Do HR Practices Make Social Investment Recoupable? An Introduction to CSR-Supportive HR Practices

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Although many attempts have been made to disentangle the complex mechanisms through which corporate social responsibility (CSR) initiatives are translated into financial returns, HR domains have played a minor role in such attempts. This paper introduces a unique set of HR practices, named CSR-supportive HR practices (CSHR) that may affect the ways in which employees implement CSR initiatives, and eventually make social investment recoupable. This paper assumes that CSHR comprises several bundles of HR practices that may contribute to acquiring, developing, empowering and motivating employees who are willing to be highly dedicated to and engaged in CSR implementation. By emphasizing the roles of HR practices and employees for the efficient CSR implementation, I expand the research scope of CSR from a macro domain to a micro one. Theoretical and practical implications are discussed.

Key words: corporate social responsibility, CSR-supportive HR practices (CSHR), CSR implementation, financial performance

Ⅰ. INTRODUCTION

Corporate social responsibility (CSR) is defined as corporate integrated responsibilities encompassing the economic, legal, ethical, and discretionary (or philanthropic) expectations that society has of organizations (Carroll, 1979). CSR has been a hot topic in a business realm last decades. While only about a dozen of Fortune 500 in the US had released a CSR or sustainability report in early 2000s, currently the majority does. Also, over 8,000 businesses around the world have pledged the UN Global Compact to showcase corporate endeavors in the areas of human rights, labor relations and environmental protection (Time, 2012). Notably, India became the first country in the world to even mandate CSR to corporation. In 2014, the government of India launched the powerful CSR initiatives requiring companies to spend 2% of their net profit on social contribution (The Guardian, 2014).

Paralleling the increasing popularity of CSR in the business world, scholars have begun to raise the question about whether CSR can really enhance corporate financial outcomes. Multiple attempts have been made to disentangle the complex mechanisms through which CSR activities are translated into financial returns. Most studies have focused on the external factors (e.g., corporate reputation, customer loyalty, etc.), but relatively overlooked the *role of HR practices* that affect the ways in which employees implement CSR practices (Jamail, Dirani, & Harwood, 2015). Since HR practices are considered indispensable properties through which any types of corporate activities are performed (Pfeffer, 1998, 2005; Schuler & MacMillan, 1984), it is reasonable that the efficiency of CSR implementation should be determined by whether or not HR practices are supportive of the implementation of CSR initiatives. Moreover, while the existing works have had a restricted view to an employee as a passive CSR audience, more recent arguments underscore a participating role of an employee as an active CSR implementer (Chang, 2013; Grant, 2012).

The main assumption of this article is that CSR initiatives are seen as cost-inducing social "investment" (McWilliams & Siegel, 2001). As far as these initiatives are implemented efficiently by *employees*, social investment should be translated into financial returns. In contrast, if CSR initiatives are not implemented efficiently, social investment may end up exhausting organizational resources, and result in financial burdens. Hence, for organizational managers, it is important to create work practices that motivate employees to be committed to CSR activities so those activities can be implemented

efficiently.

The purpose of this paper is to introduce a set of HR practices that are presumed to motivate employees to be committed to CSR initiatives, thereby translating a firm's social investment into financial returns. I name such a unique set of HR practices as *CSR-supportive HR* (CSHR) practices. The CSHR practices can be defined here as the integrated HR practices that promote employees' discretionary efforts in implementing CSR initiatives, and manifested by every aspect of HR domains, including acquiring, developing, empowering, and motivating. Eventually, as emphasizing the roles of HR practices and employees in translating CSR initiatives to financial outcomes. In doing so, I expand the research scope of CSR from a macro domain to a micro one.

Ⅱ. A DEFINITIONAL FRAMEWORK OF CSR

The concept of CSR emerged in the mid-20th century and has a relatively short yet varied history in its definition. Bowen (1953) set the initial definition of CSR in his landmark book, *Social Responsibilities and Businessman*, stating "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." (p. 6) Following Bowen's initial conceptualization, Davis (1960) and McGuire (1963) underscored the extensive obligations of corporations toward the society beyond economic and legal responsibilities.

In the 1980s-1990s, the notion of CSR has evolved with more sophisticated and alternative approaches. For example, Carroll (1979) offered a refined framework by articulating the scope of CSR as economic, legal, ethical, and discretionary responsibilities. Later, the concept of CSR has divided into two concepts: *corporate social responsiveness*, which highlights more about the processes and strategies of CSR, and *corporate social performance*, which underscores the firm-level focus of CSR in the operational context.

In the 21st century, the concept of CSR has begun to link its actual contributions to the organization. For instance, a group of scholars have viewed CSR as a form of "investment" (e.g., McWilliams & Siegel, 2001). From an investment standpoint, the quality of CSR initiatives can be assessed by criteria of profitability that involves "efficiency" of its implementation. This paper leans on this definitional framework, and thus focusing on the ways in which such investment is implemented.

III. WHAT MAKES SOCIAL INVESTMENT RECOUPABLE?

A number of researchers have explored the underlying mechanisms that make social investment recoupable, but most of them have focused primarily on the external factors. The key argument is that CSR activities generate financial outcomes through building a positive corporate reputation or images (Fombrun & Shanley, 1990; Hess, Rogovsky, & Dunfee, 2002), attracting high-quality workforces (Turban & Greening, 1997), improving the relationships with many stakeholders (Harrison & St. John, 1996; Hillman & Keim, 2001; Kotter & Heskett, 1992), or strengthening customer loyalty (Brown & Dacin, 1997). For example, Fombrun and Shanley (1990) argued that since the public often judges how well organizations respond to their social demands and expectations, active social performers who meet social expectations will achieve a good reputation from the public, which might in turn enhance long-run profitability and viability of the organizations. In a similar vein, Hillman and Keim (2001) suggested that effective stakeholder management, such as CSR investment, can lead to financial performances through developing favorable relationships with customers, employees, communities, and governments.

Departing from the external mechanism-based accounts, a growing body of research has begun to explore the "internal" mechanisms that make CSR recoupable. For the most part, attention has been directed to an employee's perception of or reaction to a firm's social engagement. Guided by social identity theory (Tajfel & Turner, 1985), it was argued that because employees, as CSR *observers or evaluators*, may experience enhanced self-esteem when they observe the organizational respectful activities like CSR (Dutton, Dukerich, & Harquail, 1994), they are more likely to be committed to or satisfied with the organization. Then heightened commitment and satisfaction result in organizational performances, which can be a basis of corporate financial outcomes(e.g., Peterson, 2004; Riordan, Gatewood, & Bill, 1997).

