

**Elnaz Karamad**

Department of Marketing and Business Administration  
 Odessa I. I. Mechnikov National University, Odessa, Ukraine  
 E-mail: elnaz.kj@gmail.com  
 ORCID: <https://orcid.org/0000-0003-3872-9318>

## Human resource management benefits of internal and external corporate social responsibility: literature review

**Abstract**

With the escalating climate and health crises, the relevance of Corporate Social Responsibility (CSR), unlike its business benefits, is now ever more evident. Hence, the *purpose* of this paper is to synthesize and assess the extant literature on the topic of the Human Resource Management (HRM) benefits of CSR so as to provide for a better understanding of this topic. *Methodology*. The paper is a review of the 1. theoretical frameworks, 2. descriptive research examining employees' perceptions of and attitudes towards CSR, 3. empirical studies aimed at establishing a causal relationship between CSR and different organizational benefits in the area of human resource management, as well as 4. meta-analytical studies. A range of online databases were searched to collect research papers from various journals and market research publications. *Findings*. The results show that CSR derives different desirable organizational outcomes such as employee attraction, increased job satisfaction, increased work engagement, employee loyalty and organizational citizenship behavior. Two broad categories are drawn, namely, external (directed towards outside the company) and internal (directed towards the employees) CSR benefits, mainly based on the different theoretical frameworks used to explain their link. Moreover, a lack of research in the developing countries is identified which calls for further inquiry to account for contextual peculiarities which might impact on the CSR practice, perceptions and/or outcomes in this region. *Implications*. This paper will be useful for scholars to analyze the current nature of academic research in this area and will provide an added advantage to managers for understanding the impact of CSR activities on employees' attitudes and behaviors. *Value/originality*. To the author's best knowledge, this is the first literature review on different HRM benefits of both internal and external CSR, and it provides a bibliography of academic literature from 1977 to 2020.

**Keywords**

Corporate social responsibility, human resource management, organizational attractiveness, employee engagement

**JEL:** M14, M12, M50

**DOI:** <https://doi.org/10.30525/2500-946X/2021-2-7>

**1 Introduction**

Corporate Social Responsibility (CSR) has been increasingly gaining in importance both among management scholars and business practitioners. However, with everything which has been happening recently, there is no doubt that it has never been more relevant. With the accelerating climate crisis, on the one hand, and the health crisis brought upon by COVID-19, on the other, business as usual is not good enough anymore. It is no secret that business organizations possess an enormous potential to help make a positive change by investing in CSR. What is more, this investment on the part of the firms is what the public expects nowadays. According to a study by Cone Communications (2017), 70% of those surveyed believe that organizations have an obligation to support critical social and environmental issues even if they are of no immediate relevance to their businesses. This number is even higher for the so-called Generation Z (94%), suggesting that the interest in CSR is likely to keep an upward trend. The study also found that the vast majority of the respondents claimed they would reward such socio-environmentally responsible behavior by making purchases from those firms committed to the causes they approved of. In addition, they are also likely to provide positive word of mouth on

the social media. A growing body of scientific literature supports these findings suggesting that investment in CSR can be mutually beneficial for both the businesses and their stakeholders. In fact, CSR is claimed to lead to desirable outcomes in different business areas. One of these areas where benefits can be reaped is Human Resource Management (HRM). In many cases, these benefits are even greater for the youth segment (that is, Millennials and Generation Z) which makes up most of the workforce today. For example, Cone Communications (2016) found that the majority of Millennial prospective job applicants will not even accept a job if the company offering it is not CSR oriented. They want a job where they can make a positive difference. Similarly, Albinger and Freeman (2000), found that CSR's impact on the attractiveness of a company is greater for the highly-qualified prospective employees with a bigger job choice, highlighting its potential contribution to the recruitment of highly-skilled labor. Hence, given the importance of CSR for today's workforce, this paper reviews the extant literature on the CSR positive contributions to the HR function of business organizations by looking at the studies dealing with the organizational benefits of CSR practices directed towards the employees (internal CSR) as well as those dealing with the benefits of CSR initiatives directed towards outside the company (external CSR).

