Corporate Social Responsibility – A Perspective of Larsen & Toubro Group

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Abstract

Indian business, which is today viewed globally as a responsible component of the ascendancy of India Businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance.

The study aims at analysing the existing Corporate Social Responsibility (CSR) level, Corporate Reputation & Organizational Citizenship Behaviour (OCB) in Larsen & Toubro Limited and to measure its effectiveness in Corporate Reputation (CR), Employer Attractiveness and Organization Citizenship Behavior (OCB)/Employee Engagement.

The data collected was analyzed using SPSS to test the relationship between Employer attraction, Corporate reputation and Organizational Citizenship behavior. The findings suggest that there is a positive relations between CSR as Corporate Reputation, Employer Attractiveness and Organization Citizenship Behavior (OCB).

Keywords: Corporate Social Responsibility (CSR), Corporate Reputation (CR) & Organizational Citizenship Behaviour (OCB), Employer Attractiveness (EA)

Introduction

Corporate social responsibility (CSR), also called corporate conscience, corporate social performance, or sustainable responsible business is a form into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. CSR is a process with the aim to hold responsibility for the company’s actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. (wikipedia)

The term “corporate social responsibility” came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder. CSR is titled to aid an organization’s mission as well as a guide to what the company stands for and will uphold to its consumers. ISO 26000 is the recognized international standard for CSR. (Wikipedia)

Enderle and Tavis (1998) define CSR as ‘the policy and practice of a corporation’s social involvement over and beyond its legal obligations for the benefit of the society at large’. European Commission, White paper on CSR defines social responsibility of companies also as how companies can implement these measures to their mainstream business. It defines CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their concepts.

Objectives

I. To study the Corporate Social Responsibilities (CSR) initiatives of Larsen & Toubro Group
II. To analyze the correlation between Corporate Social responsibility, Corporate Reputation, Employee at-
III. To develop a CSR model.

Hypothesis

Hypothesis 1 - There is a positive relationship between CSR and Corporate Reputation

Hypothesis 2 - There is a positive relationship between Corporate Reputation & Employer Attractiveness

Hypothesis 3 - There is positive relationship between employer attractiveness & Organization Citizenship Behavior

Hypothesis 4 - High CSR creates high employer attractiveness & leads to high OCB (Organization Citizenship Behavior)

Review of Literature

Corporate Social Responsibility-(CSR)

Corporate Social Responsibility (CSR) is often defined as an organization’s obligation to consider the interests of customers, employees, shareholders, communities, and ecological considerations in all aspects of their operations. Organizations justify their existence in the eyes of their multiple stakeholders by participating in to CSR activities. CSR is a relatively new management concept. Arguably one of the key reasons for the development of the concept was the lack of perceived balance between the power enjoyed by businesses and the responsibility exercised by them. (Elaine Cohen & Sully Taylor, www.shrm.org/foundation)

There is a relationship between CSR and company performance outcomes where Human Resources performs a strategic role and performance is evaluated, have better developed CSR policies so there is an impact of CSR on the cooperative behaviors of employees and financial performance outcomes. CSR orientation enhances employee satisfaction, motivation, and commitment. Organizations are doing in achieving their goals through their Vision / mission statements.

The start of globalization, environmental pollution and shortage of resources has become big social problem all over the world. As a result, corporations are undergoing immense pressure to conduct business in more socially responsible way. The increasing pressure from society forces companies to respond accordingly for their (i) better image and reputation, (ii) higher capability to attract capital, partners, customers etc., (iii) better opportunities for establishing and maintaining connection with decision-makers, policy creators and other stakeholders, (iv) higher productivity and quality, (v) higher sales and consumers loyalty, (vi) better supervision and risk-handling and (vii) higher loyalty of employees and continuity of employees. (ref.wikipedia.com)

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into a business model. (D Wood,1991)

Various definitions can be made for corporate social responsibility. At its most general, we can say that CSR is the management of an institution by its executives or partners so that due attention is paid to society’s expectations, needs and requests, thereby acting in accordance with individual and social benefits (Göztas, Alemdar & Koker, 2008: 95). In their book “Corporate Social Responsibility”, Kotler and Lee define it as an obligation undertaken for improving social welfare through the support of corporate resources (Kotler & Lee, 2006)

Large and small businesses are becoming increasingly conscious of the importance of corporate social responsibility (CSR). Corporations can no longer afford
to focus solely on profit, they are responsible for making decision that must be ethically and socially acceptable to all stakeholders involved, including wider communities and the environment, as well as shareholders. (Oury, 2007: 3). Social responsibility has been and continues to be a prominent feature of the business and society, addressing topics of business ethics, corporate social performance, global corporate citizenship.

