THE INFLUENCE OF BARGAINING RELATIONSHIPS
AND THE DEVELOPMENT OF APPROACHES
TO EMPLOYEE ENGAGEMENT AND CSR

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ABSTRACT

CSR is one of the drivers of employee engagement as a trend and the attention of researchers in the business world today. Experience proves that Employee engagement helps organizations to increase profits, commitment and loyalty reduces attrition, reduce absenteeism, and accidents which in turn adds up to the revenues of the firm. This study seeks to investigate whether the model of transactional, relational, and developmental approaches is an effective approach in applying the concept of CSR as a tool for employee engagement. Keywords : CSR, employee engagement, transactional, relational, and development.

INTRODUCTION

Today, CSR has become a part of the business paradigm, whereby many companies accept responsibility for the way they impact society (Porter and Kramer, 2006; Daraneekorn Supanti et al., 2015). CSR has become more relevant into an increased focus on sustainable issue, such as relationship between CSR and employee (Sheldon and Park, 2011). Five themes depicting the beneficial effects were identified: a relationship unifying process, having fun, feeling pride, developing skills and building teamwork. These themes reflect three core factors of emotional responses, social capital and task-related skills (Daraneekorn Supanti et al., 2015). As CSR engagement increases, many researchers understand the consequences and motivations of companies involved in CSR. Aguinis and Glavas (2012, p. 953) argue that "we need a better understanding of predictors affecting individuals to engage in CSR activities" because individuals "actually strategize, make decisions, and implement CSR decisions".

In terms of CSR relevance relationship with employee engagement, Philip H. Mirvis (2015), argues that, the company takes three different approaches to engage their employees through CSR, namely: “a transactional approach, where programs are undertaken to meet the needs and interests of those employees who want to take part in the socially responsible efforts of a company; a relational approach, where an organization and its employees together make a commitment to social responsibility; and a developmental approach, where a company aims to more fully activate and develop its employees and the firm to produce greater value for business and society”.

Significance of The Research

Research on CSR and employee engagement is relatively nascent, but there are a few studies that establish that there is a positive relationship between CSR and employee engagement. Glavas and Piderit (2009) found that the effect on employee engagement resulting from positive employee perceptions of CSR was strengthened by importance of CSR to the employee. Caligiuri et al.(2013)also found a positive relationship between CSR and employee engagement; moreover, the authors found a three-way interaction of project meaningfulness, social support, and availability of resources on employee engagement. Glavas (2012) proposed that a reason for the positive relationship between CSR and engagement is that employees find greater meaningfulness and values congruence at work.

Corporate social responsibility (CSR), and related concepts under the “sustainability” umbrella, is a strong area of interest for both academics and business. Furthermore, this interest
in engaging more with CSR has been growing worldwide in recent years (Carroll and Shabana, 2010; Jones et al., 2014; Daraneekorn Supanti et al., 2015). Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Corporate Social Responsibility (CSR) is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner.

Several studies aimed directly on the linkage between CSR and employee engagement have found a strong correlation between employee’s commitment to their organization and how they rate its social responsibility. The present study attempts to examine correlation between three approach model propose by Philip Mirvis (2015). This research to investigate CSR program activity as a tool to engagement employee through three model approach to change relationship employer and employee among company in Indonesia. This paradigm is significant to improve CSR model activity in Indonesian company.

LITERATURE REVIEW

Corporate Social Responsibility (CSR)

There are many CSR definitions and this concept has been studied in various scientific fields. Aguilera et al. (2007) use a definition of CSR which refers to “the firm’s considerations of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social (and environmental) benefits along with the traditional economic gains which the firm seeks”. The Commission of the European Communities (2001, p. 4) defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Kotler and Lee (2005, p. 3) defined CSR as “the commitment to improve community well-being through discretionary business practices and contributions of corporate resources”. In other words we can state that CSR can be defined as policies and practices that organizations engage regarding creating positive social, including environmental, changes aimed at different stakeholders. It is important to note that this is a voluntary approach.

