers.

The following sections will provide a literature review which is followed by theoretical structure and methodology used in this study. In conclusion part, different effects of CSR dimensions will be discussed. This paper draws connections between social identity theory and CSR and adds to the emerging literature on organizational attractiveness. It can also help organizations decide on the suitable CSR communication structure and to be more effective in attracting the best fitting candidates.

2. LITERATURE SURVEY

Corporate Social Responsibility (CSR) lends itself to a generalized definition. CSR is defined as the ways in which organizations achieve that commercial success using methods that honor ethical values, respect people and communities and the natural environment (Odumeru et al. 2014 p.171). As Matten and Moon (2008) suggest, “CSR is the idea that reflects the social consequences of business success”. In practice, CSR activities span a great range from employee micro loans to environmental initiatives. This wide range hinted towards a multi dimensional view of CSR (Carroll 1979). Swanson and Niehoff (2001) suggest CSR can affect organizational citizenship behavior. Since CSR is a socially-constructed concept, the number and contents of these dimensions are mutable (Duarte et al. 2014). Duarte and Neves (2010) found that people have three different conceptions of a socially responsible company. These are ecological, ethical and social. Starting from these base conceptions, Dahlsrud (2006) defined and analyzed CSR in five dimensions: community relations, diversity activities, employee relations, environmental activities, and product quality/sustainability.

Community relations (social dimension) refer to the relationship between the company and society. Activities in this realm contribute to a better immediate community and integrate social concerns to the business activities. Community outreach, fellowship programs, contributions to local public areas can be counted as the social dimension activities of CSR. Diversity activities (voluntariness dimension) is concerned with ethical and moral voluntary actions of the companies. In most settings, even though discriminatory employment practices are illegal, diversity activities such as commitment statements, quotas, diversity reports and measures are voluntary activities. Employee relations (stakeholder dimension) refer to a balanced view of firm’s all stakeholders. These activities help shift the focus of business activities from financial performance serving the shareholder to even-footed interactions with employees and suppliers as well. As such, guidance geared towards minority groups, work-life balance activities, employer initiated support groups would fall within this dimension of CSR. Environmental dimension emphasizes the activities serving to protect and improve the environment. Greening and cleaning projects, carbon footprint activities and recycling policies are within environmental dimension of CSR. Lastly, business activities of the firm can also be serving the social responsibility agenda. Product/service sustainability (economic dimension) is a dimension of CSR that resources for good and services are distributed socially responsible, as well as financially viable (Jucan & Jucan 2010).
In all discussions that urge for CSR engagements, one of the reasons favoring CSR is positive effect on current and potential employees (Garriga & Mele 2004). Organizational attractiveness is defined as a positive affective attitude toward an organization, which is associated with the motivation to build a relationship with this organization and enter its employment (Turban & Keon 1993). Applicant attraction issues have gained importance since the beginning of this century, pressuring researchers to investigate how to improve organizational attraction efficiency (Duarte et al. 2014). Several empirical studies explored the relationship between a firm’s CSR practices and applicant attraction (Backhaus et al. 2002; Kim & Park 2011; Turban & Greening 1997). Previous studies that are based on Signaling Theory (Spence 1973) and Social Identity Theory (Ashforth & Mael 1989) suggest that a corporation’s socially responsible practices send a positive signal to potential employees. These studies also provide evidence on how a socially responsible reputation influences corporate attractiveness for prospective employees in various applicant pools, such as undergraduates or MBA students (Albinger & Freeman 2000; Backhaus et al. 2002; Greening & Turban 2000; Jones et al. 2013). Turban (2001) stated that since it is difficult for applicants to know what it would be like be an employee of the firm in the early days of the recruitment, applicants tend to interpret the information about the firm as “signals” about what it would be like to work in the firm. Signals about the organization’s prestige, specific values and pro-social orientation influence organizational attractiveness. This influence comes about through signals in three areas: job seekers’ anticipated pride due to identifying with a reputable firm; perceived value fit between firm and oneself; and expected positive treatment inferred through firm’s community involvement and pro-environmental practices (Jones et al. 2013). It is possible that competition for the best employees will be as fierce as competition for customers (Bir et al. 2009).

