HOW CAN BUSINESSES ATTRACT MILLENNIALS? CORPORATE SOCIAL RESPONSIBILITY MIGHT BE AN ANSWER

Claudia Barrulas Yefremian
California State University Los Angeles

SUMMARY: Two of the most significant challenges for organizations in the 21st century are the shortage of highly skilled professionals, and their inability to attract and retain top talent. As millennials take the lead as the largest generation represented in the workforce in the United States, business is confronted with additional challenges. Recent research suggests that millennials consider corporate social responsibility (CSR) practices important when searching for an employer, applying for a job, and remaining with their current employer, indicating that CSR could be a competitive advantage in attracting, recruiting, and retaining millennial talent. This paper uses practitioner and academic literature to suggest that a partnership between CSR and human resource management might be an answer to mitigate talent recruitment challenges.∗
JEL Code: M12, M14, M16

INTRODUCTION

Globalization reduced the hurdles of traveling and working in different countries, but attracting global talent remains a struggle for most organizations. Two of the most significant human resource management (HRM) challenges of the 21st century are the shortage of highly skilled professionals (Story et al., 2016) and business failure to attract and retain top talent (Keller & Meaney, 2017). HRM is commonly seen as the organizational processes involved in the management of people to achieve organizational objectives. Talent management (TM) is the function in HRM, dedicated to the organizational planning involved in managing an expected future demand for human capital and its ability to meet that demand. Cappelli (2008) argues that TM is an ongoing struggle for top management, particularly in the United States, where companies fluctuate between abundance and shortage of human capital, without having a clear strategy in place. A way to mitigate these challenges could be to analyze and determine the attributes that current and future employees value in an employer.

Millennials are currently the largest generation in the labor force of the United States. According to the Pew Research Center, in 2017 millennials (those aged 21 to 36 in 2017) represented 35 percent of the workforce, followed by Gen Xs with 33 percent, Boomers with 25 percent, and the post-millennial generation (those born after 1996) with five percent (Fry, 2018). The higher proportion of millennials in the workforce introduces new challenges and demands for employers. A PricewaterhouseCoopers (2008) report revealed that more than 80 percent of the surveyed millennials saw CSR practices in the workplace as critical when selecting or remaining

with an employer, and close to 60 percent agreed that it is important for an employer to have a policy on climate change. The terms, corporate responsibility, sustainability, and CSR are used interchangeably in this paper, and they refer to the organizational policies and practices that reflect the social responsibility of business (Matten & Moon, 2008) to promote positive social change (Spector, 2008). In this context, the term *social* personalizes the stakeholders, who are an intrinsic part of CSR. Stakeholders are the individuals, groups, or entities that are directly or indirectly impacted by the business operations of a company and to whom business must respond.

CSR can be defined as internal or external. The term *internal CSR* refers to the corporate activities developed within the company for the well-being of the internal stakeholders or employees (Story et al., 2016). It is an indicator of how companies treat employees, which influences the way individuals perceive and engage with companies. Internal CSR practices include job mobility in the company, flexible working hours, volunteering events, and training and development. The term *external CSR* refers to the activities related to the betterment of outside stakeholders, and it can be an indicator of organizational values (Story et al., 2016). External stakeholders may include the environment, government, and consumers.

The literature in the field of CSR and HRM is still in its infancy. However, an increasing number of organizations already consider CSR as part of their recruitment and retention strategy (Vaiman et al., 2012). This paper uses academic and practitioner research to add to the CSR-HRM discourse and suggests that CSR might give HRM a competitive advantage in attracting and recruiting millennial talent.