**CORPORATE REPUTATION**

Reputation of a social entity (a person, a group of people and an organization) is an opinion about that entity, typically a result of social evaluation on a set of criteria. It is important in business, education, online communities, and many other fields. Reputation may be considered as a component of identity as defined by others. It is a subject of study in social, management and technological sciences. At the supra-individual level, it concerns groups, communities, collectives and abstract social entities such as firms, corporations, organizations, countries, cultures and even civilizations. (Wikipedia).

Reputations are overall assessments of organizations by their stakeholders. It is an aggregate perception by stakeholders of an organization’s ability to fulfill their expectations. The idea of organizational reputation is intuitive and simple in its common usage. However, it is surprisingly complex when employed and investigated in management research, as evidenced by the multiple definitions, conceptualizations, and operationalization’s that have emerged across studies, the reputation consists of familiarity with the organization, beliefs about what to expect from the organization in the future, and impressions about the organization’s favorability. The final part of the review is an overview of recent empirical findings in the management literature pertaining to the effects or causes of organizational reputation. (Donald Lange, Peggy M. Lee and Ye Dai, 2011)

Corporate Social Responsibility & Employee Organizational Commitment leads to the organizational Performance. CSR increases employee commitment level with the organization, because CSR interventions also included activities for the welfare of employees and their families. The more employees are influenced by CSR actions, the higher will be their organizational commitment, and consequently it will enhance their productivity. If majority of employees are committed with organization and performing at higher level, certainly it will influence positively on organizational performance. CSR itself is having positive effects on organizational performance by building positive reputation. (Wikipedia, Making Sense of Corporate Social Responsibility by Juno Consulting Pty Ltd, 2005)

We can state that both the scientific community and the majority of practitioners consider corporate reputation as an intangible asset that is scarce, valuable, sustainable, and difficult for a competitor to imitate. Therefore, reputation is an appropriate tool to achieve strategic competitive advantages. Due to the similarity to attitude concepts, we must bear in mind that building up a strong reputation takes its time, and that the payoff from reputation may require longer periods to become visible (Manfred Schwaiger)

**EMPLOYER ATTRACTIVENESS**

Employer attractiveness is defined as the envisioned benefits that a potential employee sees in working for a specific organization (Berthon et al. 2005). Initial job choice decisions are often related to the image of the employing organization, and these perceptions are based upon the information about the organization which is available to job seekers (Gatewood et al. 1993). Based on the findings of their recent study, Berthon et al. (2005) suggest a way to both identify and operationalize the components of employer attractiveness from the perspective of potential employees. **The five factors are: Interest Value, Social Value, Economic Value, Development Value, and Application Value.**

Interest value assesses the extent to which an individual is attracted to an employer that provides an exciting work environment, novel work practices and that makes use of its employee’s creativity to produce high-quality, innovative products and services. Social value assesses the extent to which an individual is attracted to an employer that provides a working environment that is fun, happy, provides good collegial relationships and a team atmosphere. Thus this value represents an organization’s working environment. Economic value assesses the extent to which an individual is attracted to an employer that provides above-average salary, compensation package, job security and promotional opportunities. Development value assesses the extent to which an individual is attracted to an employer that provides recognition, self-worth and confidence, coupled with a career enhancing experience and a springboard to future employment. Finally Application value assesses the extent to which an individual is attracted to an employer that provides an opportunity for the employee to apply what they have
learned and to teach others, in an environment that is both customer orientated and humanitarian. By humanitarian, Berthon et al. (2005) explain this as “giving back to society”.

**ORGANIZATION CITIZENSHIP BEHAVIOR (OCB)**

Corporate Citizenship is a term used to describe a company’s role in, or responsibilities towards society. It is sometimes used interchangeably with corporate social responsibility. A more recent approach to corporate citizenship has also stressed the political role of corporations in protecting or inhibiting the citizenship rights of individuals. (http://en.wikipedia.org/wiki/Reputation)

Employee involvement is a popular approach to improve organization performance. One of the most developed and referenced approaches to involvement is Edward E. Lawler’s model of “high-involvement work processes” (HIWP). It describes organizational attributes that contribute to employee involvement and explains how they work together to increase organization performance. The organizational citizenship behavior mediates the relationship between HIWP and organization performance in consumer-products organization units attributes work together synergistically to create opportunities for employee involvement. (http://jab.sagepub.com/content/early/)