In a similar vein, Rupp, Ganapathi, Aguilera, and Williams (2006) proposed that CSR can increase firms' financial performance through an employee's senses of fairness toward the organization. Drawn from organizational justice theory (Cropanzano et al., 2001), employees tend to be committed to and satisfied with the organizations that treat external stakeholders the same way as internal members (i.e., employees) are treated (Rupp et al., 2006). In short, the existing internal perspectives suggest that the CSR-financial outcome linkage could be explained reasonably by the hidden mechanism

of employees' positive reactions to the organization's social activities.

Despite the promising explanations, the internal approaches have limitation in that they view an employee merely as a CSR audience. Given the evidence that an employee increasingly plays a "participant" role such as crafting and implementing CSR initiatives (Society for Human Resource Management, 2007), the existing internal approach holds a restricted view of the employee's role. In effect, a group of scholars have highlighted the employee's participatory role in the CSR context (Collier & Esteban, 2007; Maclagan, 1999; Pedersen, 2006). For instance, Collier and Esteban (2007) demonstrated that the effective implementation or delivery of CSR initiatives rests upon what employees feel about the initiatives. Maclagan (1999) also proposed that in order to understand the profitability of CSR, it is much more important to understand the "real" people who populate the organization and consciously value, support, and implement CSR initiatives, rather than external pressures from consumers or governmental regulations. Further, with a coined term, *stakeholder dialogue*, Pedersen (2006) pointed out the difference in the degree of participation quality, stating that "[CSR] implementation is often delegated to persons who did not take part in the dialogue. Their interpretation of the decisions and the tasks that have to be performed might differ from the ideas of the stake-holders that took part in the dialogue."(p. 150)

Importantly, Chang, Oh, and Messersmith (2013) empirically confirmed that CSR investment can be better recouped if the organization has a bundle of HR practice that motivates employees to implement CSR initiatives efficiently. With a sample of the U.S. public firms in the manufacturing industry, they found that as every one unit increases in social performance rating, firms with a higher utilization of high performance work practices enjoy an increase of 3.6% in ROA and an increase of 2.42 in market-to-book ratio, whereas firms with a lower utilization of those HR practices achieve an increase of only 0.1% in ROA and an increase of 0.56 in market-to-book ratio. These findings suggest that employees powered by a certain set of HR practices could play an important role in translating social investment into financial performance, and therefore corporate managers need to pay careful attention to the employee's participatory role as well as the internal process (i.e., HR practices) through which social invest-ment is translated to financial returns.

Based on the extended view of the employee's role as a participant, I propose that the profitability of social investment might be associated with the extent to which employees implement CSR initiatives efficiently; and such employees' attitudes and

behaviors are influenced by a set of HR practices. I label this unique set of HR practices as CSR-supportive HR (CSHR) practices. In the subsequent section, I develop specific propositions regarding how CSHR practices help to translate CSR initiatives into financial outcomes.

Ⅳ. CSHR PRACTICES AND THE EFFICIENCY OF CSR IMPLEMENTATION

I define CSHR practices here as the integrated HR practices that promote employees' discretionary efforts in implementing CSR initiatives. To understand the concept of CSHR practices correctly, it should be noted that CSHR practices are not the work practices that lead directly to corporate social outcomes; rather, these practices are the work practices that make CSR initiatives more operable so that CSR initiatives can better translate into financial outcomes. It should also be noted that the discussion of CSHR practices is not descriptive, meaning that such HR practices have been widely administered in the contemporary organizations; instead, the discussion of CSHR practices is suggestive and prescriptive, meaning that organizations should be advised to execute these HR practices in order to increase the efficiency of CSR implementation and thus to make CSR investment more recoupable.

CSHR practices are comprehensive work practices that might be embedded in every aspect of personnel management, including the areas of (1) acquiring (recruitment and selectivity), (2) developing (training and career development), (3) empowering (job designing and employee involvement), and (4) motivating (appraisal and compensation). Within a given definitional boundary, I develop working propositions by each HR domain-specific. Figure 1 illustrates the overall conceptual linkages with propositions.

[Figure 1] Conceptual linkages of propositions
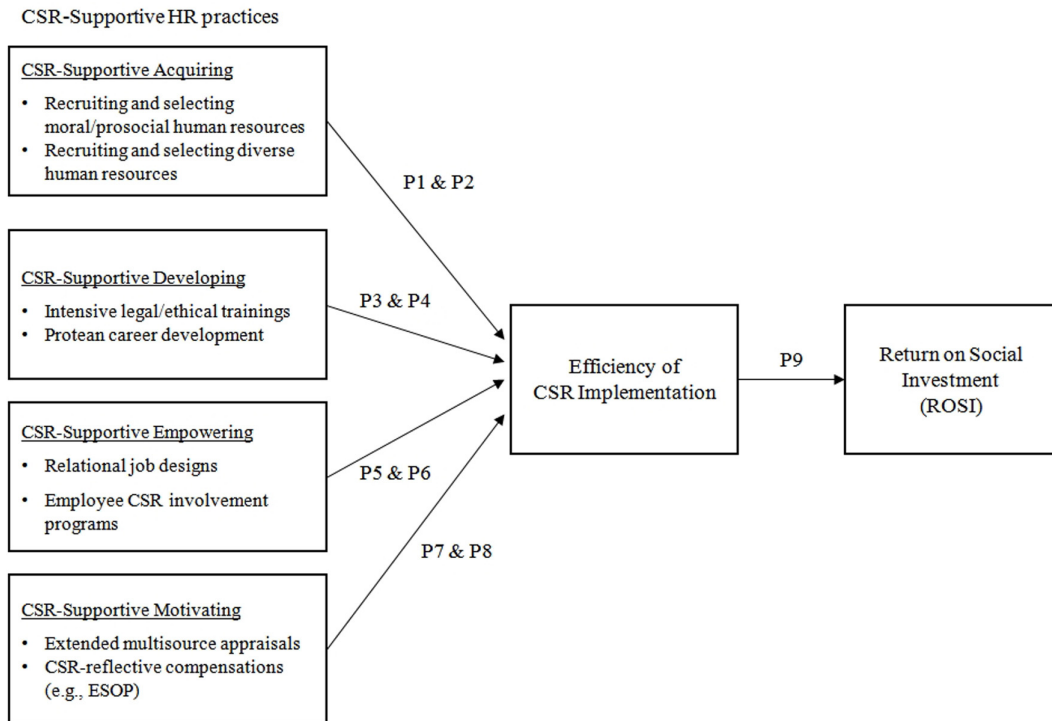
1. Acquiring: Recruitment and Selectivity