EMERGENCE OF CSR

In the United States, the roots of the social responsibility discourse can be traced to the period of the Cold War. CSR was seen as a way to align business interests in defense of free-market capitalism against the perceived danger of Soviet Communism (Spector, 2008). Businessmen were called upon to use resources to promote social good. The definition of "social good" is not straightforward and involves judgments and assumptions that are socially constructed; however, the general idea was that it promoted positive social innovation. The first formal CSR definition is attributed to Bowen (1953), who defined CSR as the *obligation* of businessmen to align business interests with the objectives and values of society. The interest in CSR increased significantly in the 1960s, supported by the social and environmental movements at the time (Carroll, 1999). CSR definitions proliferated during the 1970s as academics were interested in defining what social responsibility meant and implied for business and society. Carroll (1979) defined the social responsibility of business based on four basic societal expectations: businesses should deliver economic value, abide by the law, do what is right, and engage in voluntary activities that support a cause or a community. In the 1990s, the CSR concept transitioned to include alternative themes, such as stakeholder theory, corporate citizenship, and business ethics theory (Carroll, 1999). During this period, there was also an effort to operationalize the CSR concept. Dahlsrud (2008) analyzed 37 definitions published between 1980 and 2003 and identified five common dimensions: environmental, social, economic, stakeholder, and voluntariness. The environmental dimension refers to the protection of the natural environment; the social dimension refers to the relationship between business and society; the economic dimension refers to the financial aspects of the CSR organization; the stakeholder dimension refers to the stakeholders or stakeholder groups, and the voluntariness refers to the activities that fall outside the scope of the

business operations by law. The study concluded that while from a conceptual level, these definitions did not present material changes over the period studied, at an operational level, the business landscape changed significantly driven by an evolving external and internal business landscape, and by stakeholders' concerns and demands. A concrete example of this is the increase in sustainability reporting.

In 2017, 78 percent of the 250 largest corporations in the world reported on corporate responsibility, compared to 65 percent in 2015 (KPMG, 2017). In the United States, 81 percent of the top 100 companies included corporate responsibility in their 2017 annual reporting filings, compared to 30 percent in 2015. According to KPMG (2017), the growing coordination between governments, regulators, and stock exchanges is playing an essential role in forcing companies to report on their sustainability initiatives. Ultimately, this indicates that optimal business performance is mainly dependent upon the company's ability to balance the concerns of the stakeholders.

THE MILLENNIAL GENERATION AND CSR

The millennial generation grew up between the Iraq and Afghanistan war, they entered the job market during an economic recession, they have learned about global warming and climate change, and social media shaped the way they communicate. A PricewaterhouseCoopers (2008) report that surveyed 4,271 graduate students from 44 countries about their expectations of work revealed that millennials see corporate responsibility as critical, and 88 percent confirmed they would select employers that have CSR values that reflect their own. Also, 86 percent said that they were prepared to leave their employer if the CSR values no longer matched their own. The same survey showed that training and development were seen as the most valued employee benefit. These findings are supported by the results of a 2019 Deloitte Global Millennial study that surveyed 13,416 millennials and 3,009 Gen Zs (post-millennial), from 42 and ten countries, respectively. The Deloitte survey found that millennials and Gen Zs are pessimistic about business trustworthiness, and their lack of commitment to improve the world. The survey revealed that compared to previous generations, these two younger generations are more concerned about the community and the environment, and expect businesses to do the same. The results also indicated that there is a clear preference for companies that score high on financial performance, talent management, diversity and inclusion, and community service. In other words, organizations that are highly rated, deliver strong financial performance, care for their employees, and engage with the community.

These two studies draw two important conclusions. On the one hand, the majority of the millennials consider internal CSR practices important when searching for an employer, applying for a job, and remaining with their current employer. On the other hand, although external CSR practices are relevant for some, they are not the determinant factor for the majority when looking for an employer.

CSR IN ORGANIZATIONAL ATTRACTIVENESS AND RECRUITMENT

There are applicable theories to study the relationship between CSR and organizational attractiveness. The signaling theory, for example, suggests that people are likely to interpret the information they receive about organizations as indicators of what it would be like to work at these organizations. Story et al. (2016) used the signaling theory in two studies to demonstrate that CSR