Research reports that highly satisfied employees tend to have a better mental and physical health, learn new job related tasks more quickly, have fewer on-the-job accidents, and file fewer grievances. Also on the positive side, it has been found that satisfied employees are more likely to exhibit pro social citizenship behaviors and activities. (Churchill, Ford, & Walker, 1974)

Organizational citizenship behavior (OCB) constitutes discretionary or extra-role employee behavior that promotes an organization’s overall welfare (Podsakoff et al. 2000; Van Dyne et al. 1994). OCB is considered a form of job performance, though separate from the in-role task performance that employees are outwardly rewarded for. Employees typically engage in OCB when they want to “give back” to their organization for its kindness toward them or in exchange for the organization’s commitment to or positive relationship with them (Organ 1988), they will likely develop an increased motivation to “give back” to their organization (see also Blau 1964; Organ 1988), as manifest through increased OCB. Thus, Employee CSR perceptions are positively related to employee organizational citizenship behavior.

A Cross-Disciplinary Perspective has identified Employee CSR perceptions are positively related to employee organizational citizenship behavior. (S. D. Hansen et al., June 2011)

CSR activity may be motivated by self-interest, societal pressures based on institutional economics (Commons, 1931; Meyer and Rowan, 1991; North, 1992)

Corporate Social Performance and Organizational attractiveness to prospective employees focuses on Organizations higher on independently rated corporate social performance will have more positive reputations and will be perceived as more attractive employers than organizations lower on corporate social performance. (Daniel B. Turban • Daniel W. Greening,1996).

Meeting social responsibilities not only allows organizations to display high levels of moral or ethical conduct but also has been shown to provide instrumental benefits and various types of competitive advantage. These benefits include things such as superior financial performance, enhanced reputation, more motivated work forces, and the ability to attract desired employees. The ability to compare organizations in the area of Company Social Performance (CSP) has generated interest in the competitive advantages which may accrue to organizations that demonstrate high levels of CSP. Various studies have shown positive relationships between CSP and certain measures of financial success (Cochran& Wood, 1984; McGuire, Sundgren & Schneeweis, 1988; Waddock & Graves,1997) concluded that reputation is directly linked to the extent of a firm’s social welfare activities.

**CSR in Larsen & Toubro**

Under CSR, L&T address the needs of communities residing in the vicinity of its facilities, taking sustainable initiatives in the thrust areas of environment, health, education, conservation, infrastructure and community development etc.

**Environment:** Global Warming - L&T had always been
taking conscious efforts to maintain environment harmony. They continuously search for newer environment-friendly approaches in their operations – energy conservation, exploring alternative sources like wind and solar energy, waste water reduction, etc.

**Health:** L&T’s participant in building a healthy community through continuing initiatives in several areas of healthcare, with a focus on mother & child care and HIV/AIDS awareness programs for tribal communities. Awareness camps on childcare, reproductive health, sanitation, dental check-up, provision for safe drinking water, cancer awareness etc.

**Education:** L&T’s diverse and sustained programmers’ in education provide underprivileged children with opportunities through supply of educational material, teaching aids, recreational tools and up scaling school infrastructure. The vocational training of the Larsen & Toubro Public Charitable Trust provides local communities with skill-based training.

**Employee Volunteering:** L&T encourages employees to volunteer for CSR activities, resulting in a self-driven approach while retaining consistency. L&T employees and the ladies clubs formed by their families at different locations, serve their communities by investing personal resources and time.

**Employee Engagement**
Recent years have seen an increased interest in promoting employee engagement. This includes attempts to recruit, socialize and retain a committed workforce. From a CSR perspective, the recruitment proposition forms the basis for workplace satisfaction and identification with organizational goals and values.

L&T believes its progress should be achieved with environment harmony. A commitment to community welfare and environmental protection are an integral part of the corporate vision.

A community welfare and environmental protection is L&T’s commitment and also an essential part of the corporate vision.

**Research Methodology**
Tool used for data collection is Questionnaire survey. Data collected was analyzed using SPSS for conducting Pearson correlation statistical tests, to analyze the relationship between Employer attraction, corporate reputation and Organizational Citizenship behavior.

**Sampling Technique**
The random sample comprising of 172 Larson & Toubro business professional across the country was identified for the study. The sample was characterized with respondents from various occupation status of Junior, Middle & Senior level and belonging to various age group and years of service in the Company. A self-administered questionnaire with 46 questions was circulated as a hard copy & via e-mail along with a cover letter which briefly explained the purpose of the study.