Amongst the studies discussing organizational attractiveness, different dimensions of CSR are usually not considered. They only examined a set of CSR activities as predictors and failed to catch a more complete view of CSR. Bauer and Aiman-Smith (1996) analyzed only one dimension (environmental responsibility) of CSR and proved this dimension increases organizational attractiveness. According to Turban and Greening (1997), some dimensions of CSR such as treatment of women and minorities are more likely to be interpreted as the signals about the working conditions than the other CSR dimensions such as environmental concerns. Albinger and Freeman (2000) found that support for diversity had greater significant effects on perceived organizational attractiveness. Aiman-Smith, Bauer and Cable (2001) looked at the relationship between attractiveness and lay-off policy and ecological rating aspects of social responsibility. Lis (2012) indicated that certain dimensions of CSR have differing effects on employee candidates’ evaluations. The variables diversity and employee relations proved to have the strongest influence on the organizational attractiveness while product quality and environmental records contribute little to the attractiveness of the organization. Therefore, it is important to study the diverse components of CSR and investigate the extent they affect the organizational attraction.

Social Identity Theory is used as well to understand the relationship between firm’s CSR and employee’s attraction to the firm. According to the Social Identity Theory, individuals
classify themselves and others into different categories such as organizational membership, religious affiliation, gender and age (Tajfel & Turner 1985; Ashforth & Mael 1989). Individuals tend to choose activities compatible with their identities and they support the institutions representing those identities. For instance; Martins and Parsons (2007) found a strong positive relationship between gender compositions between organizational attractiveness between for women with strong discrimination beliefs whereas there was a strong negative relationship for women with weak discrimination beliefs. Favorable organizational images are positively related to applicant attraction (Fombrun et al. 2000). CSR is emerging as one of the factors that are positively evaluated when people are looking for a place of employment. Job applicants are generally more likely to accept job offers at organizations they perceive as having a positive CSR reputation (Evans & Davis 2011). Employees are likely to identify with socially responsible companies (Gond et al. 2010; Khalid & Katiyar 2014). Some employees like to work for socially responsible companies because it gives them opportunities for personal development (Bhattacharya et al. 2008). For example, Green Mountain Coffee Roasters Inc. of Waterbury, Vermont has sent more than 20 % of its full-time employees to coffee farms to educate them about sourcing issue. Another reason why CSR enhances employment relationship is due to improved work-personal life integration. This is achieved through engagement of an employee’s personal social circles with the company they work for (Bhattacharya et al. 2008).

The relative importance of each CSR dimension has been found to differ according to the stage of job acquisition, the job role envisioned, student characteristics and the extent of their CSR knowledge. While community relations, diversity and employee relations dimensions appear to be the most influential ones, the findings for environment appear to be the most diverse. (Leveson & Joiner 2014 p.24). CSR’s effects on organizational attractiveness get even stronger when information about the firm increases (Albinger & Freeman 2000; Backhaus et al. 2002). Luce, Barber and Hillman (2001) discovered that the relation between Corporate Social Performance (CSP) and attraction of applicants is strongly mediated by applicants’ familiarity with the firm’s CSP history.

While there is some evidence regarding CSR-organizational attraction relationship, relatively few research studies have investigated the issue in the Turkish labor markets. There are several studies that deal with CSR, however most are concerned with scale development and overall CSR evaluations (Arbak & Yesilada 2003; Akcay 2014; Dural et al. 2014). For instance; Bir, et al. (2009) analyzed overall CSR inclination and organizational attractiveness, and determined women’s evaluations of the firms improve more as the CSR activities increase. Alniacik et al. (2010) determined that positive CSR information about a firm enhances prospective employees’ intentions to seek employment. To our knowledge, no study has yet dealt with the relative importance of different dimensions of CSR for organizational effectiveness. We aim to contribute to this body of knowledge.