was an essential factor in increasing organizational attractiveness or the receptiveness of job applicants to apply and accept job offers in a CSR organization. The participants included business students that were expected to enter the job market within one year and a group of stakeholders within 16 organizations. The experiment included a job ad with no CSR information, and a job ad manipulated to include the company's CSR efforts. The researchers found that CSR practices attracted a larger pool of job applicants and that if organizations are willing to invest in protecting and developing their employees and in bettering the environment and the well-being of society, they become "an employer-of-choice" (Story et al., 2016, p. 484). The signaling theory was also used by Jones et al. (2009) to test the relationship between CSR and recruitment. The participants included senior undergraduate students (80.56% female) who were asked to review web pages of three companies, including one company whose pages were manipulated to include CSR. The results suggest that the company that communicated CSR might have a competitive advantage as it attracted a larger number of applicants, and from that larger pool, the company can select the most talented applicants. This result is consistent with the findings of Story et al. (2016). CSR was also positively associated with employee-company identification (Kim et al., 2010; McShane & Cunningham, 2012; Story et al., 2016), organizational commitment (Turker, 2009), job applicant perception of a company (Turban & Greening, 1997; Story et al., 2016), and job satisfaction (Brammer et al., 2007). Evidence also suggests that gender is positively related to CSR. Females tend to be more aware of CSR practices (Rupp et al., 2013; Story et al., 2016), while males tend to rate organizational reputation more favorably (Story et al., 2016). These results are relevant because they provide business an understanding of the perceptions and attitudes of internal stakeholders and the role CSR can play in the design of HRM strategies to improve the company's ability to attract, recruit and retain talent.

CSR-HRM PARTNERSHIP

HRM has a broad organizational mandate. Over the years, HRM evolved to be a business strategy (Fombrum et al., 1984) with stakeholders (Beer et al., 1985) and the ability to match strategic organizational needs with employee behaviors (Schuler & Jackson, 1996). The biggest challenge of strategic HRM is to successfully allocate human resources to respond to organizational needs and implement organizational strategies (Snell et al., 2016). As seen earlier, CSR can help HRM departments to improve their ability to attract and retain talent.

A report published by the SHRM Foundation (2012) directed at HRM practitioners suggests that HRM can assist CSR implementation in three ways. Firstly, HRM can help the company incorporate CSR by partnering with leadership to help articulate the company's mission in society beyond financial profit. Secondly, it can engage both internal and external stakeholders in the search for ways to contribute to social and environmental positive impacts. Finally, HRM can align its internal processes with the company's CSR strategy and specifically in the areas of recruitment and selection, employee training and development, and compensation. However, in order for HRM to have a role in CSR, there must be a leadership commitment toward CSR and a CSR strategy. The SHRM Foundation suggests five steps to help HR managers design a possible sustainability roadmap toward the implementation of CSR.

FIVE STEPS FOR HR MANAGERS TO IMPLEMENT CSR

Step 1: Identify and engage with stakeholders impacted by HRM. Stakeholder dialogue and engagement are critical to understanding stakeholder concerns, expectations, and ambitions. HRM can facilitate dialogue and create more effective HRM policies that are aligned with the sustainability of the company and contribute to the company's goals.

Step 2: Select and prioritize HRM issues to support the sustainable organization. The issues collected from stakeholders vary among industries and sectors. However, they can be prioritized according to the needs of HRM stakeholders and sustainable business priorities. Figure 1 provides a generic example of an HRM Materiality Matrix.

Figure 1
Example of an HRM Materiality Matrix
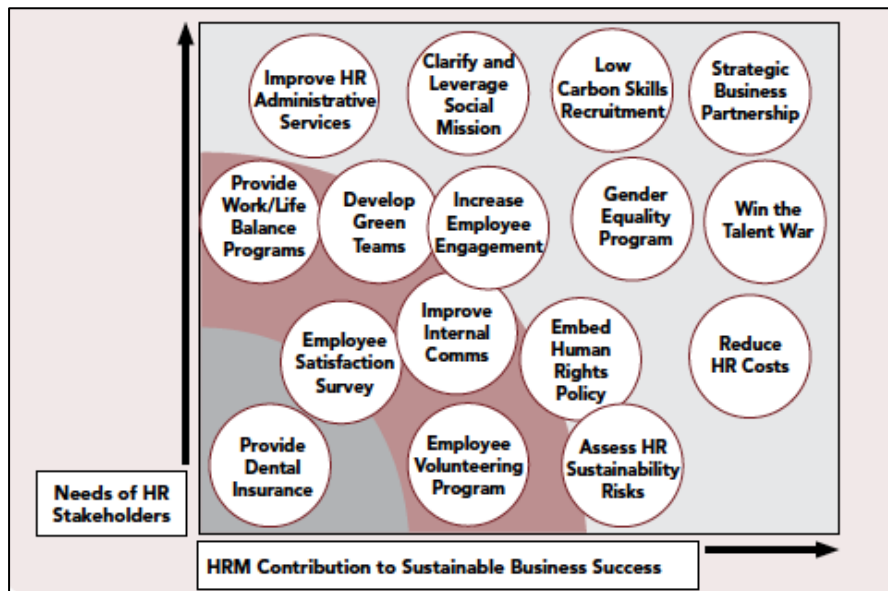
Source: SHRM Foundation (2012), p. 29.