The links between CSR and HRM have been explored in the literature by several authors (Gond and Igalens, 2011; Rettab et al., 2009; Shen, 2011; Wojtaszczyk, 2008; Young and Thyil, 2009; Buciumiene and Kazlauskaite, 2012; Cooke and He, 2010; Fuentes-Garcia and Nunez-Tabales, 2008; Preuss and Haunschild, 2009; Shen and Zhu, 2011). Real de Oliveira et al. (2013) undertook a systematic literature review regarding this relationship. They have attempted to identify if CSR was treated in the literature as part of the HR function or if embedded in the sustainability agenda. From their work four literature clusters emerged, namely CSR and HRM, Strategy and Performance, Ethics and Sustainability and Ethics in HRM. Some of the HR areas that emerged in this review were employee related issues (e.g. Wojtaszczyk, 2008; Davies and Crane, 2010), responsible leadership (e.g. Gond and Igalens, 2011), and the HR function (e.g. Shen, 2011, Buciumiene and Kazlauskaite, 2012).

The concept of stakeholders is central to CSR (Maon et al., 2009). According to Hansen et al. (2011) research on CSR has tended to focus on external stakeholders and outcomes, rather than focusing on the internal aspects that relate CSR and firm performance and its impact on internal stakeholders, such as employees. Actually, the categorisation of stakeholders can assume several perspectives depending on the approach. Kakabadse et al. (2005) identified some of the most common categorisations such as primary/secondary stakeholders, voluntary/involuntary stakeholders, social/non-social stakeholders and intrinsic, definitional and instrumental stakeholders. However, the most common categorisation is the internal vs external stakeholders, which will hold the approach of this research.

CSR has internal and external dimensions. Internal CSR practices refer to CSR practices which are directly related with the physical and psychological working environment of
employees (Turker, 2009). It is expressed in concern for the health and well-being of employees (Wojtaszczyk, 2008), their training and participation in the business (Brammer et al., 2005), equality of opportunities (Newman and de Vries, 2011), work-family relationship (Marchese and Bassham, 2002).

On the other hand, we can state that external CSR refers to corporate socially responsible actions directed outside its boundaries, such as actions directed to local community, business partners and suppliers, customers, public authorities and NGOs (Al-bdour et al., 2010).

Corporate social responsibility (CSR) is a recognized and common part of business activity. Some of the regularly cited motives behind CSR are employee morale, recruitment and retention, with employees acknowledged as a key organizational stakeholder. Despite the significance of employees in relation to CSR, relatively few studies have examined their engagement with CSR and the impediments relevant to this engagement.

Over the last 2–3 decades, corporate social responsibility (CSR) has been widely undertaken by organizations, and is well reflected in practitioner and academic journals as well as the popular media (Crane et al. 2008). The benefits to organizations of CSR have included competitive advantage (Branco and Rodrigues 2006; McWilliams et al. 2006); increased financial performance (Orlitzky 2005; Orlitzky et al. 2003; Porter and Kramer 1999, 2002; Smith 1994, 2003; Waddock and Graves 1997) and corporate reputation (Fombrun et al. 2000). Specifically regarding employees, the benefits of CSR have been related to a wide range of aspects including recruitment, morale, productivity and retention (Berger et al. 2006; Branco and Rodrigues 2006; Fombrun and van Riel 2004; Marin and Ruiz 2007; Turban and Greening 1997; Turker 2009a, b). Despite specific benefits of CSR relating to employees, and their importance as a stakeholder group, (Collier and Esteban 2007; Kaler 2009; Post et al. 2002), it is note-worthy that relatively little attention has been given to them, specifically with regard to their engagement with CSR (Aguilera et al. 2007). Rodrigo and Arenas (2008 p. 266) observed that ‘employees have received relatively little attention in the CSR literature…especially surprising because attraction of talent, loyalty to a firm, and motivation have all been used to explain why CSR can be a source of competitive advantage’. In a similar vein, Dhanesh (2012, p. 40) commented that ‘employees have received hardly any research focus in the CSR literature’. In this article, we address this paucity of attention by focussing on the volition that individual employees have towards their engagement with CSR activities, through transactional, relational and development approach.

**Employee Engagement**

Nowadays rapidly changing environment business leaders have come to realize that having high performing workforce is essential for the growth and survival of companies. Therefore, employee engagement has become a top priority for organizations as a highly engaged workforce can increase innovation, productivity, and bottom line performance while reducing costs of hiring and retaining talented employees (Harvard Business Review 2013).