3. DATA AND METHODOLOGY

When definitions of different dimensions of CSR are considered, it is easy to foresee each dimension will have differing effects on firm stakeholders. For instance, it is to be expected that product/service sustainability has strong operational effects on customers
and suppliers (Chen 2001). Dimensions with direct effects on employees, such as employee relations, will be more critical in an employment decision of a candidate. Considering the differential effects of CSR dimensions, we have several hypotheses and a proposition to be explored with this study.

**Figure 1: Proposed Model**

Higher levels of CSR activities affect employees’ and job candidates’ attitudes positively (Glavas & Kelley 2014). Such positive attitudes are expected to influence the employment decision positively. Thus our first hypothesis suggests overall effect of CSR on organizational effectiveness will be positive.

**Hypothesis #1:** The higher the perceived CSR of the firm’s is, the more attractive the organization will be as an employer.

As discussed before, we expect to see some dimensions of CSR to be more effective in convincing candidates to make employment decisions. As this research is an exploratory one in terms of comparison of CSR dimensions, rather than stating specific hypothesis, our aim is to learn about these effects. We propose that five CSR dimensions influence organizational attractiveness to differing extents. Hypotheses that follow suggest how these effects would materialize.

Although we state that the dimensions’ affects are unexplored as of yet, there are certain behavioral theories that might help us predict which dimensions will be more pronounced. For instance, agency theory and stakeholder theory suggests potential employees will be more prone to effects from dimensions that directly affect their employment relationship (Albinger & Freeman 2000). Based on this theory, we expect employee relations and diversity activities to have a significant and positive effect on organizational attractiveness:

**Hypothesis #2A:** The higher the employee relations dimension of CSR of the firm’s is, the more attractive the organization will be as an employer.

**Hypothesis #2B:** The higher the diversity activities dimension of CSR of the firm’s is, the
more attractive the organization will be as an employer.

As for the other dimensions of CSR, Social Identity Theory suggests they will have a positive effect on organizational attractiveness due to a different mechanism: Social Identity Theory asserts we identify with the community or society we are in and derive self-worth based on that community. Based on this theory, it is expected that candidates try to associate and identify themselves with firms with higher CSR values. Environmental activities, community relations and product sustainability are all very visible responsibility activities for organizations. As such, they will positively affect the reputation of the company. Potential employees will be attracted to these organizations due to their desire to be identified with a company with such good values (Turban & Keon 1993).

It is important to note there is some evidence in the literature about relative low importance of environmental awareness and pursuits in Turkish population (Oguz et al. 2010). As a result, the relative effect of this dimension might be lower for the focal population. Hypothesis 3 follows:

Hypothesis #3A: The higher the community relations dimension of CSR of the firm’s is, the more attractive the organization will be as an employer.

Hypothesis #3B: The higher the product sustainability dimension of CSR of the firm’s is, the more attractive the organization will be as an employer.

Hypothesis #3C: The higher the environmental activities dimension of CSR of the firm’s is, the more attractive the organization will be as an employer

Our study employs a policy-capturing design to find out how job seekers’ attraction is influenced by the multiple dimensions of CSR. Policy-capturing method requires participants to evaluate different scenarios based on factorial combinations of criteria that theory specifies (Wang et al. 2015). It is a regression-based methodology, which has been applied in studies seeking job choice decisions (Lis 2012).

We designed a web survey, which included profiles of potential employers. In this design, we used a full factorial combination of existence of five CSR dimensions (i.e. a company description might include an environmental activity and an employee engagement activity, but not the other 3 dimensions while another description might include all five dimensions). The relevant corporate activities were extracted from actual company press releases to ensure realistic quality. The lengths of the descriptions were purposely kept similar, regardless of factorial design they represent. Using this method, 32 different company profiles were written. In order to keep the survey length manageable, each participant only evaluated 8 of the 32 companies. These were selected randomly by the Qualtrics software.

After consent was secured, participants filled out an organizational attractiveness (4 items) and job pursuit scale (4 items; Aiman-Smith et al. 2001) for each of the eight company profiles they evaluated. In addition, survey questions include demographic variables, along with Employee Sensitivity to Corporate Social Performance (ESCP) scale (Paul et al. 2011). These were used as control variables in analysis. 174 potential job candidates (senior students, graduate students, recent graduates and other active job
seekers) participated in the study. The gender and age composition of the sample is balanced (%51 women; age 19-27 evenly spread). After cases with missing data were eliminated, there were 1083 distinct evaluations of company profiles.

