Junior Managers as a Critical Resource and how to use CSR as a Strategic Tool to Attract and Retain them in the Oil Industry

Insights from an Experimental Study

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Abstract

The resource-based view of the firm identifies the human workforce as one of the most critical contributors of a sustainable competitive advantage. Attracting, retaining and motivating talent is therefore a critical variable determining the future success of a company. The impact of CSR is often discussed respecting a firm's attractiveness for potential employees. However, concerning the retention of employees, in particular, junior managers, little discussion exists so far. Therefore, a study on how junior managers perceive projects with a CSR dimension and whether CSR can be considered as a strategic tool for employee retention is discussed here. The study finds that CSR topics are indeed relevant to junior managers' decision making. However, in line with previous research, financial information and its consequences for decision-makers (e.g. bonus) are found to play the most dominant role in the pre-decisional phase of the judgement process. Further results regarding the perception of CSR projects are mixed and at the same time, gender differences in project choices are observed. This paper contributes to the question whether and how CSR can be seen as a strategic tool and especially how it can be used to attract and attain human resources.

Introduction: The Resource-based View and the Human Workforce

Companies operating on a global scale need to position themselves in the competitive landscape. In classic strategic management literature, a corporation's competencies and resources play a critical role in this process. Resources are heterogeneously allocated among enterprises (Barney 1991) and those resources that are apt to distinguish the corporation from others can be the basis of a competitive advantage (Andrews 1971). However, in literature, it is argued contrarily that different firms' resources are more homogenous than expected and, thus, it depends on their combination whether a competitive advantage can be gained. Resources and their combination can also impose barriers to a firm's successful position (Wernerfelt 1984). Out of different resources, human resources can be considered as a great potential for competitive advantage (Wright et al 1994) especially for companies competing on a global scale (Porter 1986). Since human resources are a crucial part of any company's activity and thus an important variable in the value creation process, they are of particular necessity for the focal firm's overall competitive advantage (Barney and Wright 1997, Bartlett and Ghoshal 2002).

The fact that companies need highly skilled employees results in challenges of attracting, developing and retaining them (Hiltrop 1999). Retention of human resources is

particularly pertinent since actual turnovers of employees reduce the productivity of corporations (Abbasi and Hollmann 2000) and involve high cost (Davidson et al. 2010, Pinkovitz et al. 1997). Even an employee's intention to leave the company has negative consequences as it might be related to a breach of the so-called psychological contract between the firm and its employee (Rousseau, 1995). This means that the employee is no longer willing to completely fulfill his contractual and informal conditions, e.g. engaging in long-term exchange relationships (Christian & Ellis, 2014). Previous research indicates that turnover intention is positively related to employees' work deviance (Christian and Ellis, 2014) and that is one of the antecedents of actual turnovers (Griffeth et al. 2000). Once an employee decides to leave the firm and finally quits, the organization is harmed not only due to the loss of human capital but also through the need to engage in the costly process of finding a replacement (Palanski et al, 2014).

Expectation of Employees

A firm's performance depends strongly on the attitudes and performance of its employees. Previous research demonstrates that employees search for corporate values that are in line with their ones (Amos and Weathington 2008). Often this expectation goes beyond sole financial values and includes social and environmental dimensions. When a firm's values are congruent with employees' expectations, they are more motivated and productive, their loyalty to the company increases and turnovers can be reduced (Cable and Judge 1996). For a firm, a mean to communicate its values is the corporate social responsibility (CSR) footprint, which becomes an essential instrument to attract and retain talent (Bhattacharya et al. 2008). CSR footprint covers social, environmental and economic dimensions (Székely and Knirsch 2005).

CSR and Reputation

CSR can affect the reputation of a company and even of a whole industry. In general, those enterprises and industries that are ranked low in employer attractiveness face challenges when seeking to attract and retain talent. (Trendence Institute 2015). The energy sector, for example, experienced a decrease in attractiveness compared to other sectors as a consequence of the environmental disasters, in which companies such as BP and EXXON were involved.