(1) Recruiting and selecting moral/prosocial human resources

The CSHR practices may involve recruiting and selecting people who are highly attentive, responsive, or committed to firms' social initiatives. Specifically, such individuals might be the ones who possess strong moral traits and prosocial values and orientations (e.g., empathy, altruism, etc.). Attention theory (Fiske & Taylor, 1991) provides a theoretical base why human resources with moral qualities are committed to CSR initiatives. Fiske and Taylor (1991) suggested that attention is determined by three factors: saliency, vividness, and accessibility. Saliency refers to the contextual significance of stimuli; vividness refers to how inherently interesting the stimuli are; and accessibility refers to the individual's cognitive frameworks and their capacity to identify stimuli. In particular, chronic sources of accessibility, as opposed to regular or normal sources,

are trait-basis frameworks that operate cognition automatically (Bargh & Pratto, 1986) and foster greater efficiency in cognition (Bargh & Thein, 1985).

Empirical evidence supports this argument. For instance, Bargh (1982) presented participants with adjectives relevant to the trait of independence in their unattended ear on a dichotic listening task. Individuals who chronically assessed the trait of independence showed evidence of processing the independent adjectives even though they were not consciously aware of the adjectives' presence. Furthermore, Reynolds (2008) argued that people with moral chronic sources of accessibility are attentive to moral regards (i.e., morally attentive) and take a moral action in a deliberate and automatic manner.

Based on the arguments offered by the attention theory, I propose that individuals with moral/prosocial traits may operate the automatic cognition processes and achieve greater cognitive efficiency when stimuli contain moral/prosocial components. As such, it is likely that individuals with moral/prosocial traits are not only attentive to organizational ethical/prosocial activities like CSR, but they also easily and accurately identify what kinds of CSR initiatives are being implemented and how much they are highlighted in the organization. For instance, employees with altruism are likely to be attentive to charitable-giving programs, whereas those with egocentrism may not be even aware of the existence of programs (Batson & Powell, 2003). Similarly, employees with generosity are likely to be more supportive of philanthropic programs, whereas those with Machiavellianism are likely to be cynical about such programs (Kish-Gephart, Harrison, & Trevino, 2010). Then the former is likely to participate in CSR initiatives in a dedicated or committed fashion, whereas the latter is likely to implement CSR initiatives in a superficial or disengaged manner. Based on the discussions above, the first proposition is formulated as follows.

Proposition 1. Recruitment and selectivity of moral/prosocial human resources are positively associated with the efficiency of CSR implementation.

(2) Recruiting and selecting diverse human resources

The CSHR practices may involve recruiting and selecting diverse human resources. Diversity literature suggests that diverse employees should implement CSR initiatives efficiently because they can have better access to and extensive knowledge of many

different stakeholders. For example, since minority employees better understand why and how good causes work for those in need, they could play a leadership role in CSR practices such as charitable-giving, housing construction, education for the poor and needy, and so on.

Further, diverse employees might be more committed to CSR initiatives since their various backgrounds enable them to be efficacious in suggesting innovative ideas or solutions for high quality CSR initiatives. Diversity experts argue that since diversity can reduce the redundancy of knowledge being shared, the outcomes of knowledge creation and transfer should be more productive (Cohen & Leventhal, 1990; Cox & Blake, 1991; Eisenhardt & Schoonhoven, 1990; Keck, 1997). For example, member heterogeneity was found to bring in more effective problem-solving through widening scanning abilities, as well as searching for alternative solutions (Cox & Black, 1991; Eisenhardt & Schoonhoven, 1990; Keck, 1997). Similarly, Cohen and Levinthal (1990) submitted that the team problem-solving abilities are likely to increase with variety in knowledge structures as reflected in diverse educational majors. Tjosvold (1988) reported that open discussions through diverse views in marketing teams were associated with completing tasks, using resources more effectively, and delivering better services to customers.

Taken together, diversity could be a critical source of the efficiency of CSR implementation, not only because it provides organizations with better accesses to various CSR beneficiaries, but also because it facilitates high quality inputs for CSR initiatives. Therefore, based on the discussions above, the second proposition is formulated as follows.

Proposition 2. Recruitment and selectivity for diverse human resources are positively associated with the efficiency of CSR implementation.

2. Developing: Training and Career Development

(1) Intensive legal/ethical training

The CSHR practices may involve intensive legal/ethical training and educational programs aiming at nurturing employees to become CSR-committed human resources. Both signaling theory (e.g., Rynes, 1991; Spence, 1973) and moral development framework

(Kohlberg, 1969) provide theoretical explanations. Signaling theory (e.g., Rynes, 1991; Spence, 1973) suggests that in the absence of complete information, individuals interpret the information they have about an organization as a signal of organizational characteristics (Turban, 2001). That is, once people enter the organization, they normally are involved in a wide variety of training and education that the organization offers. However, due to limited accessibility or lack of information about the organization in the early stage of career, training programs can give individuals important clues to understand the values, abilities, expected behaviors, and relevant knowledge that are essential for assuming an organizational role and for participating as an organization member. Several studies already revealed that individuals recognize a wide variety of external stimuli as a key signal through organizational training (Aiman-Smith, Bauer, & Cable, 2001; Cable & Judge, 1994; Rynes, 1991; Turban, Forret, & Hendrickson, 1998).

However, what matters are the "subject" (i.e., what should be trained?) and "intensity" (i.e., how much training is highlighted?) of training. Individuals can construct and develop an interpretive framework by looking at the organizational practices (House, Rousseau, & Thomas-Hunt, 1995), and tend to use acquired clues to guide their own behavior. In this respect, intensive legal/ethical training may help employees recognize that the organization is striving to move toward an ethical/prosocial entity. With this clue, employees are likely to implement CSR initiatives in a more dedicated and committed fashion.