4. EMPIRICAL FINDINGS

Results were analyzed using SPSS statistical package, regression tools. The first measure to consider is the significance of our overall model. The results provide support for Hypothesis #1: The higher the cumulative CSR activities get, the higher the organizational attractiveness and job pursuit intentions become. For Organizational Attractiveness measure the model is significant and R-Squared equals 0.23 (F = .14, t = 6.69, p < .001, R2 = .23, F = 45.02, p < .001) For Job pursuit measure the model is also significant and R-Squared equals 0.21 (F = .12, t = 5.24, p < .001, R2 = .21, F = 41.82, p < .001). These results suggest as the firms increase the number and diversity of their CSR activities, the effects they observe on job candidate’s attraction towards the firm and their intention to pursue a job with them increase significantly.

Remaining hypothesis suggest that there will be varying effects of different CSR dimensions. In hypotheses 2 and 3, we tried to assess these differential effects. Hypothesis 2 focuses on two variables that directly affect an employee’s work life: employee relations and diversity activities. Hypothesis #2A receives full support: As the employee relations related CSR activities increase both organizational attractiveness and job pursuit activities increase. In other words, when the firms start implementing high performance HR practices that are intended to increase employee engagement, the potential employees also get positively affected. They rate the organization as significantly more attractive (p < 0.001; see Table.1) and they pursue the organization to a significantly greater extent (p < 0.001; see Table.2).

Hypothesis #2B, on the other hand, receives partial support: Diversity related activities increase the organizational attractiveness positively and significantly. As the firms increase the activities that will improve their diversity profile, job candidate feel more attracted to them (p < 0.01; see Table.1). However, these activities don’t affect the job pursuit intentions of a candidate significantly. In other words, job candidates report more attraction towards firms with extensive diversity activities, but their behavior towards them do not change.

Hypothesis 3 focuses on CSR activities that affect corporate reputation: Community Relations, Product/Service Sustainability and Environmental Activities. We find strong and significant support for Hypothesis #3A: As community relations improve, organizational attractiveness significantly increases (p < 0.05; see Table.1) and job pursuit intentions also increase, albeit only marginally (p < 0.1; see Table.2). Hypothesis #3B is supported as well.

\[\text{1} \text{ The unique subject ID was included in the analysis. It was within the control variables and it was not significant. So each of the company evaluations were used as distinct cases.}\]
As the product or service that the organization is providing becomes more sustainable and socially conscientious, both organizational attractiveness (p < 0.001; see Table.1) and job pursuit intentions are improved (p < 0.001; see Table.2) significantly. Hypothesis #3C failed to be supported: Environmental activities of firms did not create a significant effect on organizational attractiveness of the firm or job pursuit intentions of the candidates.

Table 1: Summary of Regression Analyses for Variables Predicting Organizational Attractiveness (N = 1083)

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>t</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>0.045</td>
<td>0.894</td>
<td>.03</td>
</tr>
<tr>
<td>Community</td>
<td>0.112</td>
<td>2.21</td>
<td>.06*</td>
</tr>
<tr>
<td>Diversity</td>
<td>0.125</td>
<td>2.47</td>
<td>.07**</td>
</tr>
<tr>
<td>Employee Relations</td>
<td>0.27</td>
<td>5.28</td>
<td>.15***</td>
</tr>
<tr>
<td>Product Sustainability</td>
<td>0.154</td>
<td>3.05</td>
<td>.09***</td>
</tr>
<tr>
<td>Propensity to CSR (control)</td>
<td>0.614</td>
<td>12.96</td>
<td>.39***</td>
</tr>
<tr>
<td>Department (control)</td>
<td>-0.004</td>
<td>-0.8</td>
<td>-0.025</td>
</tr>
<tr>
<td>Expected Income (control)</td>
<td>-0.003</td>
<td>-0.12</td>
<td>0.003</td>
</tr>
<tr>
<td>Age (control)</td>
<td>-0.17</td>
<td>-4.05</td>
<td>-0.12*</td>
</tr>
<tr>
<td>Income (control)</td>
<td>-0.48</td>
<td>-2.05</td>
<td>-0.06*</td>
</tr>
<tr>
<td>R²</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>25.7***</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p < .05. **p < .01. ***p < .005. ^ marginally significant p<0.10

