External CSR and its Effect on Job Satisfaction

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BSc. International Business

Business Research Methodology Research Proposal

1. INTRODUCTION

We live in a society, where the front pages of newspapers are often covered with stories concerning the climate, environment and social matters. Furthermore, research from World Economic Forum (2017) suggests that exactly these topics are of high priority for many citizens. In other words, many would argue that the ideal modern person is constantly striving to become environmentally and socially responsible. This tendency is also seen in the business world, where the term Corporate Social Responsibility has gained an increased awareness in firms and educational institutions (Vlachos, Panagopoulos & Rapp, 2013).

Many firms are arguably considering implementing if not already using CSR to some degree. CSR is a broad term, and numerous firms have likely asked themselves how CSR-related actions can affect their corporation, and if they, in fact, can result in several benefits such as e.g. increased job satisfaction for the people employed at a firm. Like CSR, job satisfaction is a broad term. In this study, however, job satisfaction is understood as a feeling of well-being at work. These firms trying to understand the effect of CSR on its employees are exactly whom this study aims to provide an answer for.

The majority of the literature on the link between CSR and job satisfaction has examined the topic in Asia or in the southern parts of Europe. Meanwhile, a surprisingly small amount of research on the topic has been conducted with the US in mind. Corporate culture and culture, in general, are different all over the world, which can result in different degrees of the effect of CSR on job satisfaction. To make this study coherent, the only geographical area of interest is the US, where a recent poll from The Conference Board (2019) suggested that only about half of the workforce is satisfied with their job.

2. RESEARCH QUESTION

Derived from existing research on the topic and in order to add to the current literature, the following research question has been chosen:

"Can a firm's increased engagement in external Corporate Social Responsibility increase the job satisfaction of its employees in the US?"

The purpose of this study is to eclectically and with a positivistic approach examine if there is a link between external CSR[1] and job satisfaction. Therefore, the sole objective of the research is not to

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[1] External CSR is directed towards the surrounding society and not internally towards the firm itself.

validate a positive relationship between external CSR and job satisfaction in the US. However, it is expected that the study will show some degree of correlation between companies with high engagement in external CSR having employees with high job satisfaction. Ultimately, the results are desired in order to add attention to the fact that roughly half of US employees are dissatisfied with their job and could hopefully help to improve the situation. The study could furthermore suggest that CSR could be a tool to improve the situation in a way that could include financial gains for American firms, as a 2015 study (Melián-González, Bulchand-Gidumal & López-Valcárcel) argued that a high employee job satisfaction could result in financial gains for a firm. If the results show that there is no relationship between external CSR and job satisfaction, the study can still provide value. Hereby firms would know that the current trend of engaging in CSR-related activities is not the path to follow if their sole objective is to lower their current level of job dissatisfaction among employees.

3. THE EMPIRICAL BACKGROUND

3.1 Corporate Social Responsibility

In order to understand the importance of the proposed research, it is crucial to understand what CSR is, how it is perceived by various actors and how firms potentially can benefit from it. Corporate Social Responsibility or CSR is a term that is often used in the business world. Likewise, it has over the years found its way into the leading universities of the world. (Nejati, Shafaei, Salamzadeh & Daraei. 2011). CSR is by the United Nations Industrial Development Organization defined by the following words: "*[...] a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.".* (2020). However, UNIDO (2020) continues to mention that it is crucial to distinguish between CSR and philanthropic donations as CSR must meet the expectations of the shareholder and should not affect the firm's financial performance. This is supported by how CSR is perceived by the majority of CEOs. A PWC (2016) survey finds that 64% of CEOs consider CSR to be a core of their business.

CSR is as stated above of great interest for many corporations. However, how is the term perceived by the general public? A 2018 census from the U.S. Census Bureau suggests that 82% of employees in generation Z; that is people born after 1996, consider CSR of great importance when choosing a workplace. (Gale, 2018).

Another study showing the perceived importance of external CSR in the eyes of the public shows the following statistics: "87% of consumers said they would be willing to buy a product or service based on a company's advocacy concerning a social matter." Meanwhile "63% of American consumers were looking to businesses to take the lead on social and environmental change." And "78% of people

wanted companies to address social justice issues.". (Cone Communications, 2017). This data all suggests that the general public seems to support the idea of external CSR. When external CSR appears to be a topic of great concern for the general public in their everyday life, it could perhaps also add some value to the employees in a CSR-engaged firm.