In addition to signaling theory, moral development framework provides the rationale why intensive legal/ethical training contributes to the efficiency of CSR implementation. Kohlberg's (1969) theory of moral development, developed and tested over last decades, emphasizes the cognitive or reasoning aspect of moral decision-making. The framework shows how the cognitive processes of moral decision-making become more complex and sophisticated as moral cognitions are developed. Kohlberg claimed that as the stage moves from pre-conventional level to post-conventional level, individuals are not only able to take a broader perspective of society but also consider things beyond norms and rules required by the organizations, which seems to be closely associated with the required qualities of prosocial behaviors. Notably, based on Kohlberg's framework, Martynov (2009) suggested that managers at the post-conventional level of moral development are more likely to exhibit others-serving behavior than managers at lower levels of moral development.

Albeit somewhat arguable, a group of ethics education theorists have claimed the

"trainability" of moral reasoning (Delaney & Sockell, 1992;Ritter, 2006; Tenbrunsel & Smith-Crowe, 2008; Thoma & Rest, 1986; Weber, 1990). Some researchers (e.g., Cragg, 1997) have challenged that ethics cannot be trained given moral character tends to develop largely by the time an individual reaches college age, and thus little room would be left for the substantial improvement of moral reasoning. However, Churchill (1982) refuted the challenge, proposing that the key to understanding of the trainability of ethics lies in the distinction between ethics and moral values. According to Churchill, ethics can be subject to training, since ethics is about a rational reflection on a choice of behavior and a systemic decision-making about right and wrong, whereas moral values may develop earlier in one's course of life and the trainability during a short period of time is suspicious. Empirical evidence supports Churchill's argumentation. A number of studies regarding ethics education at college demonstrate that the introduction of an ethics component into the classroom can lead to improvement in ethical sensitivity, moral reasoning, and ethical behavior (Loe &Weeks, 2000; Lowry, 2003; Ruegger & King, 1992; Schlaefi, Rest, & Thoma, 1985; Weber, 1990; Wittmer, 1992). Furthermore, Delaney and Sockell (1992) reported that ethics training in corporation has a positive effect on an employee's and a manager's moral reasoning. With a sample of 1,073 workers in the US, they found that respondents who had participated in corporate ethics training programs were less likely to engage in an unethical behavior to get ahead in their organization, and more likely to refuse to take an unethical action in the most serious ethical dilemma that the respondents had faced.

Taken together, all of the evidence imply that ethical/legal training designed to foster individuals' moral reasoning abilities can help employees become more committed to CSR practices, thereby promoting the efficiency of CSR implementation. Therefore, based on the discussions above, the third proposition is formulated as follows.

Proposition 3. The intensive legal/ethical training is positively associated with the efficiency of CSR implementation.

(2) Protean career development

The CSHR practices may involve work practices that help employees develop their own "protean" or "boundaryless" careers which focus on work and non-work experiences both inside and outside of organizations. Hall (1976) first wrote about the idea of

protean career and the concept gained widespread popularity since his book, *The Career Is Dead-Long Live the Career*, was published in 1996 (Sullivan & Baruch, 2009). Protean careers are characterized by two core dimensions (Briscoe & Hall, 2006): *value-driven* (i.e., person's internal values provide the guidance and measure of success for the individual's career), and *self-directed* in personal career management.

I argue that these two characteristics might help employees be more committed to CSR initiatives. First, a protean career highlights the intrinsic values and rewards (Hall, 1996a, 1996b). Therefore, protean careerists are likely to be attentive, responsive, and committed to the organizational activities that strengthen the intrinsic values and orientations. Hackman and Oldham (1976) already addressed that individuals are motivated to engage in activities when the activities enhance the intrinsic values such as meaningfulness and experienced responsibilities. Given the value-driven objects of many CSR practices, employees with protean careers are likely to be committed to CSR initiatives.

Second, a protean career highlights self-directed career management by having the ability to be adaptive in terms of performance and learning demands (Briscoe & Hall, 2006). Since business environments have become increasingly complex, it is impossible for organizations to set complete agendas to satisfy the needs of multiple stakeholders. For this reason, each employee should be asked to figure out contextually optimal ways to maximize the utility of CSR initiatives. Since protean careerists are self-directed in their work and non-work domains, they are expected to be self-motivated to engage in CSR implementation in more engaging fashion.

Last, protean career highlights the extensive experiences of work and non-work areas both inside and outside of organizations (Sullivan & Baruch, 2009). As such, protean careerists might be highly motivated to participate in organizational activities that provide them with the opportunities of extensive experiences both inside and outside of organizations. In effect, since a number of CSR initiatives are implemented through building the relationships with various stakeholders outside the organizations, protean careerists are willing to participate in CSR initiatives.

Taken together, protean career may help employees implement CSR initiatives more efficiently. Based on the discussions above, the fourth proposition is formulated as follows.

Proposition 4. Protean career development is positively associated with the efficiency of CSR implementation.

3. Empowering: Job Design and Employee Involvement

(1) Relational job design

The CSHR practices may involve relational job design that enables employees to have a prosocial impact on and meaningful contacts with others including external stakeholders such as clients, customers, suppliers and communities. The job charac-teristics model (Hackman & Oldham, 1976) and relational job design theory (Grant, 2007) offer underlying logics of why relational job design can enhance the efficiency of CSR implementation.

A number of positive organizational behavior (POB) scholars have been devoted to the ways in which jobs are designed to motivate employees to make their positive impacts on others' lives. In the early stage of research, Hackman and Oldham's (1976) job characteristics model (JCM) introduced the concept of *task significance*, referred to as the extent to which an employee's work affects the well-being of other people. According to JCM, the concept of task significance provides a clue that jobs may trigger the motivations to make a prosocial impact on others by shaping how employees interact and develop relationships with the people affected by their work. The core rationale is that employees making a prosocial impact on others may experience competence or self-determination (Grant, 2007), which are thought to be key determinants of work performance (Conger & Kanungo, 1988).

Since JCM was introduced, many POB scholars have begun to explore more sophisticated versions of job design that emphasize the positive impacts on others. Most recently, Grant (2007) presented an integrative framework of how jobs cultivate employees' motivation to make a prosocial impact on others. Grant's construct of "relational job design" indicates that jobs designed to impact beneficiaries and to contact with beneficiaries may trigger employees' motivations to make a prosocial difference, and then these motivations may result in positive identity-affective consequences like competence, self-determination, and social worth. For instance, physicians and fire fighters may experience competence and social worth because their jobs are inherently designed to have an immediate and significant impact on others'

life and well-being. Even assembly line workers and janitorial staffs could experience such positive affects as far as their jobs are designed to impact beneficiaries and contact with beneficiaries. Specifically, janitorial staffs might experience social worth if they are praised with gratitude from internal and external members on a regular basis (e.g., staff appreciation day). Likewise, assembly line workers could also experience competent and social worth if they are allowed to interact with beneficiaries to assist them to better understand in making use of the products. And such interaction would be even more possible nowadays thanks to the advancement of information and technology (e.g., corporate website, SNS, etc.).