## 2 Internal CSR benefits

In the area of HRM, CSR can lead to benefits in recruitment, retention and motivation. Employees are one of the organizational stakeholders, and as such have their particular interests regarding CSR. Nowadays, they have a wider set of expectations that include safe working conditions, job security, justice in treatment, democratic organizational procedures, consultation and participation opportunities, new skills training, work enrichment, promotion fairness, provision of facilities for leisure and social interaction, and so on. Meeting these expectations is important since job satisfaction has been linked to financial performance (Edmans, 2012). HRM scholars argue that in a modern company it is the workforce that drives its value creation. The employees are one of its most valuable resources and investment in CSR can help it achieve competitive advantage.

Edmans (2012) studied “100 Best Companies to Work for in America” and found that they all had higher annual stock returns than their peers from 1984 to 2011. Therefore, he suggested that HR-directed CSR could improve corporate financial performance. This is because, according to organizational justice theorists, the employees’ perceptions of fairness of their employing organizations’ actions affect their own attitudes and behaviors (Cropanzano, Ryrne, Bobocel, and Rupp, 2001). They rely on these very perceptions to make judgements about how management treats them. Organizational support theorists explain that employees tend to personify the organization they work for and view the actions taken by discreet organizational agents as an indication of the overall intent of the organization itself rather than the agent’s own personal motives. Moreover, social exchange theorists, drawing on the reciprocity norm, add that, on the basis of the aforementioned personification, employees tend to reciprocate the inferred extent of favorable treatment by their organization with increased commitment, performance and loyalty (Rhoades and Eisenberger, 2002). According to Organ (1977), employees tend to take the favorable working conditions as a “gift” and respond to it with increased work efforts, even if these go unrewarded by an incentive scheme or the like. What is more, job satisfaction can also lead to organizational citizenship behavior, where the employee contributes positively to his/her company by going the extra mile (Organ, 1988). Similarly, meta-analytic research points to positive organizational outcomes such as job satisfaction, commitment, enhanced job performance and organizational citizenship behavior from organizational justice (Colquitt et al. 2001). Rhoades and Eisenberger (2002) also found that beneficial treatments associated with the degree to which the employees think their employing company values their work and has a genuine interest in their well-being (that is, perceived organizational support) is related to favorable organizational outcomes such as increased commitment and performance as well as reduced withdrawal behaviors.

Social exchange theorists also add that favorable treatment, such as promotion, job enrichment, fairness and so on, is more highly valued if it results from the discretionary choice of the organization itself (that is, CSR), rather than external pressures such as governmental regulations and union negotiations (Rhoades and Eisenberger, 2002).

In a study of 10 organizations’ wellness programs, the authors found that it had helped the companies save money on health care costs, increase the productivity by decreasing

illness-related absenteeism and presenteeism (that is, underperformance at work due to illness or stress), and improve the employees’ morale (Berry, Mirabito and Baun, 2010). They also mentioned a study by Towers Watson and the National Business Group on Health, which showed that firms with highly effective health, fitness and wellbeing programs (compared to those with less effective ones) reported fewer employees voluntarily resigning their jobs. This supports the findings of Lee, et al. (1999), Griffeth, Hom and Gartner (2000), and Allen, Bryant and Vardaman (2010), which provide evidence for the retention benefits of job satisfaction.

Moreover, Cornell and Shapiro (1987) suggested that CSR adds to the value of the claims made implicitly by the organization in relation to its stakeholders. That is, for example those working conditions which are harder to specify in a contract, unlike wage which can be explicitly stipulated.