3.2 Job satisfaction

In relation to CSR, job satisfaction is also a topic present in today´s public debates. A report by The Conference Board (2019), suggested that only about half of the US workforce are satisfied with their job. In 1987, 61,1% of the US workforce were satisfied with their job, while the number in 2010 was all the way down to 42,6%. Since then, job satisfaction has steadily increased, but by the lastest measurement in 2018, a job satisfaction of 53,7% was still significantly lower than in the 80's and 90's. Since a job represents a significant part of a person's life, this number is arguably a considerable problem for the quality of life for the workforce. Not only is it crucial for the well-being of the individual, it furthermore points towards a problem for the efficiency of the firms. González, Gidumal and Valcárcel (2015) find in a study, that employees' job dissatisfaction has a negative impact on a firm's performance. The following figure illustrates how job satisfaction in the US has developed from 2014 to 2018. Though interfering with the chronology, the years 1987 and 1995 have been included to show that though the current trend suggests that job satisfaction is on the rise, it is still significantly lower than in the past. In the 80's and 90's, measurements were not made as regularly as in the past years, and 1987 and 1995 were the only available years from those decades in the report (The Conference Board, 2019).
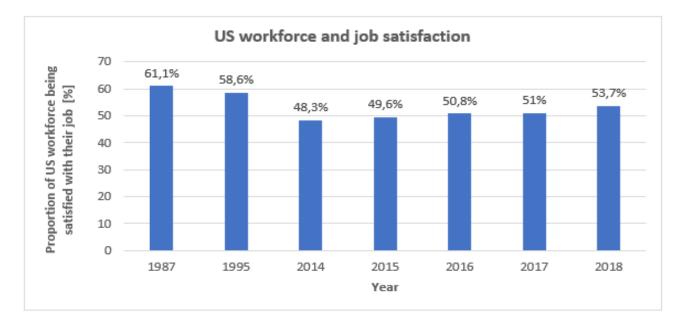

Figure 1. *Source:* (The Conference Board 2019)

4. THE THEORETICAL BACKGROUND

CSR is as stated rather broad and be approached from many perspectives. By examining existing research on the area, I seek to gain applicable knowledge for this very study. This includes understanding the basic theories on which the critical cases are based. Furthermore, this creates the opportunity to learn about the common pitfalls in relation to this research topic. By reviewing the approach of existing research in relation to the relevant theory, I will at the end of this section conclude on the most optimal approach for this study.

4.1 Internal and external CSR

When working with CSR, it is important to distinguish between internal and external CSR-practices. Most research on CSR, in general, focuses on external CSR. According to (Hameed, Riaz, Arain & Farooq, 2016), this concerns how CSR affects external factors such as the environment and the society from a social perspective. An example on such an action could be a firm decreasing its CO_2 emission. Internal CSR, however, focuses on the actions directed towards the employees in a firm. (Hameed, Riaz, Arain & Farooq, 2016). This could be initiatives to ensure the health and safety for the employees. Furthermore, it could include training the employees and giving them the opportunity to participate in career-enhancing courses (Hameed, Riaz, Arain & Farooq, 2016). While most research on the topic in general focuses on external CSR, almost all research on the link between CSR and job satisfaction focuses on the internal part of CSR (Hameed, Riaz, Arain & Farooq, 2016). This is arguably the obvious approach as these internal practices aim specifically at increasing the well-being of the employees.

As mentioned earlier, today's society has an extreme awareness on the environment and global warming. According to a survey, the single most important issue for almost half of the US population concerns environmental problems (World Economic Forum, 2017). In the wake of this tendency, this paper will unlike most of the earlier research on this specific topic examine the link between CSR activities dealing with these external factors and job satisfaction for the employees. In other words, the paper will examine how external CSR affects the job satisfaction for the internal stakeholders in the shape of the employees. If these topics are indeed so important to the people, it could perhaps give employees some form of satisfaction to work for a firm trying to fight exactly these challenges.