Two components are essential for relational job design to work: jobs that (1) impact on beneficiaries, and (2) contact with beneficiaries. On one hand, *job impacting on beneficiaries* is referred to as the degree to which a job provides opportunities for employees to affect the lives of beneficiaries (Grant, 2007). According to Grant, the potential impact of a job on beneficiaries is indicated by four key dimensions: the magnitude, scope, frequency, and focus of impact. Grant suggested that employees are likely to be motivated to make a prosocial impact on others when their jobs have a greater, broader, more frequent, harm-preventing and gain-promoting impact on people affected by their work. On the other hand, *contacting with beneficiaries* is referred to as the degree to which a job provides opportunities for employees to interact and communicate with beneficiaries (Grant, 2007). This construct is assessed by five dimensions: frequency, duration, physical proximity, depth of contact, and breadth of contact. Grant also suggested that the more frequent, extended, physically proximate, expressive, and broader the contact with beneficiaries, the more meaningful the contact is to employees; and as a result, employees should be motivated to make a prosocial impact on others.

Drawn from Grant's relational job design thesis, I argue that relational job design would contribute to the efficiency of CSR implementation. Since relational job design highlights the prosocial impact on and extensive contacts with people both inside and outside the organization (Grant, 2007; Grant & Parker, 2009), employees with relationally designed jobs may also be motivated to have a prosocial impact on and make extensive contacts with CSR beneficiaries. Then, as Grant suggested, such employees are likely to experience positive states (e.g., competence, self-determination, and social worth), and in turn implement CSR initiatives in a more agentic fashion. Thus, relational job design may help employees implement CSR initiatives more efficiently.

Based on the discussions above, the fifth proposition is formulated as follows.

Proposition 5. Relational job design is positively associated with the efficiency of CSR implementation.

(2) Employee involvement programs

The CSHR practices may involve work practices and programs that encourage employees to offer innovative suggestions for the quality improvement of CSR initiatives. Psychological ownership theory (Webb, 1912) and planned behavior theory (Ajzen, 1991) can offer the theoretical frameworks in explaining why such involvement programs could affect the efficiency of CSR implementation.

A theoretical framework of psychological ownership suggests that involvement may give rise to *a sense of shared responsibility* that stimulates favorable employee attitudes and behaviors (Webb, 1912). Through involvement programs, employees often offer their unique intellectual properties, like creative solutions and suggestions for the quality improvement of CSR initiatives. Then, employees submitting such ideas may experience a sense of shared responsibility for the organization's CSR initiatives, which in turn psychologically bind employees with the initiatives; and as a result they are likely to implement CSR initiatives in a dedicated and committed manner.

On the other hand, planned behavior theory (especially, the *behavioral control* component in Ajzen, 1991) indicates that if employees possess self-efficacy beliefs or perceive available opportunity to engage in respectful behavior, they are likely to take forms of organization-supportive actions (Jimmieson, Peach, & White, 2008; Kim, Hornung, & Rousseau, 2011). Thus, if employees perceive available opportunity to engage in respectful behavior, such as submitting creative suggestions for CSR initiatives, they are likely to take CSR-supportive attitudes, which in turn affect the efficiency of CSR implementation. Therefore, based on the discussions above, the sixth proposition is formulated as follows.

Proposition 6. Employee CSR-involvement programs are positively associated with the efficiency of CSR implementation.

4. Motivating: Appraisal and Compensation

(1) The extended multi-source appraisals

The CSHR practices may involve the "extended" multi-source appraisal practices focusing on the feedback and evaluations from CSR recipients. While existing multi-source appraisal methods focus on feedback or evaluations from multiple sources (e.g., supervisors, peers, subordinates, etc.) who have direct in-role relationships with a ratee (Seifert, Yukl, & McDonald, 2003; Smither et al., 2004), the extended multi-source appraisals focus on the extensive sources of appraisal, including CSR recipients with whom a ratee has indirect extra-role relationships. The extended multi-source appraisals may be utilized to glean feedback and evaluations from CSR recipients about how well employees implement CSR initiatives.

Motivation theories explain why extended multi-source appraisal practices can affect the efficiency of CSR implementation. First, self-presentation theory or impression management framework claims that feedback and evaluations from others change the individuals' attitudes and behaviors because people want to be liked or viewed positively by others (Baumeister, 1982; Dobbins & Russell, 1986). A growing body of empirical research has demonstrated that impression management plays a key role in the reaction to feedback (e.g., Ashford & Northcraft, 1992; Ashford & Tsui, 1991; Morrison & Beis, 1991; Northcraft & Ashford, 1990). For example, Morrison and Beis (1991) argued that impression management motive becomes a key driver to determine whether people are willing to engage in a course of actions that feedback information dictates. Therefore, it is reasonable that if employees are to get feedback from CSR recipients, they are likely to implement CSR initiatives in a devoted and committed fashion.

Second, expectancy theory indicates that feedback might lead employee to be more dedicated and committed to CSR implementation. According to expectancy theory (Vroom, 1964), people work hard when they believe that they can meet performance standards and obtain desired outcomes. Because feedback and evaluations from others can serve as clear guidelines for desired outcomes, ratees receiving feedback and evaluations from others are highly motivated to perform target activities. Likewise, feedback and evaluations from CSR recipients can motivate employees to put dedicated efforts on CSR implementation. Thus, employees' expectancy beliefs from feedback and

evaluations motivate them to better implement CSR initiatives.

Last, feedback information often disagrees with a ratee's self-evaluation. In this case, control theory (Carver & Scheier, 1981, 1982) suggests that since people have a tendency to try to minimize discrepancies between their actual behaviors and desired behaviors, they are likely to change their attitudes and behaviors so as to fit them into standards. In other words, employees who receive discrepant evaluations from CSR recipients, compared to their own thoughts, are likely to better implement CSR initiatives in order to minimize such discrepancies.

