

Title: CSR, Employee Performance and Disruptive Sustainability in the Readymade Garment Industry in Bangladesh

Abstract:

Corporate Social Responsibility is an ongoing effort and initiative that has been embraced by organizations around the world. It is perceived to be an impact on society, whereby, the community, employees and customers are the direct stakeholders that are benefitted and engaged in disseminating the practices. Performance management is crucial for all organizations for sustainable growth and success. The outcome of employee performance has a direct link to organizational success. As employees are an essential receiver and contributor of CSR policies, the impact of CSR practices by organizations needs to be further researched to understand their impact on employee performance. Previous studies conducted leans towards a positive relationship, however, most studies show ambiguous results and needs to be further explored. The developmental paper aims to study the impact of CSR policies and practices on employee performance specific to the readymade garment industry in Bangladesh that has faced challenges on sustainability issues causing a disruption in their processes and practices. In the past decade, the Bangladesh RMG industry has been exposed to CSR following expectations from the B2B partners. With the rising expectation of practicing CSR as a strategy, the apparel manufacturers are engaging in CSR to build a better community, benefit employees and satisfy customers. Through further investigation on employee perceptions of CSR and their attitude towards their organization's CSR practices, it can be ascertained whether their efforts towards CSR to the employees have a positive impact on employee performance and simultaneously contribute to knowledge of CSR and employee performance.

Authors: Naushaba Chowdhury, Dr. Pravin Balaraman, Professor Jonathan Liu

Keywords: Corporate Social Responsibility, Employee Performance, Readymade Garment Industry, Bangladesh

Track: Performance Management

1. Background of the research:

The developmental paper focuses on the impact of CSR practices initiated by apparel manufacturers in Bangladesh on their employees' performance. Through reviewing literature, it is evident that CSR is an impact on the society at large (Dmytiryev et al., 2021) and disseminates the activities through the three key identities of the community, the employees, and the customer (Singh & Misra, 2021). The impact on the community essentially relates to the philanthropic responsibilities, while the impact on customers largely covers the economic, legal, and ethical responsibilities. The impact on employees can be seen as philanthropic, legal, and ethical responsibilities. The RMG sector in Bangladesh has seen a series of unfortunate incidents from 2012 and since then has addressed compliance to CSR as a strategic intent. The Tazreen fire in 2012 and Rana Plaza collapse in 2013 have brought the industry to great scrutiny globally (Saha et al., 2021) and following this, the industry was made to transform their operations and mindset leading to a disruption in their practices to overcome the challenges.

The investment and initiatives of CSR by the organizations in many ways disrupt the comfort zone of how they operate. Many of the standards relate to health and safety standards, employee welfare and wellbeing which are CSR policies extended to the internal stakeholder (Talapatra et al., 2022). While the RMG industry's compliance to CSR is a strategic decision for overcoming challenges of

corporate reputation and adhering to customer requirements, the impact and perception of the receiver of the policies need to be explored to understand the credibility and success of these initiatives. The contribution of this developmental paper is to understand the impact of CSR on employee performance in the context of the RMG industry in Bangladesh.

The paper is further intended to contribute knowledge from the context of the RMG industry's contribution to the SDG goals of Good Health and Wellbeing and Decent Work and Economic Growth.

1.2 Research Aims and Objectives:

The developmental paper aims to understand the impact of CSR on employee performance in the context of the RMG industry in Bangladesh. Through literature it has shown that the impact of CSR policies and practices on employee performance has been inconclusive with ambiguous results (Singh & Misra, 2021), hence, the developmental paper aims to study the RMG industry to understand the impact.

The paper will be investigated further through primary research as future research prospect to test the hypotheses established in this study. The study will be a contribution to the knowledge of the drivers of employee performance management.