4.2 Carroll's Revised Pyramid of Global CSR

Even though most studies on the link between CSR and job satisfaction focus on internal actions, their approaches for interviewing subjects, collecting data or using framework, can still be relevant for this particular study. A study (Jie & Hasan, 2018) on CSR's effect on job satisfaction in a

Malaysian banking company focusing specifically on internal CSR, utilized a theoretical framework for measuring CSR by including "Carroll's revised pyramid of global CSR and performance model."

Carroll's model is a simple framework, that separates CSR activities into four pillars of different levels (Meynhardt & Gomez, 2016). At the bottom of the pyramid is the economic responsibility for a firm. This pillar represents whether a firm is economically profitable (Meynhardt & Gomez, 2016). The next pillar is the legal responsibility for the firm. Concretely this includes the firm obeying laws and other regulations regarding employee's health and security as well as competition (Meynhardt & Gomez, 2016). The third pillar represents the firm's ethical responsibility. This implies that a firm should act ethically and morally responsible in relation to e.g. their suppliers, employees and society in general (Meynhardt & Gomez, 2016). This can include avoiding actions that legally are allowed but are harmful for others. Limiting its pollution and CO_2 emission could be an example on a relevant action here. The fourth and final pillar is the philanthropic section. The fact that this section is described as the top of the pyramid implies that the actions linked to this pillar are considered more luxurious, and not necessarily something that a less successful firm is able to adopt (Meynhardt & Gomez, 2016). An example here could be a firm helping to fund a school in a local community. Some would argue that these actions violate the earlier definition of CSR as not being philanthropy. However, perhaps the reality is never that simple, and some would probably argue that even the most philanthropic gifts from firms always are granted while expecting something else in return that could benefit the giver financially.

As the 2018 study on the Malaysian bank (Jie & Hasan, 2018) focused on internal factors, it only included the two pillars from the framework most relevant in this regard. Specifically, the ethical and legal aspects helping them to narrow down the areas of interest. In relation to this study, knowledge about Carroll's pillars can likewise be used to shape the questions aimed at the subjects in the surveys.

4.3 Different types of data

A 2017 study on the link between CSR and job satisfaction in various sectors in Bangladesh found that external as well as internal CSR will result in a higher assessment of various parts of the job for employees (Rahman 2017). This study was based on primary as well as secondary data. The secondary data was found in e.g. annual reports from various firms and was necessary in order to rank the different firms' level of engagement in CSR. The primary data for its sample, however, was collected amongst 3600 respondents from different sectors. These sectors included micro firms, small firms, medium sized firms and big firms. The distribution of respondents in the different categories was kept as close as possible to the distribution in the actual population. The dependent variable "Job

satisfaction" was measured using 15 different statements about CSR-related aspects of the job. Each respondent was to answer each question on a four-point scale ranging from totally satisfied to not satisfied at all. In this way, the primary data for the study was collected.

4.4 Treating the data

However, collection the data, is alone not enough to conduct the study. In order to conclude on the research objective, the data must be analyzed in a relevant way. A 2013 study on the relationship between CSR, job satisfaction and organizational commitment also scored the collected data from the 234 valid returned questionnaires on a scale. (You, Huang, Wang, Liu, Lin & Tseng, 2013). Unlike Rahman however, a five-point Likert scale was used here. The results were afterwards entered into a statistical software program analyzing for correlation between the three factors using statistical measurements. A regression analysis was used to show that the independent variable in the form of CSR had a positive effect on the employee's job satisfaction (You, Huang, Wang, Liu, Lin & Tseng, 2013).

4.5 Different approaches for measuring job satisfaction

Job satisfaction is widely researched topic and has over the years naturally been explained using several different definitions. Overall, however, according to Mueller & Kim (2008), there are two different ways to look at job satisfaction. The first method is called "job facet satisfaction". This method focuses on specific aspects of the job such as salary, work hierarchy and benefits I.e. In situations where the objective is to identify specific aspects of the job that need to be improved, this method is useful according to Kerber and Campbell (1987). The other method is called "global job satisfaction" and focuses on an employee's general emotions about a job. (Kerber, Campbell 1987). In relation to job satisfaction, Bernstein and Nash (2008), also focus on the employee's emotions in their study. Specific emotions of their interest include anxiety, excitement, boredom and acknowledgement which are all thought to be relevant when measuring job satisfaction.