Employee engagement does not have a single generally accepted definition that can be used as a common reference. Several scholars have provided many but somewhat similar definitions of the concept employee engagement. Engagement was first entered in the academic glossary by Khan Wa (1990), who proposed that personal engagement occurs when people bring in or leave out their selves when performing their work roles. Robinson, et al (2004) defined employee engagement as a positive attitude held by employees toward the organization and its values. Here engaged employees are familiar with the business context and work with colleagues to benefit the organization. MacLeod, D. and Clarke, N. 2009 p. 9) referred to employee engage- ment as a “workplace approach designed to ensure the employees are committed to their organization’s goals and values, motivated to contribute to organizational success, and are able at the same time to enhance their own sense of well-being”. Hewitt (2010) defined engagement as the emotional and intellectual commitment of individuals or groups to an organization that affects business performance. Shuck, B. and Wollard, K. (2010, p. 103)
use work engagement to refer to employee engagement and state that it is “an individual employee’s cognitive, emotional, and behavioural state directed toward desired organizational outcome”. According to Ariani, D.W. (2013), employee engagement is a construct that captures the differences between individuals and the amount of energy and dedication they provide to their jobs.

Organizations should strive to have an engaged workforce since employers want employees who do their best to help their company succeed and employees want a good job that is challenging and meaningful. The only to achieve this win-win situation is through engagement (Gross, R. 2014). Furthermore, in order to develop and nurture engage- ment, a two-way relationship between employers and employees is required (Markos, S. and Sridevi, M.S, 2010). This is supported by Sahoo, C.K. and Sahu, G. (2009) who stated that employee engagement is all about building great relationships with employees by embracing fine management philosophies, recognizing employees’ talent and potential, and providing enriching professional experiences. According to them organizations who do this are bound to succeed. Engaged employees have many qualities such as wise self-starters, believe in supporting the organization, motivate co-workers, work with passion, have high energy level, enthusiastic, and often involve themselves deeply in their jobs. Because of these qualities, engaged employees are expected to work better and smarter and thus lead to increased individual and organizational performance and provide a foundation for sustainability Kim, W et al (2012).

Many factors have been reported to facilitate or impede employee engagement. For example the (Harvard Business Review, 2013) stated that recognition given to high performers, clear understanding of how jobs contribute to strategy, company-wide communication of goals, individual goals aligned with corporate goals, among others are considered important drivers of employee engagement. According to Sahoo, C.K. and Sahu, G. (2009)], there are several key drivers of employee en- gagement that help create a road map for achieving organizational excellence. Among these drivers are: Nature of the job, line of sight between employee and organizational performance, career growth opportunities, pride about the company, co-workers and team members, employee development, and relationship with one’s manager. As a result organizations are required to understand and utilize various antecedents that help and facilitate employees to become engaged and maintain the engaged status (AL-Syaidh, N., et al 2015). In order to determine whether employees in an organization are considered engaged or not three facets are taken into consideration: Vigor, dedication, and absorption. These three facets will be basis for measuring employee engagement in this study based on the study conducted by Ferreira, P. and De Oliveira, E.R. (2014).

Schaufeli and Bakker (2006) Define employee engagement as “A positive fulfilling, work related state of mind that is characterized by vigor, dedication and absorption”. In this context, the phrase “employee engagement” has received a great deal of attention in the recent years. As pointed by Leiter and Bakker (2010, p. 3), “The energy and focus inherent in work engagement allow employees to bring their full potential to the job”. The present study uses the conceptualization of employee engagement proposed by Kahn (1990, p. 694) where it was defined as “harnessing of the organization members’ selves to their work roles; in engagement people employ and express themselves physically cognitively and emotionally during role performances”.

The reason for the increasing importance of engagement lies in its positive outcomes for both the individual and the organization. For instance, a vast amount of empirical research has shown strong link between engagement and valued individual and organizational level outcomes such as enhanced commitment (Hakanen et al., 2006; Saks, 2006; Halbesleben, 2010), lower absenteeism, low turnover rates, enhanced job satisfaction (Saks, 2006; Alarcon and Edwards, 2011), better individual performance (Kahn, 1990) and greater business unit performance (Harter et al., 2002).

As the link between engagement and performance outcomes is well-recognized,
developing and enhancing engagement could prove to be a keystone to talent management and business success (Shuck and Reio, 2011). However, given the engagement crisis at the global level, keeping employees engaged has figured amongst the top five challenges facing organizations (Wah, 1999). This scenario clearly underscores the significance of looking out for newer ways to develop, maintain and retain an engaged workforce. Consequently, it becomes important to understand the mechanisms that predict engagement at work.