2 Literature Review:

2.1 Corporate Social Responsibility:

Corporate Social Responsibility is considered as activities and strategies executed by organizations to fulfil various responsibilities for both internal and external stakeholders with the aim to achieving long-term sustainable growth and competitive advantage (Carroll, 2021). CSR practices are seen to be an increase in expenses in the short term (Chang et al., 2021) which is an additional financial burden, however, businesses have progressed from the idea of satisfying their shareholders to satisfying their stakeholders. Companies exist, operate, interact, and function within social boundaries as a part of the society and contribute as a member of the society that goes beyond pure economic exchange (Al-Shammari et al., 2021). Although there is much debate about whether CSR has a relationship with organizational performance, there are more studies that show a positive relationship. Research has shown the positive relationship between CSR and financial performance of organizations because of enhanced firm reputation, increased stakeholder reciprocation, mitigating firm risk and strengthening innovation capacity (Vishwanathan et al., 2020). Further reinstating that fulfilling both economic and social responsibilities simultaneously will enable organizations to achieve financial performance (Al-Shammari et al., 2021). CSR is said to have a positive impact on enhancing corporate reputation amongst various stakeholders as an organization's socially responsible behaviour enhances stakeholder's perceptions (Singh & Misra, 2021). For many industries, CSR is a strategic tool for achieving sustainable performance and green practices in the workplace and in addition to CSR, it is expected to instigate pro-environmental behaviour within employees for achieving corporate sustainability (Suganthi, 2019). Employee performance is referred to as the financial or non-financial outcome of an employee which would have a positive impact on the performance of the organisation and its success (Anitha, 2014). Thus, the CSR policies and practices that are initiated by organizations for the benefit of the stakeholders including the employees, could have a positive effect on the employees which would ultimately benefit the organization's success.

Stakeholders are key to shaping CSR activities for organizations as it is expected by the stakeholders that organizations will fulfil the economic, legal, ethical, and philanthropic responsibilities that will lead them to achieve long term sustainable growth and competitive advantage (Carroll, 2021). Internal CSR relates specifically to employee welfare and business ethics, CSR towards employees is expected to have a positive impact on job performance (Singh & Misra, 2021) which would also benefit the organization in return (Anitha, 2014). Through engagement in CSR activities, an organization is likely to improve employee morale productivity, and satisfaction, leading to better corporate performance (Chang et al., 2021), CSR initiatives from organizations are seen to be an exchange resources between their internal stakeholders and external stakeholders. Organizations and their stakeholders are expected to be benefitted as a result of this exchange (Asante Boadi et al., 2019). Organizations that engage in CSR generally are perceived to be attractive to employees resulting in increased output, commitment, and satisfaction. (Asante Boadi et al., 2019). However, there are risks of employees being sceptical or critical of the organization's CSR initiatives that could result in the failure to motivate employees (Vlachos et al., 2017). Thus, through research it is still inconclusive on the relationship between CSR and employee performance.

2.2 The RMG industry in Bangladesh

The readymade garment industry is known for its contribution to urbanization of Bangladesh. The industry is the biggest sector contributing to the export earnings of the country and is responsible for employment of 4.2 million workers. Following the unfortunate incidents of the Tazreen fire in 2012 and Rana Plaza collapse in 2013, the industry has been under tremendous scrutiny in terms of CSR, but at the same time has been introduced to various CSR guidelines to uplift the standards and compliance of the factories (Saha et al., 2021). Research denotes that CSR will deliver transformational results especially in developing countries where there are more economic progress and opportunities (Carroll, 2015).

Amongst the wide variety of management standards that have been introduced to the factories, the most frequently used management standards are ISO 9001, ISO 14001, OHSAS 18001, and SA 8000. Implementation of these standards relate to health and safety, better management of environmental issues, reduction of labour risk, ensure labour rights, increase trust between employee and management, job security, decent work environment, etc (Talapatra et al., 2022). Retailers who are the B2B partners of the factories have their own technical, environmental, and ethical audits. Ethical Cultural Practices has escalated in literature and is of importance to amalgamate with CSR policies and standards recommended by the customers and third parties (Waheed & Zhang, 2022).

Research further shows some of the challenges that Bangladesh faces regarding CSR towards employees. Despite CSR being actively practiced by majority of the factories as a strategic intent, there are some areas of weakness that prevail. The monitoring of labour rights practices, environmental management, ex-post monitoring, risk management, low carbon technology and transparency in corporate governance have been identified to not be of a satisfactory level (Saha et al., 2021). The conclusion to the unsatisfactory state of CSR is said to be an outcome of the absence of poor enforcement of laws, weak participation of stakeholders, lack of enforcement of backdated industrial laws and regulations, weak unions, lack of consumers' right groups and high levels of corruption (Saha et al., 2021).