Step 3: Review and revise HRM policies to align them with the sustainability principles supported by the company. For example, develop or modify an equal opportunity policy to ensure nondiscrimination, a recruitment policy to reflect the diversity in the company, or a remuneration policy to reflect sustainability performance.

Step 4: Develop an action plan, scorecard, and metrics. The HRM scorecard is a powerful tool to define, measure, and legitimize HRM's contribution to the sustainable business. Figure 2 provides an example of a Sustainable HRM Scorecard.

Step 5: Implement, measure, and report HRM impacts. This will help the organization understand what is working and not working and how to improve further.

In order for these steps to be company-specific, context is needed for the organization to articulate the processes, policies, and strategies involved in the integration of CSR-HRM.

Furthermore, the company-specific context will also clarify how to implement, measure, and report the HRM impacts of the CSR organization.

Figure 2
Example of a Sustainable HRM Scorecard

HRM role	HRM Objective	HRM Metric	Business Value
Values and Ethics	Employees understand and behave in line with corporate values.	% of employees trained in values and ethics.	Mitigation of risk due to unethical behaviour by employees. Improved corporate reputation and trust.
		% of employee responses in survey showing employee support of company values.	
Recruitment	Recruitment is based on diversity principles.	% of employees recruited by gender and by minority groups.	Improved business results, innovation and customer satisfaction.
Compensation	Compensation is driven by equal opportunity for men and women.	Ratio of base salary, men to women.	Lower HR costs due to turnover, improved motivation and trust.
	Compensation is linked to sustainability performance.	Number of employees with sustainability targets in annual workplans.	Improved execution of sustainable business strategy.
Well-being	Employees are fit to contribute to their maximum capability.	% of employees who engage in a corporate well-being program.	Reduced business health costs, lower absenteeism, improved productivity.
		% improvements achieved in employee well-being (health, stress, diet etc.)	
Development	Diverse employees are given opportunities to advance.	% of women in management positions.	Improved business results, innovation and customer satisfaction.
		% of minorities in management positions.	
Engagement	Employees understand and act in line with sustainability strategy and principles.	% of employees trained in sustainability.	Improved execution of sustainable business strategy.
	Employees enhance corporate community relations.	% of employee volunteers.	Employee engagement, reputation benefits, enhanced community relationships.
	Employees contribute to improving environmental impacts.	% of employees participating in "green" activities.	Energy and materials costs reductions.

Source: SHRM Foundation (2012), p. 30.

CONCLUSION

The changing demographics of the U.S. labor force means that millennials have emerged as the largest generational group within it. Recent studies indicate that younger generations are skeptical about business and their lack of commitment to improve the world. This review of various studies suggests that CSR can be one way for businesses to connect positively with these generations. The relationship between CSR and HRM shows significant synergies in attracting and recruiting talent. In a highly competitive environment for global talent, companies may benefit from building robust CSR-HRM strategies that help them mitigate their recruitment challenges while creating positive social value.

Corresponding author: Claudia Barrulas Yefremian, cbarrul@calstatela.edu.

REFERENCES

Bowen, H. (1953). *Social responsibilities of the businessman*. Harper.

Beer, M., Lawrence, P.R., Quinn Mills, D., & Walton, R.E. (1985). *Human resource management: A general manager's perspective*. Free.