Table 2: Summary of Regression Analyses for Variables Predicting Job Pursuit (N = 1083)

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>t</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>0.017</td>
<td>0.325</td>
<td>.009</td>
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<tr>
<td>Community</td>
<td>0.10</td>
<td>1.84</td>
<td>.054^</td>
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<tr>
<td>Diversity</td>
<td>0.073</td>
<td>1.39</td>
<td>.041</td>
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<tr>
<td>Employee Relations</td>
<td>0.214</td>
<td>4.10</td>
<td>.12***</td>
</tr>
<tr>
<td>Product Sustainability</td>
<td>0.20</td>
<td>3.82</td>
<td>.11***</td>
</tr>
<tr>
<td>Propensity to CSR (control)</td>
<td>6.44</td>
<td>13.18</td>
<td>.40***</td>
</tr>
<tr>
<td>Department (control)</td>
<td>-0.001</td>
<td>-0.18</td>
<td>-0.005</td>
</tr>
<tr>
<td>Expected Income (control)</td>
<td>0.006</td>
<td>0.19</td>
<td>0.006</td>
</tr>
<tr>
<td>Age (control)</td>
<td>-0.137</td>
<td>-3.09</td>
<td>-0.095*</td>
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<tr>
<td>Income (control)</td>
<td>-0.031</td>
<td>-1.28</td>
<td>-0.38</td>
</tr>
<tr>
<td>R²</td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>23.97***</td>
<td></td>
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</tbody>
</table>

*p < .05. **p < .01. ***p < .005. ^ marginally significant p<0.10

5. CONCLUSION

This study shows the value of CSR activities in attracting talent. The results support earlier studies that suggest a good CSR reputation is an excellent tool in attracting as many candidates to the organization as possible. In addition, we emphasize the need for a multidimensional view of CSR. As an employee attraction tool, some dimensions of CSR seem to be much more effective than other dimensions. As might be expected using
stakeholder perspective, the dimension that creates the most effect is “Employee Relations. As a company puts more emphasis on work-life balance, equal treatment of all stakeholders including employees, and employee support programs, potential employees treat the company more positively.

Somewhat unexpectedly, a second strong dimension is the sustainability and conscientiousness of company’s product or service offering. We would expect this dimension to have a strong effect on consumers but a lesser effect on employees. However, reputation effects of such positive characteristics seem to be affecting potential employees positively as well.

Community relations and diversity activities also proved to be partially successful in affecting organizational attractiveness of potential employers. These might be a result of reputation effects. The fact that diversity activities failed to create the expected strong effect –due to its relatively direct effect on an employee’s work life- can be explained by the qualities of the surveyed population. The majority of the participants were from a respectable university, relatively young and at a life stage where employment would be the primary focus. As such, they are probably not as affected by diversity enhancing practices (such as women’s support programs, age related practices, etc.).

Most surprisingly, environmental activities ended up not creating any increase in organizational attractiveness. The reasons for this might be relative low importance of environmental pursuits in Turkey as evidenced by earlier research as well as our study. Furthermore, a lack of awareness about the relationship between environmental dimension and job selection might be another reason.

The single country focus of this sample is limiting the generalizability of these results. Further studies can pursue an expanded population and involve cross-country analysis of which dimensions are emphasized in different countries.

When we look at the overall picture of individual preferences and assessments of the participants, we see that consideration of CSR in employer selection is a largely personal affair: Some dimensions of CSR have utmost importance for some applicants. As such, when researchers are measuring attitudes or inclinations about CSR we should develop and use a multidimensional scale. Similarly, managers and executives should either chose a multidimensional view of CSR in their recruitment to attract a wide applicant pool, or emphasize the dimension that reflects the corporate culture most to attract the applicants with greatest fit.

REFERENCES