Although the industry has made significant progress in achieving CSR goals mainly through the pressure of external stakeholders, this has in many ways disrupted how the organization used to operate and what the employees were accustomed to. Previously research has been conducted on employee perception of CSR from an organization focussed attitude rather than individual level outcomes of wellbeing and engagement (Kim & Kim, 2020).

3 Theoretical concepts and Hypothesis

In reference to the literature in the above sections, the stakeholder theory to CSR affirms that employees are an internal stakeholder. It further denotes that organizations engaging in CSR are more reputable that enhances stakeholder perspective and there is a relationship between CSR and employee performance with outcomes of increased output, commitment, and satisfaction.

The two theories relevant to CSR practices and employee performance are Organizational Citizenship Behaviour and Social Exchange Theory. The Organizational Citizenship Behaviour defined by Organ in 1988 explains that employees will choose to behave as organizational citizens when they perceive the actions of the organization to be genuine and fair. This behaviour is considered to be a part of an employee's behaviour based on their own acceptance of the organization's practices which results in their positive response to demonstrating organizational citizenship (Trivellas et al., 2019). The Social Exchange Theory supports the Organizational Citizenship Behaviour whereby, it is anticipated that the role of reciprocity allows employees to respond positively to CSR activities directed to them. When employees are a beneficiary of CSR practices by the organization, they would reciprocate the gesture in a positive reaction which demonstrates Organizational Citizenship Behaviour.

Based on the direction from the literature and the two theoretical concepts, the following hypothesis has been suggested.

H1: CSR policies and practices have a positive impact on employee benefits.

H2: Organizations' engagement in CSR has a positive influence on their corporate image as reputable employers.

H3: Employees perception of the organization's CSR practices have a positive impact to the employees' engagement.

H4: CSR policies and practices have a positive influence on employee performance.

4 Methodology

A next step of the developmental paper will be to collect primary data from employees of garment factories in Bangladesh to assess their perception and attitude towards CSR and the organizations' policies and practices. A quantitative research design will be used to circulate a survey questionnaire from which the perception and attitude of the employees will be assessed. This will be further analysed through a descriptive analysis to understand their perception, followed by a regression analysis to test the hypotheses, and understand the relationships of perception, influence, impact, engagement and performance.

5 Conclusion

Corporate Social Responsibility has been adopted by organizations as a business strategy to achieve sustainable growth and competitive advantage (Carroll, 2021). It is seen as an overreaching attempt to address social responsibilities over legal and economic requirements and is an expectation from stakeholders that needs to be fulfilled. Although, it is noted that the introduction of CSR would

increase the costs for organizations (Chang et al., 2021), yet this has been a strategic intent to benefit the society at large. The employee is an internal stakeholder that is both a beneficiary and participant to organization's CSR practices.

The RMG industry in Bangladesh is a developing industry facing global competition and changing customer buying behaviour. The industry was made to address compliance and sustainability to overcome the challenges and although this has created an upheaval financially, operationally and, required a change in mindset, the organizations embraced it as a strategic intent. There are various initiatives that extend to people; however, the effectiveness of these initiatives is still not concluded. While the aim of these practices is to improve the wellbeing of employees and exercising ethical business practices, there is some debate on whether the CSR initiatives have a relation to employee performance as a result.

While there is an external pressure from management systems and compliance standards to address employee satisfaction, benefits, and retention, how much of the initiatives has a positive impact on the receiver of the benefits that results in employee performance is to be determined through the extension of this developmental paper.

The contribution of the developmental paper to academic knowledge is to ascertain the impact of CSR on employee performance. It will simultaneously aid managers of the RMG industry to conclude the impact their CSR initiatives on employees and continue their efforts on this area.

Investigations will be conducted through primary research to understand employee perceptions and attitudes towards CSR and their organizations' CSR practices which will determine the relationship between CSR and employee performance. In this context, areas of employee influence, awareness, bottom's up approach for strategy implementation and their effect on performance management are areas of future research opportunities. The primary research can further extend from employees who implement the CSR practices to workers in the RMG industry who are a key beneficiary of CSR practices.

6 Limitation:

The developmental paper has established hypothesis based on the literature and has not been tested. The RMG industry in Bangladesh is limited to a certain population and is not representative of the wider workforce in Bangladesh which includes other sectors of agriculture, banking, telecommunication, and education.