Employees presently have huge expectations from their employers. They are looking for additional components like inspiration in addition to the traditional benefit offering. They expect their employer to inspire them so that they feel good about their employment choice. Consequently, it becomes important for the organizations to portray themselves as employer of choice. It has empirically been demonstrated by a number of studies that individuals prefer to work for ethical and socially responsible organizations (Holbeche, 2004; Greening and Turban, 2000). Andersson (1996) identified unethical behaviour on the part of organizations as an important violation leading to employee cynicism. Also, individuals’ perception that they are working for an organization high in social character has been found to influence job satisfaction positively (Riordan et al., 1997).

As CSR activities determine the degree to which organizations can be trusted by providing an important indication of their moral and ethical character (Hansen et al., 2011), it will be intriguing to know at this juncture whether CSR can be of assistance in redressing this engagement gap by capturing the hearts and minds of employees.

**CSR and Employee Engagement**

Corporate social responsibility may lead to greater gain not only for society but also for organizations as it leads to higher employee engagement (Alfermann, A.L. 2011). Although there is a wide range of literature addressing CSR and its linkages with the role and practices of HR few empirical studies addressed the relation between CSR and Employee Engagement. This is probably due to the recency of the concept of employee engagement. Some studies have been conducted regarding the relation of CSR practices and its relationship with the employees increase of identification and commitment to the organisation, organisational citizenship behaviours and meaningfulness of work (Aguilera et al., 2007; among others). Other studies refer that CSR could also enhance firms’ ability to attract and keep top talent (Bhattacharya et al., 2008).

The studies found that refer this two constructs (CSR and Employee Engagement) addressed mainly stakeholder engagement (Greenwood, 2007), viewed as corporate social responsibility in action (Tamm et al., 2010) and the contribution of CSR for employee buy-in regarding the use of HR (selection and socialisation in particular) in the context of small and medium sized enterprises (Davies and Crane, 2010). Some companies view employee engagement in CSR as a “strategic imperative” (Bhattacharya et al., 2008), nevertheless, according to the same author, few if none, know how to reap the returns of such CSR engagement. Mirvis (2012) propose aproach model of employee engagement through CSR consist of : transactional, Relational, and Development Approach.

although raises a number of questions regarding CSR and Employee Engagement, namely, “does engagement through CSR follow simply from being a part of a company known for its social responsibility? The benefits to self-esteem and image can be potent; you work for a ‘good’ company! Or does it require actually doing something socially responsible on one’s job? Can volunteerism substitute for putting CSR to work on the job? Vice-versa? And what about psychic gains from participating in a CSR effort while working for a ‘bad’ company?”

It is well established that employees are a key stakeholder group (Donaldson and Preston 1995; Freeman 1984; Greenwood 2007; Kaler 2009; Matten and Crane 2005) and specifically, in a CSR context, enact the social activities and policies of the organisation. Collier and Esteban (2007) highlighted the dependence of organisations on employee responsiveness to, and engagement with, CSR for the effective delivery of CSR programmes. Reflecting on this,
McShane and Cunningham (2012) asserted the key roles of employees as ambassadors for, and enactors of, organisational CSR. However, not all employees will equally engage with CSR and it is misleading to view the employees as a homogeneous stakeholder group (Rodrigo and Arenas 2008). Indeed, Mowday et al. (1979) commented on the individual willingness of an employee to exert effort and time on behalf of the organisation.

At a conceptual level, a number of typologies have been developed with regard to employee attitudes towards CSR. Hemingway (2005) based her categorisation on employee values to CSR and identified four groups: active or frustrated corporate social entrepreneurs (CSEs); Conformists; and Apathetics. Active CSEs, supported by corporate culture, engage in organisational CSR and exhibit strong organisational citizenship, satisfying personal needs and showing reciprocity between organisational and personal gain (and see Caldwell et al. 2012). Frustrated CSEs, whilst socially motivated, lack the organisational culture to fulfil his or her social role. Conformists are employees with no inclination towards social responsibility, whilst Apathetics dismiss any value of CSR and the social duty of the employee. Along a similar typological categorisation, Rodrigo and Arenas (2008) used the terms Committed, Indifferent and Dissident employees. Committed employees, motivated by their own personal values, are concerned with social justice and commit to organisational CSR engagement. Indifferent employees are viewed as pragmatic and job goal orientated. As such they understand CSR and the role of the organisation but are indifferent to their personal CSR engagement. Finally, Dissident employees regard work as an economic contract only with no responsibility to a wider social role.