Brammer, S., Millington, A.I., & Rayton, B. (2007). The contribution of corporate social responsibility to organizational commitment. *The International Journal of Human Resource Management, 18*(10), 1701-1719.

Cappelli, P. (2008). Talent management for the twenty-first century. *Harvard Business Review*, *86*(3), 74-81.

Carroll, A. B. (1979). A three dimensional conceptual model of corporate performance. *The Academy of Management Review, 4*(4), 497-505.

Carroll, A.B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business and Society, 38*(3), 268-295.

Dahlsrud, A. (2008). How corporate social responsibility is defined: An analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management, 15,* 1-13.

Deloitte. (2019). The Deloitte Global Millennial Survey 2019: Societal discord, and technological transformation create a "generation disrupted." *Deloitte*. Retrieved from https://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html

Fombrum, C.J., Tichy, N.M., & Devanna, M.A. (1984). *Strategic human resource management*. Wiley.

Fry, R. (2018, April 11). Millennials are the largest generation in the U.S. labor force. *Pew Research Center*. Retrieved from https://www.pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/

Jones, D.A., Willness, C.R., & MacNeil, S. (2009). Corporate social responsibility and recruitment: Person-organization fit and signaling mechanisms. *Academy of Management Annual Meeting Proceedings, 1,* 1-6.

Keller, S., & Meaney, M. (2017). Attracting and retaining the right talent. *McKinsey & Company*. Retrieved from https://www.mckinsey.com/business-functions/organization/our-insights/attracting-and-retaining-the-right-talent.

Kim, H., Lee, M., Lee, H., & Kim, N. (2010). Corporate social responsibility an employee-company identification. *Journal of Business Ethics, 95*(4), 557-569.

KPMG. (2017). The Road Ahead: The KPMG Survey of Corporate Responsibility Reporting 2017. *KPMG*. Retrieved from https://home.kpmg/content/dam/kpmg/campaigns/csr/pdf/CSR_Reporting_2017.pdf

Matten, D., & Moon, J. (2008). "Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, *33*(2), 404-424.

McShane, L. & Cunningham, P. (2012). To thine own self be true? Employees' judgments of the authenticity of their organization's corporate social responsibility program. *Journal of Business Ethics*, *108*(1), 81-100.

PricewaterhouseCoopers. (2008). *Managing tomorrow's people: Millennials at work – Perspectives from a new generation*. PwC. Retrieved from https://www.pwc.de/de/prozessoptimierung/assets/managing_tomorrows_people_millennials_at_work-perspectives_from_a_new_generation.pdf

Rupp, D.E., Shao, R., Thornton, M.A., & Skarlicki, D.P. (2013). Applicants' and employees' reactions to corporate social responsibility: The moderating effects of first-party justice perceptions and moral identity. *Personnel Psychology, 66,* 895-933.

Schuler, R.S., & Jackson, S.E. (1996). *Human resource management: Positioning for the 21st century*. West Publishing Co.

SHRM Foundation. (2012). *HRM's role in corporate social and environmental sustainability: Effective practice guidelines series*. Retrieved from https://www.shrm.org/hr-today/news/hr-magazine/Documents/4-12%20csr%20report%20final%20for%20web.pdf

Snell, S.A., Morris, S.S., & Bohlander, G.W. (2016). *Managing human resources* (17th ed.). Cengage Learning.

Spector, B. (2008). "Business responsibilities in a divided world": The Cold War roots of the corporate social responsibility movement. *Enterprise and Society*, *9*(2), 314-336.

Story, J., Castanheira, F., & Hartig, S. (2016). Corporate social responsibility and organizational attractiveness: Implications for talent management. *Social Responsibility Journal*, *12*(3), 484-505.

Turban, D.B., & Greening, D.W. (1997). Corporate social performance and organizational attractiveness to prospective employees. *Academy of Management Journal*, *40*(3), 658-672.

Turker, D. (2009). Measuring corporate social responsibility: A scale development study. *Journal of Business Ethics*, *85*(4), 411-427.

Vaiman, V., Sculion, H., & Collings, D. (2012). Talent management decision making. *Management Decision*, *50*(5), 925-941.