References:

- Al-Shammari, M. A., Banerjee, S. N., & Rasheed, A. A. (2021). Corporate social responsibility and firm performance: a theory of dual responsibility. *Management Decision*, 60(6), 1513-1540.
<https://doi.org/10.1108/md-12-2020-1584>
- Anitha, J. (2014). Determinants of employee engagement and their impact on employee performance. *International Journal of Productivity and Performance Management*.
- Asante Boadi, E., He, Z., Boadi, E. K., Bosompem, J., & Avornyo, P. (2019). Consequences of corporate social responsibility on employees. *Personnel Review*, 49(1), 231-249.
<https://doi.org/10.1108/pr-08-2018-0288>

- Carroll, A. B. (2015). Corporate social responsibility. *Organizational Dynamics*, 44(2), 87-96.
<https://doi.org/10.1016/j.orgdyn.2015.02.002>
- Carroll, A. B. (2021). Corporate Social Responsibility: Perspectives on the CSR Construct's Development and Future. *Business & society*, 60(6), 1258-1278.
<https://doi.org/10.1177/00076503211001765>
- Chang, C.-H., Lin, H.-W., Tsai, W.-H., Wang, W.-L., & Huang, C.-T. (2021). Employee Satisfaction, Corporate Social Responsibility and Financial Performance. *Sustainability*, 13(18), 9996.
<https://www.mdpi.com/2071-1050/13/18/9996>
- Dmytriiev, S. D., Freeman, R. E., & Hörisch, J. (2021). The Relationship between Stakeholder Theory and Corporate Social Responsibility: Differences, Similarities, and Implications for Social Issues in Management. *Journal of Management Studies*, 58(6), 1441-1470.
<https://doi.org/10.1111/joms.12684>
- Kim, M., & Kim, J. (2020). Corporate social responsibility, employee engagement, well-being and the task performance of frontline employees. *Management Decision*, 59(8), 2040-2056.
<https://doi.org/10.1108/md-03-2020-0268>
- Saha, P. K., Akhter, S., & Hassan, A. (2021). Framing Corporate Social Responsibility to Achieve Sustainability in Urban Industrialization: Case of Bangladesh Ready-Made Garments (RMG). *Sustainability*, 13(13). <https://doi.org/10.3390/su13136988>
- Singh, K., & Misra, M. (2021). Linking Corporate Social Responsibility (CSR) and Organizational Performance: the moderating effect of corporate reputation. *European Research on Management and Business Economics*, 27(1). <https://doi.org/10.1016/j.iemeen.2020.100139>
- Suganthi, L. (2019). Examining the relationship between corporate social responsibility, performance, employees' pro-environmental behavior at work with green practices as mediator. *Journal of Cleaner Production*, 232, 739-750.
<https://doi.org/10.1016/j.jclepro.2019.05.295>
- Talapatra, S., Uddin, K., Doiro, M., & Santos, G. (2022). The linkage between corporate social responsibility and the main benefits obtained from the integration of multiple management systems in Bangladesh. *Social Responsibility Journal*, 19(1), 79-100.
<https://doi.org/10.1108/srj-09-2020-0390>
- Trivellas, P., Rafailidis, A., Polychroniou, P., & Dekoulou, P. (2019). Corporate social responsibility (CSR) and its internal consequences on job performance. *International Journal of Quality and Service Sciences*, 11(2), 265-282. <https://doi.org/10.1108/IJQSS-12-2017-0117>
- Vishwanathan, P., van Oosterhout, H., Heugens, P. P. M. A. R., Duran, P., & van Essen, M. (2020). Strategic CSR: A Concept Building Meta-Analysis. *Journal of Management Studies*, 57(2), 314-350. <https://doi.org/https://doi.org/10.1111/joms.12514>
- Vlachos, P. A., Panagopoulos, N. G., Bachrach, D. G., & Morgeson, F. P. (2017). The effects of managerial and employee attributions for corporate social responsibility initiatives. *Journal of Organizational Behavior*, 38(7), 1111-1129.
<https://doi.org/https://doi.org/10.1002/job.2189>
- Waheed, A., & Zhang, Q. (2022). Effect of CSR and Ethical Practices on Sustainable Competitive Performance: A Case of Emerging Markets from Stakeholder Theory Perspective. *Journal of Business Ethics*, 175(4), 837-855. <https://doi.org/10.1007/s10551-020-04679-y>