4.6 Conclusion

Based on the previous literature review, several parts can be used as inspiration for the optimal approach for this study. Knowledge of Carroll's framework, which was utilized in the study by Jie & Hasan (2018), can be used to formulate the questions for the survey. Rahman's study (2017) used an approach for data collection that included separating the subjects in the sample into different groups. This use of a quota sample can also prove useful in this research project. Furthermore, their approach for collecting secondary data about firm's involvement in CSR can also directly be transferred to this project. Their use of a scale for measuring job satisfaction is also fitting for this study. However, the

study by You, Huang, Wang, Liu, Lin & Tseng (2013), used a 5-point Likert scale which possibly fits this project better as it gives a more nuanced picture of the respondents' opinion. Finally, "global job satisfaction" (Mueller & Kim 2008) is assessed to be the most relevant type of job satisfaction to look at here. As the study investigates the link between external CSR practices and job satisfaction, we look at how these practices affect the feelings of employees in ways that are not necessarily linked to their satisfaction with a current salary or similar facets of the job. The fact that a firm as a link in a CSR-strategy strives to combat pollution or global warming, will not likely affect an employee's satisfaction with a salary. However, as we have established, these environmental issues seem to be of great importance for the majority of the population, so it is logical to think that a firm's external CSR practices with attention to the environment will affect the firm's employee's in some aspects. In order to measure that, the study will therefore focus on employee's emotions when measuring job satisfaction.

5. PROPOSED RESEARCH DESIGN

Population and sample

The population that this study aims to apply to, is employees in firms in the US. All the way from top management to the lower parts of an organization. This population can seem rather broad. Much of the research e.g. by The Conference Board (2019) showing the low levels on job dissatisfaction in the US, however, used their results based on a smaller sample to make inferences concerning the entire US workforce. As these existing studies serve as a source of inspiration for this very study, the entire workforce in the US is also the desired population for this study. This population can find the research relevant when considering their job situation. Depending on the results, information about how CSR affects an employee's job satisfaction, can perhaps be worthwhile to consider when searching for a new job. While the workforce is the group the research seeks to tell something about, they are not the only group the research will be relevant for. The firms or rather the top management in charge of strategic decisions, could also find the findings of this study relevant. No firm should strive for dissatisfied or disengaged employee's, as research (Melián-González, S., Bulchand-Gidumal, J., & López-Valcárcel, 2015) suggests that such employees negatively impact the overall performance of the firm.

The strategy for sampling will be a mix of cluster sampling, systematic random sampling and quota sampling. The US workforce will first be divided into the 10 biggest industries based on number of people employed. These will include e.g. education and health services, wholesale and retail trade,

manufacturing, construction and others2. Lists including the top 100 or 200 largest firms in the US within each of these industries can be acquired through the site Statista. From each of these industries, 5 different firms will be chosen. Systematic random sampling will here be used to choose every 20st entity on the list resulting in a total number of 50 firms across the 10 industries. Within each firm, a quota sample will be used to choose employees for the survey, making sure that as many aspects as possible of the workforce are included (Easterby-Smith, Thorpe & Jaspersen, 2018).

Data collection

The study is primarily based on a positivistic view meaning that is works under the assumption that there to some degree is a true answer or pattern to be discovered (Easterby-Smith, Thorpe & Jaspersen, 2018). In relation to the positivistic approach, the study will use an inferential survey to gain its data about employee's job satisfaction. This type of survey is relevant as we look for a relationship between variables. In this case, job satisfaction is the dependent variable while level of CSR engagement is the independent variable. Concretely, e-mail lists for the different firms will be used to send out e-mails containing the surveys. Internet surveys like this is a cheap and effective way to reach a large group and is the optimal approach with the relatively large number of participants in mind (Dillman, 2017). However, when using this method, it should be expected, according to Dillman (2017), that a considerable number of recipients will not answer the survey. Furthermore, respondents will not necessarily always take electronic surveys seriously, which can result in some invalid results. To minimize the number of non-respondents or invalid answers, however, several precautions can be made according to Dillman (2007). First, the survey should not be too long and time-consuming, but still provide enough information to make the recipient understand its intention. Furthermore, it should be well crafted and appear to be sent from a legitimate source. Its task should seem important, and recipients should feel that exactly their help is necessary for the project. Basic politeness such as thanking recipients for their time is also crucial for the return rate of the survey.