## 3 External CSR benefits

The favorable outcomes of CSR involvement are not only derived from those initiatives directed towards the employees alone. That is because, according to fairness theory and deontic model, justice is a universal norm and humans tend to automatically exhibit a moral response at the sight of injustice, even if they themselves are not at the receiving end of such acts. This is backed up by empirical research which has shown that humans indeed react upon finding out about an injustice inflicted upon someone other than themselves in emotional, attitudinal and behavioral ways (Folger et al. 2005). Rupp et al. (2006) extend these phenomena to the realm of CSR and posit that employees make judgements about their firm’s social (ir)responsibility towards those outside the firm and would react in much the same way as they would if it happened inside the firm, that is, with rage if irresponsibility perceived, or with favorable attitudes towards the organization if social and/or environmentally responsible behavior observed.

The Reputation Institute reports that the vast majority of those polled in 25 countries would like to work for an organization known for its CSR (cited in Mirvis, 2009). Likewise, according to a survey by Cone (2016) 76% of Millennials (compared to 58% U.S. average) consider the prospective companies’ CSR involvements when choosing where to apply. What is more, 75% (compared to 58% U.S. average) of Millennial job applicants would prefer to work for a company which is corporate socially responsible even for less money. A study by Siroto Survey Intelligence found that employees who were approving of their companies’ CSR (compared to those who were not) reported higher job engagement and thought their employing firms cared about their wellbeing as well as viewing in positive light their companies in other key areas (cited in Mirvis 2012). These phenomena are all because personal identities of the employees to some extent get tied up in the organizations they are employed in. Hence, the association with a socially and/or environmentally responsible organization reflects positively upon the employees and makes them happy about the work they do (Stawiski, Deal, and Gentry, 2010). This is congruent with the findings of Jia et al. (2019) that perceived external CSR positively affects the employees’ work engagement through organizational pride. Several other studies too imply a positive relationship between employees’ perceptions of external CSR and their work

engagement (Rupp et al., 2018; Chaudhary and Akhouri, 2018; Gupta, 2017; Mirvis, 2012; Chaudhary, 2017).

Similarly, others have found a strong link between employees' commitment to their company and how they rate its CSR (Brammer, Millington, and Rayton, 2007; Stawiski, Deal, and Gentry, 2010). In turn, commitment has been linked to increased job satisfaction and involvement and reduced intentions to leave the job (Kacmar, Carlson, and Brymer, 1999). Nonetheless, the extent to which CSR relates to commitment depends on different groups of employees. The link is stronger for women than men (Brammer, Millington, and Rayton, 2007; Stawiski, Deal, and Gentry, 2010). Besides, according to Stawiski et al. (2010) despite the CSR contribution to commitment, it is not as important as job satisfaction itself. This is in line with the claims of Rupp et al. (2006) that despite the employees' reactions to CSR inside and outside the firm being in much the same way, the effect sizes would be bigger for internal CSR, given the first-party as opposed to third-party orientation of the experience. Nonetheless, Stawiski et al. (2010) go on to suggest that the external CSR importance is likely to increase in the coming years as the people's interest in the social and environmental impacts of organizations grows. This is supported by the findings of the surveys conducted by Cone Communications (2016; 2017) that the younger generations of employees exhibit greater interest in and are more affected by their employing companies external CSR. That said, according to Jia et al. (2019) internal and external CSR both improve work engagement, and hence suggest that managers should implement them together in order to stimulate organizational pride and satisfy the personal needs of the employees at the same time. Notwithstanding, their research findings also suggest that the link between CSR and its outcomes does vary from person to person. That is, individual differences such as employees' value orientations (that is, collectivism or individualism) impact the CSR outcomes differently. For example, for the employees who are collectivists, external CSR (community-targeted) has a stronger effect. Therefore, the corporate cultural values and employees' characteristics should be considered by the managers when deciding on the CSR strategy. They also explain that most of the extant research has focused mainly on the direct link between CSR and its outcomes, without considering which mechanisms are involved.