There are several ways to strengthen a corporation's reputation and to affect how employees perceive its operations. Examples are higher salaries compared to competitors, home office options or flexible working hours (Hiltrop 1999). Additionally, CSR is a potential variable to differentiate a firm in the labor market and can present a source of competitive advantage (Backhaus et al. 2002).[1] A positive perception of a company's CSR activities can enhance its attractiveness and support its legitimacy even when engaging in debatable production processes, such as the oil industry (de Roeck and Delobbe 2012). Thus, CSR can be used as an active signaling tool to attract talent (Greening and Turban 2000). Mahoney et al. (2013) argue that there are two reasons for publishing CSR reports: To use them as a signaling tool for higher CSR commitment or to use CSR for greenwashing of corporate activities. The probability to see a positive effect on how firms are perceived by external stakeholders (such as potential employees) is higher when CSR performance is transparent and traceable, e.g. through the disclosure of CSR indicators (cf. Greening and Turban 2000).

[1] According to Schnietz and Epstein (2005), CSR impacts also a company's stock market value because good reputation for CSR can prevent stock declines during a corporate crisis under some circumstances.

Summary of the Study

A company's future CSR profile is strongly influenced by its junior managers. Despite the often-discussed question how potential employees perceive CSR, only a few studies are concerned with the role of CSR in junior managers' project choices. Through this study[2], it is examined whether junior managers consider the impact of a project on the company's CSR performance in their decision-making process. In particular, it is investigated, whether they would personally choose to work on these projects. Dedicating their labor and time to a topic or project is within the span of control of a junior manager and it is a clear proof of commitment to such issues. By choosing a project voluntarily, their intentions become visible. When junior managers can engage in a project, with which they can identify themselves, their attitude towards the company can be positively affected and potential turnover intentions might be reduced. Applied in this manner, CSR projects and measures become a strategic tool to attract and retain talent.

In this study, prioritization and perception of CSR activities within a German subsidiary of a global energy-producing company in the oil industry are observed. Moreover, it is analyzed how junior managers trade off financial consequences both for the enterprise and for themselves in the form of remuneration. Additionally, the employees' evaluation of financial benefits compared to CSR dimensions are examined.

An online experiment with the respective company's junior managers is conducted. The process-tracing technique to monitor the junior managers' information acquisition and weighting processes is applied, which allows analyzing how often and to what extent managers access and use information that was presented to them during the experiment. The study's decision scenarios includes multiple project options (environment, society, EBIT, employees), out of which junior managers selected the most and least attractive project for them. The projects differ with regard to financial and CSR dimensions and participants are provided information about these aspects. The project scenarios are realistic and resemble employees' decision-making situations in the everyday business of an international corporation in the energy sector.

The study indicates that CSR topics are indeed relevant to management talent. However, in line with previous research, financial information and its impact on decision-makers (e.g. bonus) play the most dominant role in the pre-decisional phase of the judgment process (cf. Schauß et al. 2014). Correspondingly, the experiment reveals that the most attractive project for young talents improves only EBIT whereas the least important project develops employee benefits (e.g. female share in management and reduction of staff sickness rate). Amongst participants, the employee project is regularly ranked least attractive. Regarding the EBIT project, different evaluations amongst the contestants appear: It is considered the most interesting project but also the second least attractive one. This apparent contradiction demonstrates that the opinion of participants is divided. Findings from the environmental and societal project arewere less controversial. Moreover, this study demonstrates that purely selfish motives are not sufficient to explain the choices made by participants.

In sum, the results demonstrate that the junior managers' project evaluation depends on financial as well as on CSR dimensions. In the sample, the employees accessed project information rather holistically and traded-off financial consequences of their project choice with social and environmental ones. Overall, financial aspects were considered most important. The results also suggest that male participants focus more on financial aspects

[2] The original study was conducted by Matthias Sohn, Dominik Fischer (Zeppelin University) and Werner Sohn (Berlin School of Economics and Law). The paper is currently in the review process for the book: Measuring and Controlling Sustainability: Spanning Theory and Practice

compared to female participants. Further results underpin the finding that CSR dimensions affect the project choices of junior managers. Thus it is argued, that companies engaging in CSR should not only measure their CSR activities but also need to communicate them to their employees through making transparent how individual project choices impact CSR activities of the firm. Since CSR is important to attract, develop and retain talent, which are one of the most valuable resources of the company, it needs to be considered in corporate strategy. Using CSR as a strategic tool to retain the critical resources, the workforce allows achieving competitive advantage.

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