The surveys will contain questions aimed at determining job satisfaction with a focus on emotional well-being, and will be scored on the five-point Likert scale with the possibilities (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Strongly agree. (Mcleod, 1970). The questions will cover to which degree certain emotions such as happiness, excitement, anxiety, motivation are experienced in the job.

The information necessary to establish the independent variable I.e. the firms' level of engagement in CSR, will be obtained by researching their website as well as reading news articles, public

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2 https://www.statista.com/statistics/200143/employment-in-selected-us-industries/

statements or other sources of information concerning their involvement in CSR. Luckily for this study, firms are often willing to share their CSR-related activities with the public as such activities according to Singh and Verma (2017) could have a positive impact on their brand and image. If this information is unavailable through the previously mentioned sources, the firm of interest will be contacted via e-mail or phone. If a firm is unwilling to share this information, the firm will be excluded, and the following firm on the list will instead be included in the study.

Data analysis

Information about the independent variable I.e. the firm's engagement in CSR, will be used to split the firms into two categories. "Firms with low engagement in CSR" and "Firms with high engagement in CSR". A series of criteria based on "Carroll's revised pyramid of global CSR and performance model" (Meynhardt & Gomez, 2016) will be used in this regard. How many of these criteria a given firm fulfills, will determine whether a firm belongs in one or the other category.

Data on the dependent variable I.e. the scores from the questionnaires on job satisfaction, will be put in relation to the independent variable through a statistical test comparing the means of the two groups involving e.g. a confidence interval concerning the difference between the two means.

Limitations

Whether or not a sample is representative is often a challenge when conducting research. In order to be able to conduct the research project within the 6-month timeframe, there is a limit to the amount of data possible to analyze. Therefore, this study intends to focus on the 10 biggest industries in terms of number of people employed and selects 5 different firms from each industry resulting in 50 different firms of interest. Instead of this approach, the project could alternatively choose 10 different firms from each of the 5 biggest industries resulting in the same total number of firms. The reason for not following this approach. is that data from a wide variety of industries is assessed to be more relevant than data from a wide range of firms from the same industry. If the project only included data from 5 industries, a significantly lower share of the US workforce would be represented. The disadvantage of the chosen approach, however, is that the probability that the data from each industry corresponds with the reality in the given industry is decreased. However, with a limited number of firms to include within a realistic scope, a decision had to be made.

When dealing with a topic as wide as job satisfaction, it can seem difficult to choose a specific approach. When thinking about job satisfaction, some will perhaps think of the topic as the facet orientated kind of job satisfaction measuring satisfaction with salary, work environment, hierarchy I.e. However, as established, the kind of job satisfaction in this study is based on employees'

measurable emotions. This creates a potential issue. Emotions can seem flighty and at times untrustworthy. If a respondent has had a stressful morning the same day as answering the questionnaire, it can possibly affect the answers. Nonetheless, this is the same for respondents in both groups, I.e. firms with low CSR-engagement and firms with high CSR-engagement. If the results show a significant difference between the mean scores of the two groups with respects to the various emotions, then it seems fair to make statistical inference upon the data.

Furthermore, correlation does not always imply causality. As suggested by Yuen and Lim (2016), CSR can involve barriers of entry as it can be considered an investment. Less successful firms could therefore potentially be less likely to engage in CSR while more successful firms could find it easier to implement CSR. With regards to the results from the survey, this could mean that the job satisfaction for some of the employees is not only based on external CSR-practices, but also on the fact that they are employed at a successful firm with the resources to improve their emotions in other ways. There is of course no such thing as the perfect research proposal, but given the circumstances, this is thought to be the optimal compromise.

Time schedule

First month: Preliminary research of relevant literature. Final research question will be formulated in support with supervisor. Specific criteria for whether a firm belongs in the group with high or low CSR-engagement are determined.

Second month: Data collected on the 50 different firms' engagement in CSR. Potential firms with no CSR-relevant data available online are contacted. Analysis on the data is conducted.

Third month: Survey is prepared. E-mail-lists for the relevant firms are acquired and surveys are sent. Wait for answers.

Fourth month: Data is collected, and statistical analysis is conducted. Starting to write thesis.

Fifth month: Write the thesis.

Sixth month: At least one week for extensive review and proofreading of thesis with focus on structure and content. Hand-in of thesis and preparation for oral defense.

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