The one CSR practice, which is both inward and outward directed, is the involvement of employees in voluntary CSR-related initiatives on the job. In fact, 88% of Millennials say they find their jobs more fulfilling when provided with opportunities to make a positive impact by taking part in CSR initiatives (Cone Communications, 2016). Moreover, 83% (compared to 70% U.S. average) claim they would feel more loyal to a firm that helps them make a contribution to socio-environmental issues. This is consistent with the arguments of Bhattacharya, Sen and Korshun (2008) that the most effective CSR is when the company acts an enabler while the employees act as the enactors. According to Mirvis (2012) this practice impacts positively on the identity, motivation, and the sense of meaning and purpose of the employees. He also suggests three different ways in which this employee engagement in CSR can be carried out.

Furthermore, as already mentioned earlier, many of the respondents in several surveys expressed their desire to work for an organization involved in CSR. These claims are supported by studies that found that CSR is important for the prospective job seekers while assessing organizations as

possible future work places (Backhaus, Stone and Heiner, 2002) and that they find those companies with better CSR reputations more attractive (Aiman-Smith and Bauer 1996; Turban and Greening 1997; Greening and Turban, 2000; Smith, Wokutch, Harrington and Dennis, 2004; Evans and Davis, 2011; Jones, Willness and Madey, 2014; Duarte, Gomes, and das Naves; 2015). However, this is not to say that CSR is the only or most important factor influencing applicants' decision to work for a particular organization. In fact, other factors might come to play a much more important role. Nevertheless, extant literature suggests that CSR does also play an increasingly significant role, especially for the younger and more qualified groups of prospective employees.

Turban and Greening (1996) explain this link between CSR perception and organizational attractiveness by drawing on social identity theory and signaling theory. According to the former theory, people aspire to have an agreeable self-concept which they derive, in part, from their membership in different organizations, including the ones they work for. Therefore, if their employing company is responsible, by association, they feel they are too and hence experience pride.

As for the latter theory, it suggests that people use signals to guide their decisions in situations where the available information is incomplete. That is, job seekers may take external CSR (or lack thereof) of a particular organization as an indication of the kind of treatment (favorable or unfavorable) they are likely to receive themselves in the workplace as employees.

Jones, Willness and Madey (2014) use slightly different reasons to explain this relationship. They suggest that there are three mechanisms at play, that is, prestige, signaling and the values fit. They found that CSR adds to a company's prestige which prospective employees want to gain via affiliation. They also suggested that job seekers also look for a fit between their own values with those of the organization they would work for. CSR here is one way in which organizations can convey their values so that the applicants can assess their fit with the company.

Moreover, other scholars used reputation to explain the link (Duarte, Gomes, and das Naves; 2015; Benitez, et al. 2019) and some also suggested that CSR should be effectively communicated in order to deliver optimal recruitment results (Puncheva-Michelotti, Hudson and Jin, 2018; Simpson and Aprim, 2018; Benitez, et al. 2019).

Lastly, some authors raised issue with extant CSR literature arguing that most of the said research is carried out in the developed countries and/or specific industries without considering the contextual factors in the developing countries. As according to Tilt (2016), context is of paramount importance for the understanding of CSR and its outcomes. This calls for research in these countries given they comprise the vast majority of the human population on earth and possess their own unique socio-cultural, political and environmental aspects which should not be ignored (Tilt, 2016).

#### 4 Conclusion

This article contributes to a better understanding of the ways CSR can add value in the HR function of the business organizations by offering a synthesis of the studies on different HRM benefits of CSR. It reviewed the existing literature, presenting the different theoretical,

descriptive, empirical and meta-analytical studies carried out by researchers to explain the relationships between CSR and favorable organizational outcomes. The paper was divided into two main sections, namely 'internal CSR benefits' and 'external CSR benefits' based on the differing theoretical frameworks used to explain their link. The different studies reviewed looked at and identified favorable business outcomes in recruitment, retention and motivation. It was revealed that the internal CSR leads to job satisfaction which in turn is linked to desirable organizational outcomes such as improved performance, increased work engagement, reduced turnover intention, employee loyalty, and organizational citizenship behavior. The scholars explain the relationship between these organizational benefits and CSR by drawing on organizational justice theory, organizational support theory and social exchange theory. As for the external CSR, it leads to increased