Although the extended multi-source appraisals possibly motivate employees to better implement CSR initiatives, such an appraisal system would not work unless employees possess moral/prosocial qualities. Since employees with moral/prosocial qualities may operate the automatic cognition processes and achieve greater cognitive efficiency when stimuli contain moral/prosocial components(see Fiske & Taylor, 1991), they are not only attentive to feedbacks and evaluations regarding CSR implementation, but also accurately recognize how CSR initiatives could be better executed. This speculation is somewhat tied back to the first proposition as well as the concern of "bundling" of CSHR practices, which will be discussed at length later in this article. Therefore, based on the discussions above, the seventh proposition is formulated as follows.

Proposition 7. The extended multi-source appraisals are positively associated with the efficiency of CSR implementation.

(2) Employee stock ownership plans

The CSHR practices may involve CSR-reflective compensation practices like employee stock ownership plans (ESOP). Agency theory (Jensen & Meckling, 1976) explains why ESOP can enhance the efficiency of CSR implementation. Agency theory (Jensen & Meckling, 1976) and its extended frameworks (e.g., Pendleton, 2006) hold that collective remuneration systems, such as profit sharing and employee stock ownership plans, can lower agency costs by aligning employee interests with those of the firm. As such, if employees hold a firm's equity, they are likely to pay attention to the organization's longevity and success.

However, for the argument to be true, the employees would need to view the CSR initiatives as a benefit to the organization. In fact, employees have begun to see that

CSR is beneficial to the organizations. For instance, employees tend to perceive CSR activities as an effective means to enhancing the external prestige of the organization (Kim et al., 2010). Employees perceive the external prestige through multiple channels, such as reference groups, word of mouth, publicity, and internal communication about how people outside the organization view the organization (Smidts, Pruyn, & Van Riel, 2001). With the information, employees develop their opinions about CSR (Gilly & Wolfinbarger, 1998) and compare their organization's distinctive practices with other organizations to weigh up their own organization's prestige (Lee, Lee, & Lum, 2008). As far as employees perceive external prestige of the organization due to CSR activities, they are likely to believe that CSR engagement contributes to the organizational success.

Nonetheless, since CSR activities, by nature, are a sort of extra-role activities to employees, their engagement in CSR initiatives is not always easy to be requested and even monitored. It is not hard to imagine that employees are motivated to choose their own self-serving behaviors rather than engaging in extra-role activities. However, if employees possess certain amounts of shares, such ownership leads them to align their behaviors with what the organization would like them to do. Thus, stock ownership may elicit employee's discretionary efforts, which can be a source of the efficiency of CSR implementation. Furthermore, given the long-term orientation of CSR initiatives (Elkington, 1997; Epstein, 2008), employee stock owners are likely to support the organizational activities pursuing organization's long-term success. As a result, they are likely to implement CSR initiatives in a dedicated and committed manner. Based on the discussions above, the eighth proposition is formulated as follows.

Proposition 8. Employee stock ownership plans (ESOP) are positively associated with the efficiency of CSR implementation.

Because all propositions are formulated with a certain level of abstraction, I provide specific examples of CSHR practices in Appendix.

5. The Efficiency of CSR Implementation and Financial Outcomes

In a prior section, I addressed why CSHR practices could affect the efficiency of CSR implementation. What remains unclear is the explanation about the linkage between the efficiency of CSR implementation and financial outcomes. Two concerns should be considered here: one is pertinent to theoretical rationales for the relationship, while the other is related to the type of financial outcomes.

The former concern may be upheld by the HRM research focusing on the relationship between high performance work practices (HPWP) and financial performances. HPWP scholars pay particular attention to the efficiency of ways in which employees perform the tasks, focusing on how firms can capitalize on the potential source of profitability from human resources. For instance, Bailey (1993) claimed that human resources are frequently "underutilized" because employees often perform below their maximum potential and that organizational efforts to elicit discretionary effort form employees can provide returns in excess of any relevant costs. Bailey contended that organizational effectiveness should be associated with employees' discretionary efforts, and HR practices can affect such discretionary efforts not only through their influence over employee skills and motivation but also through organizational structures that provide employees with the ability to control how their roles are performed. Indeed, a number of empirical studies have confirmed the positive effect of HPWP on corporate financial outcomes (e.g., Becker & Huselid, 1992; Boudreau, 1991; Cascio, 1991; Flamholz, 1985; Schmidt et al., 1979; Terpstra & Rozell, 1993).

Building off of the HPWP arguments, it is reasonable to argue that CSHR practices can affect the efficiency of CSR implementation, and subsequently financial performances. As defined, the CSHR practices can be seen as work practices that promote employees' discretionary efforts to implement a firm's CSR initiatives. In other words, like HPWP, the CSHR practices can affect employees' discretionary efforts to engage in CSR implementation so that employees are *maximally utilized* to perform social initiatives. Furthermore, Huselid (1995) offered an advanced insight to explain how the CSHR should bring financial outcomes. Although Huselid himself strongly supported the transferability of positive impact of HR practices on financial performances across the organizations, he also suggested that firms that "tailor" their HR practices to their particular strategic and environmental contingencies should also be able to help to realize financial gains. From Huselid's standpoint, since CSR-supportive HR practices

can be seen as the unique work practices tailored to make social investment profitable, it is anticipated that CSHR practices can yield financial outcomes through the increased efficiency of CSR implementation.

With respect to the latter concern, the previous literature suggests that CSR could lead to financial outcomes only when the measures theoretically are related (Orlitzky, Schmidt, & Rynes, 2003; Wood & Jones, 1995). For example, Wood and Jones(1995) argued that no significant correlations between CSR and financial performances would be expected by the measures that cannot be linked theoretically. Specifically, they illustrated that the match between market measures and market-oriented stakeholders (e.g., customers or clients) would yield a significant positive relationship, while the correlation between market measures and charitable contributions would not.

Guided by Wood and Jones's (1995) suggestion of various metrics indicating financial performances, I suggest that the CSHR practices might be most closely associated with profitability metrics because what makes such a linkage possible rests on the degree to which CSR initiatives are implemented *efficiently*. A profitability ratio directly associated with CSR should be manifested by the calculation of return on social investment (ROSI). ROSI indicates the bottom line return for every dollar spent for CSR investment expenditure, assuming the net profit being divided by a total costs of social investment. Thus, ROSI implies that how efficiently social investment is exploited to yield corporate profits.