**Development Approach Model**

A key question for companies is which model of directly engaging employees through CSR best fits with its strategy and yields the most cost beneficial return. On this point, scholars have noted that the “market for virtue” varies across firms and industries as well as employment markets. Arguably, the absence of market demand and perceived rewards accounts for the fact that some companies pay scant attention to engaging their employees through CSR. That said, employee volunteer-ism in the U.S. has historic roots. Recognition that many more employees today want to be engaged in the CSR efforts of their companies is a key driver in the increased emphasis given to volunteerism and its expansion to global operations. The transactional model of engagement seems to work well enough in meeting employee’s needs and aids in recruiting and retention. Shifting it toward “skills-based” volunteering and to “brand-relevant” service options further advances a firm’s strategic interests and can be a rallying point for employees.

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The transactional model also seems apt for companies that have a highly differentiated culture where individual contributors or local working units are best positioned to do their own thing with regard to volunteerism and to effecting social- and eco-innovations in their local markets. Finally, this model, because of its preponderance among companies, is likely
sufficient for firms that are not competing on the basis of their social and environmental performance. Beware, however, of new entrants and competitors that differentiate themselves by offering a more appealing CSR-related value proposition to employees.

The relational model of engagement seems more relevant in companies where CSR seeking workers are employed and in demand, in labor markets where a “war for talent” is underway, and in industries where employee loyalty is one source of competitive advantage. Geography also matters. Throughout Asia, for example, there is a nascent tradition of “company sponsored” volunteerism where employees often contribute en masse to local communities wearing the corporate uniform and carrying the company banner in keeping with their collectivist corporate cultures. The relational model also fits in companies whose ethos, internally and externally, is infused with CSR.

The company’s leadership in responsible healthcare has taken the form of affordable medicines in developing countries and among the poor in developed nations, creation of the World Diabetes Foundation, and a “changing diabetes” campaign in conjunction with the United Nations. What’s of interest here is how its employees are engaged in fulfilling triple bottom line commitments. Every employee, for example, is expected to spend at least one day a year with someone connected to diabetes—a patient, a caretaker, or a healthcare professional—and then to suggest improvements for how the company does business. To ensure performance to the highest standards, employees are involved in documenting and improving the company’s triple bottom line performance.

Finally, it seems apparent that a more developmental model of engagement is relevant in industries where human capital is mobile and integral to success and where companies are innovating rapidly in the CSR and sustainability space. It is not coincidental that Unilever, Nestlé, and P&G are competing with CSR in both the consumer and employee market or that professional service firms Accenture, Ernst & Young, IBM, and PwC have each launched global service programs for their employees. However, the choice among these three models for engaging employees through CSR will not necessarily be supported by short-term returns. My own hypotheses is that companies that engage employees in relational or transformative ways connect their actions more so to their vision, mission, and values—an employers and as an enterprise. This means that their employee engagement is aligned with commercial and product/service strategies, as well as with marketing and corporate communications. This approach, which enables employees to “live the brand,” aims at brand building and longer-term value creation.

**RESEARCH METHODELOGY**

This research will be done other than to examine to be develop by literature review, also perform the descriptive-analysis, and measurements based on the collection of data. To answer the hypothesis in this study, using a regression test multivariants, and identify the variables of factor analysis. Also, to examine the relationship between the questions and variables, to estimate obtained standardized factorial loads and to assess factorial validity, confirmatory factor evaluation is used.

**Propose Model**

In respect of formulating the model of the influence of bargaining relationships and the development of approaches to employee engagement and CSR. Those previous literature reviews are beneficial in order to equip this model.

Equations structural models used to test hypotheses and obtaining fit of the model and get a standardized regression weights, a significance level of output will be the basis for conclusions hypothesis. If the level of significance of less than 0.05, there is a significant relationship and if higher than 0.05, there was no significant relationship. The elements of these approaches described as follow:
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