organizational attractiveness, increased loyalty, increased job commitment and engagement. This link is explained by drawing on fairness theory, deontic model, signaling theory, social identity theory, as well as mechanisms such as prestige, reputations and values fit. It was also discovered that the link between the external CSR and some of its benefits is stronger for the younger groups of employees (Millennials and the Generation Z) which make up more than half of the workforce today. This together with the fact that this link is also more prominent for the highly-qualified employees with more job options available, points at the importance of CSR as a HRM tool. That said, most of the studies suggesting the aforementioned favorable outcomes were carried out in the developed world. This presents a gap which calls for further research in order to extend the current knowledge about this topic so as to account for the differences which might exist in the developing countries.

## References

- [1] Aiman-Smith, L., Bauer, T. N., & Cable, D. M. (2001). Are you attracted? Do you intend to pursue? A recruiting policy-capturing study. *Journal of Business and Psychology*, 16(2), 219–237.
- [2] Bhattacharya, C. B., Sen, S., & Korschun, D. (2008). Using Corporate Social Responsibility to Win the War for Talent. *MIT Sloan Management Review*, 49(2).
- [3] Backhaus, K. B., Stone, B. A., & Heiner, K. (2002). Exploring the relationship between corporate social performance and employer attractiveness. *Business & Society*, 41(3), 292–318.
- [4] Benitez, J., Ruiz, L., Castillo, A., & Llorens, J. (2019). How corporate social responsibility activities influence employer reputation: The role of social media capability. *Decision Support Systems*, 129, 113223.
- [5] Berry, L.L., Mirabito, A.M. & Baun, W.B. (2010). What's the Hard return on Employee Wellness Programs? *Harvard Business Review*.
- [6] Brammer, S., Millington, A., & Rayton, B. (2007). The Contribution of Corporate Social Responsibility to Organizational Commitment. *International Journal of Human Resource Management*, 18/10, 1701–1719.
- [7] Chaudhary, R. & Akhouri, A., (2018). Linking corporate social responsibility attributions and creativity: Modeling work engagement as a mediator. *Journal of Cleaner Production*, 190, 809–821.
- [8] Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. L. H., & Ng, K. Y. (2001). Justice at the millennium: A meta-analytic review of 25 years of organizational justice research. *Journal of Applied Psychology*, 86, 425–445.
- [9] Cone Communications (2016). Millennial Employee Engagement Study. Cone Inc. Boston, MA. E-source: [www.coneinc.com](http://www.coneinc.com)
- [10] Cone Communications (2017). CSR Study. Cone Inc. Boston, MA. E-source: [www.coneinc.com](http://www.coneinc.com)
- [11] Cornell, B., & Shapiro, A. (1987). Corporate stakeholders and corporate finance. *Financial Management*, 16, 5–14.
- [12] Cropanzano, R., Byrne, Z. S., Bobocel, D. R., & Rupp, D. E. (2001). Moral virtues, fairness heuristics, social entities, and other denizens of organizational justice. *Journal of Vocational Behavior*, 58, 164–209.
- [13] Duarte, A., Gomes, D., & das Neves, J. (2014). Tell me your socially responsible practices, I will tell you how attractive for recruitment you are! The impact of perceived CSR on organizational attractiveness. *Têkhne*, 12, 22–29.
- [14] Edmans, A. (2012). The Link Between Job Satisfaction and Firm Value, With Implications for Corporate Social Responsibility. *Academy of Management Perspectives*, 26, 1–19.
- [15] Evans, W. R., & Davis, W. D. (2011). An examination of perceived corporate citizenship, job applicant attraction, and CSR work role definition. *Business & Society*, 50(30), 456–480.
- [16] Folger, R., Cropanzano, R. & Goldman, B. (2005). What is the relationship between justice and morality? In J. Greenberg, & J. A. Colquitt (Eds.). *Handbook of organizational justice*, 215–245.
- [17] Greening, D., & Turban, D. (1996). Corporate Social Performance and Organizational Attractiveness to Prospective Employees. *Proceedings of the International Association for Business and Society*, 7, 489–500.
- [18] Greening, D. W., & Turban, D. B. (2000). Corporate social performance as a competitive advantage in attracting a quality workforce. *Business & Society*, 39(3), 254–280.
- [19] Gupta, M., (2017). Corporate Social Responsibility, Employee–Company Identification, and Organizational Commitment: Mediation by Employee Engagement. *Current Psychology*, 36(1), 101–109.
- [20] Jia, Y., Yan, J., Liu, T. & Huang, J., (2019). How Does Internal and External CSR Affect Employees' Work Engagement? Exploring Multiple Mediation Mechanisms and Boundary Conditions. *International Journal of Environmental Research and Public Health*, 16(14), 2476.
- [21] Jones, D., Willness, C., & Madey, S. (2014). Why Are Job Seekers Attracted by Corporate Social Performance? Experimental and Field Tests of Three Signal-Based Mechanisms. *Academy of Management Journal*, 57(2), 383–404.
- [22] Kacmar, K.M., Carlson, D.S., & Brymer, R.A. (1999). Antecedents and Consequences of Organizational Commitment: A Comparison of Two Scales. *Educational and Psychological Measurement*, 59, 976–994.