**Data Analysis & Interpretation**

### 6.1 Impact of CSR.
Scores on the 5 broad parameters of the survey which was conducted within L&T are listed below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Average Score</th>
<th>Min</th>
<th>Max</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>4.03</td>
<td>2.4</td>
<td>5.00</td>
<td>0.37</td>
</tr>
<tr>
<td>Corporate Reputation</td>
<td>4.38</td>
<td>2.5</td>
<td>5.00</td>
<td>0.47</td>
</tr>
<tr>
<td>Employer Attractiveness</td>
<td>4.08</td>
<td>2.0</td>
<td>5.00</td>
<td>0.56</td>
</tr>
<tr>
<td>Behavioral Intention</td>
<td>3.72</td>
<td>2.5</td>
<td>5.00</td>
<td>0.63</td>
</tr>
<tr>
<td>Org Citizen Behavior</td>
<td>3.89</td>
<td>2.3</td>
<td>5.00</td>
<td>0.58</td>
</tr>
</tbody>
</table>

The scores above indicate that majority of respondents agree that L&T has good practices around the above listed parameters with some areas of opportunity in behavioral intention and Organization citizen Behavior.

**Hypothesis Testing**

Hypothesis 1: There is a positive relationship between CSR and Corporate Reputation

Pearson Correlation analysis is used to study the relationship between CSR and Corporate Reputation. Since we have scale data, Pearson’s correlation coefficient
is used to study the relationship. As indicated in the table above:

**Interpretation**

The Pearson correlation is .661 and is significant at 95% confidence interval meaning the relationship is positive between CSR and Corporate reputation.

Hypothesis 2: There is a positive relationship between Corporate Reputation & Employer Attractiveness

Pearson Correlation analysis is used to study the relationship between Corporate Reputation and Employer attractiveness. Since we have scale data, Pearson’s correlation coefficient is used to study the relationship. As indicated in the table above:

**Interpretation**

The Pearson correlation is .790 and is significant at 95% confidence interval meaning the relationship is positive
between corporate reputation and Employer Attractiveness

Hypothesis 3: There is positive relationship between employer attractiveness & Org. Citizenship Behavior

Pearson Correlation analysis is used to study the relationship between Employer attractiveness and Org. Citizenship behaviour. Since we have scale data, Pearson’s correlation coefficient is used to study the relationship. As indicated in the table above.

<table>
<thead>
<tr>
<th></th>
<th>Average score of all CSR</th>
<th>Average score of employer attractiveness</th>
<th>Average score of organization citizenship behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average score of all CSR</td>
<td>Pearson Correlation: 1</td>
<td>.700**</td>
<td>.435**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed): .000</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N: 172</td>
<td>172</td>
<td>172</td>
</tr>
<tr>
<td>Average score of employer attractiveness</td>
<td>Pearson Correlation: .700**</td>
<td>1</td>
<td>.648**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed): .000</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N: 172</td>
<td>172</td>
<td>172</td>
</tr>
<tr>
<td>Average score of organization citizenship behavior</td>
<td>Pearson Correlation: .435**</td>
<td>.648**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed): .000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N: 172</td>
<td>172</td>
<td>172</td>
</tr>
</tbody>
</table>

Interpretation

The Pearson correlation is .648 and is significant at 95% confidence interval meaning the relationship is positive between Employer Attractiveness and Organization Citizenship Behaviour.

Hypothesis 4: High CSR creates high employer attractiveness & leads to high OCB

Proposed CSR Conceptual Framework Model

Limitations

There are some limitations of the current study are as follows:

1. First of all, the sample does not cover entire strata of population. However, the sample still has a combi-
nation of various stakeholders in a balanced manner and provides a useful tool to measure CSR.

2. After the analysis, some questions were found insignificant.

3. Although it was assumed that the respondents give accurate and reliable information about the CSR involvement of their organizations, it is possible that they might provide incorrect or incomplete information.

Conclusion

1. There is a positive relationship between CSR and Corporate Reputation
2. There is a positive relationship between Corporate Reputation & Employer Attractiveness
3. There is positive relationship between employer attractiveness & Organization Citizenship Behaviour
4. High CSR creates high employer attractiveness & leads to high OCB (Organization Citizenship Behavior)
5. A model for CSR conceptual framework has been proposed.

Scope for Further Study

Further study can be done on the following:

1. Different cluster like employee who is based in overseas, how they perform against same Research model or variables.
2. Different earning groups and Male v/s Female CSR contribution.
3. The proposed model needs to be tested for accuracy before generalizing to other industries.

References


http://en.wikipedia.org
http://www.larsentoubro.com


