

# CSR as a Driver of Employee Engagement

A BRIEF FOR LEADERS OF CANADIAN COMPANIES

In this brief, we highlight the key CSR findings of Hewitt Associates' 2010 Best Employers in Canada study. Since 2000, the Best Employers in Canada study has been measuring employees' perceptions of their employer and work environment. In 2010, in collaboration with CBSR, Hewitt introduced Corporate Social Responsibility as the 21<sup>st</sup> driver of engagement in their Employee Engagement Model.

## What is employee engagement and why does it matter?

Hewitt defines engagement as the emotional and intellectual commitment of an individual or group to an organization that supports building and sustaining business performance.

Engagement goes beyond employee happiness or satisfaction by focusing on behaviours that produce results. It also focuses on the entire employee population of an organization—not only on how to engage employees, but also on how to maintain engagement among those already engaged and contributing.

Hewitt measures engagement through six questions that assess an employees' willingness to speak positively about their employer (SAY), intent to continue working with their employer (STAY) and their desire to go above and beyond to ensure their employer is successful (STRIVE).

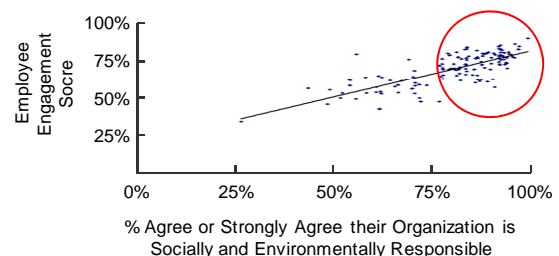
Global research conducted by Hewitt revealed that organizations with high engagement generated total shareholder returns that were 29% above average. Those with moderate engagement produced returns that were only 1% above average. Organizations with low engagement had total shareholder returns that were 60% below average.

Low employee engagement is pervasive—nearly half of the world's employees are not engaged. This means that for every employee who is contributing to the success of your organization, there is another employee not putting forth maximum effort. Hewitt's research across more than 7,000 organizations indicates that each disengaged employee can cost an organization an average of \$10,000 in profit annually. Therefore, it is advantageous to the business to improve employee engagement.

- | Hewitt's 21 Drivers of Employee Engagement |                             |
|--|-----------------------------|
| • Benefits                                 | • Pay                       |
| • Career Opportunities                     | • People/HR Practices       |
| • <b>Corporate Social Responsibility</b>   | • Physical Work Environment |
| • Co-Workers                               | • Recognition               |
| • Employee Health & Well-Being             | • Resources                 |
| • Intrinsic Motivation                     | • Retirement Savings        |
| • Learning & Development                   | • Senior Leadership         |
| • Manager                                  | • Work/Life Balance         |
| • Managing Performance                     | • Work Tasks                |
| • Middle Management                        | • Work Processes            |
| • Organizational Reputation                |                             |

## There Is a High Correlation between Employee Engagement and CSR

Employees within high engagement organizations generally have more positive perceptions of their employers' commitment to social and environmental responsibility.

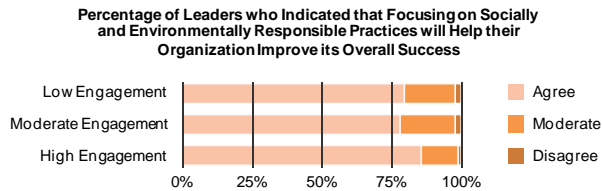


## A Lack of Commitment to CSR Could Decrease Employee Engagement

An analysis of the study data indicated that perceptions of CSR appear as one of the top five threats to employee engagement more than a third of the time. At a minimum, organizations need to sustain their current CSR commitments or risk a decline in employee engagement. It is especially important for organizations with low

employee engagement to sustain their CSR efforts. In over 60% of these organizations, declining positive perceptions of CSR could cause significant declines in engagement.

### There Is Strong Leadership Support for Corporate Social Responsibility



Regardless of an organization’s employee engagement score, its leadership (Chief Executive Officer and his/her direct reports) believe that focusing on socially and environmentally responsible practices will help their overall success. Furthermore, the majority of business leadership also believe that the return on investment in socially and environmentally responsible practices will justify its expenditures.

### Leaders Believe CSR is Good for Reputation, Employee Engagement & the Environment

Business leaders ranked the top three benefits of investing in or pursuing socially and environmentally responsible practices as follows:

- Positive organizational reputation;
- Higher or sustained employee engagement; and
- Eliminate/reduce impact on the environment.

Leaders also ranked the top four obstacles to CSR as:

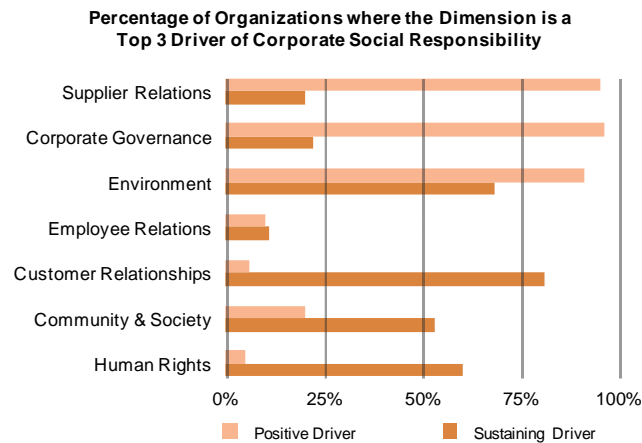
- Lack of resources;
- Too costly;
- Return on investment insufficient or unclear; and
- Lack of organizational structure to support efforts.

### Employees Highlight How to Sustain and Drive Organizational CSR Performance

Similar to Hewitt’s use of 21 employee engagement drivers, Hewitt measured the perceptions of CSR using seven dimensions of CSR (informed by Jantzi-Sustainalytics): Supplier Relations, Corporate Governance, Environment, Employee Relations, Customer Relationships, Community & Society, and Human Rights.

Regardless of employee engagement levels, employee responses trended similarly in their agreement with their organization's commitment to the different dimensions of CSR. Generally employees believed their organizations demonstrated strong commitment to communities and customers, but lacked a concerted focus on corporate governance. When we analyzed the study data on the impact of all seven CSR dimensions on employee perceptions of CSR, those beliefs were reinforced.

Specifically, concentrating on improving supplier relations, corporate governance and the environment will have



the greatest impact on improving employees' perceptions of the organization's CSR commitment. However, the analysis also indicated that organizations should maintain their commitments to customers, the environment, human rights and communities or risk significant decreases in employees' perceptions of their organization's CSR commitment.

The findings of the study further support the business case for continuing the CSR and employee engagement journeys; combining initiatives to sustain both employee engagement and CSR will yield a better return on investment than individual non-coordinated efforts.

For more information about Hewitt's 2010 Best Employers in Canada Study or CBSR's analysis of the CSR results: Hewitt – Neil Crawford, Principal and Leader, Best Employers in Canada Study, [neil.crawford@hewitt.com](mailto:neil.crawford@hewitt.com), mobile 647.294.7428

CBSR – Barb Steele, Director of Membership, [barb@cbsr.ca](mailto:barb@cbsr.ca), office 416.703.7435 ext. 222