- [23] Mirvis, P. (2009). Building Reputation Here, There and Everywhere: Worldwide Views on Local Impact of Corporate Responsibility, study with Reputation Institute, Center for Corporate Citizenship, Boston, MA.
- [24] Mirvis, P. (2012). Employee Engagement and CSR: Transactional, Relational, and Developmental Approaches. *California Management Review*, 54(4), 93–117.
- [25] Organ, D. W. (1977). A reappraisal and reinterpretation of the satisfaction-causes-performance hypothesis. *Academy of Management Review*, 2, 46–53.
- [26] Organ, D. W. (1988). Organizational citizenship behavior: The good soldier syndrome. Lexington, MA: Lexington Books.
- [27] Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. *Journal of Applied Psychology*, 87(4), 698–714.
- [28] Rupp, D. E., & Spencer, S. (2006). When customers lash out: The effect of customer interactional injustice on emotional labor and the mediating role of discrete emotions. *Journal of Applied Psychology*.
- [29] Puncheva-Michelotti, P., Hudson, S., & Jin, G. (2018). Employer branding and CSR communication in online recruitment advertising. *Business Horizons*, 61(4), 643–651.
- [30] Rupp, D., Shao, R., Skarlicki, D., Paddock, E., Kim, T. and Nadisic, T. (2018). Corporate social responsibility and employee engagement: The moderating role of CSR-specific relative autonomy and individualism. *Journal of Organizational Behavior*, 39(5), 559–579.
- [31] Tilt, C. A. (2016). Corporate social responsibility research: The importance of context. *International Journal of Corporate Social Responsibility*, 1(1), 2.
- [32] Simpson, S., & Aprim, E. (2018). Do corporate social responsibility practices of firms attract prospective employees? Perception of university students from a developing country. *International Journal of Corporate Social Responsibility*, 3(1).
- [33] Smith, W. J., Wokutch, R. E., Harrington, K. V., & Dennis, B. S. (2004). Organizational attractiveness and corporate social orientation: Do our values influence our preference for affirmative action and managing diversity? *Business & Society*, 43(1), 69–96.
- [34] Stawiski, S., Deal, J. J., & Gentry, W. (2010). Employee Perceptions of Corporate Social Responsibility, Center for Creative Leadership, Greensboro, NC.