It is worthwhile to note that return on social investment (ROSI) should be distinguished from the existing concept of social return on investment (SROI). As mentioned, ROSI refers to net profit being divided by a total costs of social investment of the firm, and thus akin to the concern of internal rate of return within the context of a larger decision of investment. SROI is a method for measuring values that are not traditionally captured in financial/accounting statements, including social or environmental contributions, which can identify how efficiently an organization uses its resources to create value for the community and society (Lingane & Olsen, 2004; Rotheroe & Richards, 2007). Thus, SROI is used to evaluate the general progress of social developments (initiated by either for-profits or social enterprises), showing both the financial and social "impact" of the organization toward various stakeholders. Simply stated, ROSI explains what extent a firm recoups the outlay of social investment, whereas SROI explains what extent social investment has an impact on society (e.g., number of beneficiaries in a certain philanthropic program). Taken together, the last proposition is formulated

as follows.

Proposition 9. The efficiency of CSR implementation is positively associated with return on social investment.

V. DISCUSSION

While there has been growing attention to CSR, the attention has rarely been directed to the roles of HR and employees. However, one global report (SHRM, 2007) revealed the extensiveness of employee involvement in CSR and its relevant HR practices. According to the report, organizational managers in many countries claimed that HR departments increasingly have been taking primary responsibility for "implementing" their organizations' social initiatives, and a number of HR practices to promote employee participation have been administered. For instance, thousands of HR managers who participated in the survey reported that 47 percent of the U.S. companies provide employee volunteer events during work hours, while 61 percent of Australian companies allow employees to take a leave of absence for volunteer works. Further, 20 percent of the organizations in both India and Brazil count employees' volunteer participations in their performance assessment, whereas 47 percent of the organizations in Canada, the U.S., and Australia are willing to solicit employees' input when selecting or revising CSR initiatives (SHRM, 2007).

This survey hints at the idea that HR practices have a significant influence on the ways in which CSR initiatives are implemented and eventually make CSR recoupable. For example, asking employees to suggest innovative ideas for CSR initiatives might lead them to implement CSR initiatives in a more discretionary fashion. Also, performance assessment coupled with volunteer activities might both extrinsically and intrinsically motivate employees to better implement CSR initiatives. In short, HR practices may significantly affect the ways in which CSR initiatives are implemented, which can ultimately determine the extent to which social investment is recouped.

In that regard, this article conceptualizes the unique feature of HR practices that can help translate social investment into financial outcomes. This article introduces a unique set of HR practices, named as CSR-supportive HR practices. By highlighting the unique roles of HR practices and employee participation in implementing CSR

initiatives, this paper provides theoretical and practical contributions to the current understanding of CSR.

From a theoretical standpoint, first of all, this paper attempts to disentangle the complex linkages between CSR and financial outputs by looking at an *internal* mechanism (i.e., HR practices and employee participation) associated with the ways in which CSR initiatives are implemented. This insight clearly extends the existing external approaches which focus primarily on exogenous factors (e.g., building positive reputation, attracting high-quality workforces, improving the relationships with stake-holders, or building customer loyalty). To date little is known about the internal process through which CSR investments are or could be recouped. This paper sheds additional light on the conditions in which CSR practices are beneficial to the organization. And this insight directly extends the work by Surroca, Tribbo, and Waddock (2010), who link social performance to financial performance via a firm's intangible, internal resources. By demonstrating the role that the CSHR practices could play in the successful implementation of CSR initiatives, this helps to underscore the arguments of Surroca et al. (2010), who demonstrate that human capital is an important hidden mechanism of the relationship between CSR and financial performance.

Second, this insight even departs from existing internal approaches that assume a limited role of an employee as an observer. In fact, a growing number of researchers in micro areas have already documented that employees as an observer could be the key underlying factors that translate CSR into organizational performances (see a critique in Chang, Oh, & Messersmith, 2013). Arguably, there have been at least two lines of research for this viewpoint. One group of researchers have focuses attention on employer attractiveness. Those researchers suggest that CSR leads to organizational success because high-quality job seekers are more attracted to the socially responsible organizations (Backhaus, Stone, & Heiner, 2002; Greening & Turban, 2000; Turban & Greening, 1997). Another group of researchers have explored how employees develop their positive attitudes (e.g., organizational commitment) and behaviors (e.g., in-role and extra-role performances) toward the organization as observing the organization's CSR practices (e.g., Carmeli, Gilat, & Waldman, 2007; Lin et al., 2010; Maignan & Ferrell, 2001; Peterson, 2004). Thus, the existing internal approaches have a restricted view on the role of an employee merely as a passive CSR audience.

This paper, however, incorporates the *participatory* role of an employee into HR practices to address the equivocal linkage between CSR and financial performances.

This approach clearly extends the scope of theorizing for the employees' roles in the CSR context from *passive audience* (Ruppet al., 2006) to *active participant* (Chang, 2013; Grant, 2012; Van Buren, 2005), so that it offers a richer description of the employee-CSR dynamics. Such an employee-centered approach (i.e., employees' active engagement in CSR initiatives) should lay groundwork for existing and future micro-CSR studies that focus on employees' various roles in the CSR context.

From a practical viewpoint, while HR domains have played a minimal role in CSR-related inquiries to date, this paper emphasizes the roles of HR practices in determining the profitability of social investments. By doing so, the HR function can act as a key player in developing organization's social agenda. In this regard, this paper offers a practical solution for the administrative condition in which CSR investments could be translated into profitable ones. Every organization has a wide variety of investment portfolio and can calculate the return on investment (ROI) for each investment option, such as return on R&D spending, return on venture investment, etc. It is not surprising for organizations to choose to invest corporate resources on the option with a clear ROI expectation. This paper suggests that CSR investments could be one of the best options of investment "when" the organization utilizes the CSR-supportive HR practices. And such HR practices touch upon almost all domain-specific HR practices, including recruiting, selection, training, career development, job design, employee involvement, appraisal and incentives. HR managers would need to be advised by this paper to design HR practices that make CSR investments more recoupable.

Nonetheless, the practical importance of HR practices for social investment may ask further speculation about how CSHR practices should be administered. The internal alignment/misalignment or fit/misfit framework (e.g., Delery, 1998) provides an additional important insight. The CSHR practices are a *bundle* of HR practices. In a practical level, it seems feasible that firms may vary in both the number of practices utilized and the extensiveness of employee coverage. To the extreme, organizations may range from those making no use of CSHR practices to those using all of the practices for all employees. From a realistic standpoint, however, most firms are likely to be placed somewhere in between. If most firms are to use multiple practices, they need to answer to the question whether each practice is complementing or competing as a bundle in predicting financial outcomes.

Existing strategic HRM scholars argued that in order for multiple HR practices to be complementary or additive in producing financial outcomes, individual practices

should be aligned each other with a great consistency (e.g., Combs et al., 2006; Delery, 1998; Ichniowski, Shaw, & Prennushi, 1997; MacDuffie, 1995). For example, Delery (1998) illustrated that if managers administer team-based practices while leaving compensation focused on individual performance, two practices may end up getting clashed; however, if managers administer team practices while team-based compensations are assigned, two practices complement and lead to enhancing organizational performances. In short, what makes multiple HR practices more operable is their internal alignment or consistency.

With respect to the internal alignment, I propose that CSHR practices might be complementary or additive because all individual CSHR practices, by nature, are designed to promote the efficiency of CSR implementation. For example, acquiring moral/prosocial human resources is conducive to efficient CSR implementation; however, if organizations also provide moral/prosocial employees with intensive legal/ethical training, the efficiency will be reinforced further. In addition, relational job design (e.g., frequent contacts with CSR beneficiaries) is most likely to promote the efficiency of CSR implementation when such job design is coupled with the practices of feedback and appraisals from CSR recipients with whom employees make contacts. In short, due to the inherent internal alignment, the CSHR practices might be additive in yielding financial outcomes as the number of practices utilized increases, though this speculation should be tested in an empirical setting.

Despite the contributions, this paper is not without limitation. First, HR practices introduced here are not exhaustive but only selective. Future researchers need to develop more extensive HR practices so that social performers might financially benefit more from using a thicker description of the CSHR practices. Second, this article just provides conceptual speculation for the potential impact of the CSHR practices on financial outcomes. Future researchers can conduct empirical works to examine the actual impact of the CSHR practices on the efficiency of CSR implementation and financial outcomes. In doing so, future researchers need to be careful for teasing out the potential confounding effect of the employee characteristics that have to do with the natural proneness to CSR, as well as the indirect effect of CSR advertisement or promotion.

In closing, contemporary organizations in many countries have been presenting their prosocial endeavors to the society by initiating a wide variety of responsible activities. Paralleling the increasing popularity of corporate social responsible activities in a

business world, numerous studies have attempted to identify whether social investment can promise a gain in financial outputs. However, inconclusive findings may even boost the skepticism that business organization's social agenda cannot be reconciled with their instrumental goals. This article deals with that concern and provides one possible solution to resolve such tensions. Thus, organizational decision makers need to pay more attention to HR practices (박희준・정민영, 2010), while allocating organizational resources to social investment, in order to merge organizational social endeavors with its instrumental goals.

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기업의 사회적 책임 (CSR) 활동이 재무적 성과 환원에 미치는 영향에 관한 연구: 인사제도를 중심으로

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기업의 사회적 책임(CSR) 활동이 재무적 성과로 환원되는 복잡한 메커니즘을 규명한 수 많은 연구들이 존재하지만, 그 중에 특히 인사 제도 (HR practices)의 역할에 집중한 연구는 매우 희소하다. 본 연구에서는 CSR활동이 재무적 성과로 환원되기 위해서는 CSR 활동의 수행 주체인 종업원들이 고관여(engaged) 상태로 CSR 활동을 효과적이고 효율적으로 수행해야 한다는 전제하에, 그러한 종업원의 고관여 상태에 영향을 주는 인사제도를 이론적으로 추론하고 CSR-supportive HR practices(CSHR)라는 명칭으로 개념화 한다. CSHR은 구체적으로 종업원의 채용, 교육개발, 임파워링, 그리고 동기부여에 관여하여 종업원의 고관여 CSR 실행을 가능하게 한다. 본 연구의 이론화 작업을 통해 CSR 연구가 인적자원관리 및 조직행동 분야로 그 연구의 영역을 확대하기를 고대한다.

핵심어: 기업의 사회적 책임(CSR), CSR 지원적 인사제도(CSR-supportive HR practices), CSR 수행, 재무성과

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<Appendix> Examples of CSHR practices

HR domain	CSHR practices	Examples
Acquiring	Recruiting and selecting moral/prosocial human resources	• Systemic recruitment tools (e.g., online-broadcasting, career fair, campus visit, etc.) that display organizational passion and willingness to hire employees with high level of moral/prosocial traits and values • Extensive recruitment strategies to attract potential employees with high levels of moral/prosocial traits and values; scientific selection tools (e.g., official admission tests or multisource evaluations) that assess if potential employees possess high levels of moral reasoning abilities • Systemic selection tools (e.g., structured interviews) that assess whether job candidates have played a leadership role in engaging in prosocial activities such as volunteering, donation, mission trips, and so on
	Recruiting and selecting diverse human resources	• Systemic recruitment tools (e.g., online-broadcasting, career fair, campus visit, etc.) displaying organizational passion and willingness to hire diverse employees, especially racial/sexual minorities • Extensive recruitment strategies to attract diverse employees • Systemic selection methods preventing any type of discrimination in the process of hiring
Developing	Intensive legal/ethical training	• Intensive legal/ethical training or educational programs designed to help employees acquire CSR-relevant missions and knowledge • Intensive legal/ethical trainings or educational programs design to promote employees' moral reasoning abilities • Intensive legal/ethical trainings or educational programs designed to foster employees' ethical leadership qualities
	Protean career development	• Career development programs allowing employees to have work and non-work experiences both inside and outside of the organization • Career development programs reflecting employees' intrinsic values • Career development programs helping employees self-direct their own career paths
Empowering	Relational job designs	• Job design enabling employees to have a great, broad, frequent, harm-preventing, and gain-promoting impact on multiple stakeholders (e.g., customers, clients, suppliers, and communities) • Job design enabling employees to have frequent, extended, physically proximate, and expressive contacts with multiple stakeholders
	CSR-related employee involvement programs	• CSR-related employee involvement programs such as quality circles, suggestion boxes, hot-lines, etc • Comprehensive work practices (e.g., cross-functional open communication, informal meetings, flexible work schedules, etc.) to encourage employees to participate in CSR-related employee involvement programs

HR domain	CSHR practices	Examples
Motivating	Extended multi-source appraisals	• Comprehensive appraisal methods (both qualitative and quantitative methods) to capture the feedback and evaluations from CSR recipients • Structured appraisal practices capturing the feedback and evaluations from CSR recipients
	ESOP	• Compensation practices associated with employee stock ownership • An extensive coverage of ESOP • Work practices encouraging employees to hold stocks of the organization

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