

OPTIMIZING HUMAN CAPITAL – BETWEEN THE MOTIVATION OF THE EMPLOYEES AND THE PERFORMANCE REQUIRED BY THE CORPORATE RESPONSIBILITY

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Abstract:

As a part of intellectual capital, the human capital represents the knowledge and the expertise of a company's employees. In order to get the highest performance from their part, they have to be financially and non-financially motivated. Financial motivation of the employees is enough, but not efficient in respect of expenses, because, in a company, salaries cannot be increased monthly. Non-financial motivation means determining them to work efficient, without making use of financial reasons. This last affirmation is related to corporate responsibility, which is considered to be an obligation of the management to adopt the best practices in relation to the stakeholders. In this paper, four dimensions are taken into consideration, in order to ensure a sustainable change in the relationship between the enterprise and own employees: institutional, political, economic and social.

Key words: *corporate responsibility, corporate performance, employees, intellectual capital, human capital.*

JEL classification: *E24, J21, J24, M21, M54, O15*

Introduction

An organization needs human capital for the business to succeed. Knowledge economy suggests this vision, to see people as critical contributors to the success of the organization. From this point of view, individuals (workers) decide to invest their human capital, and the organization is concerned about the management of “human capital” asset, provided by its employees, investing in return in their development (both quantitative and qualitative). In this case, employees are suppliers of human capital, who want to ensure that they receive appropriate benefits for their investment, by wage level and benefits on one hand, and by their place in organizational culture, on the other hand. Being interested in performance, the organization will manage these resource suppliers and will be preoccupied by the management of human capital, in order to add value to the business. The quality of human capital management within the organization is reflected in business performance plan.

1. Employees – integral part of corporate function

In the current context of climate change, economic instability, greater attention to human rights or other social causes, corporate social responsibility must be integrated into long-term strategy of any company.

Generally seen as a corporate function, the activity of corporate social responsibility (CSR) must concern relations with all stakeholders, of which employees are a priority. Economic crisis has led to the review of corporate responsibility, especially in the companies in which social responsibility was not based on sound principles of organization, coordination and monitoring.

Based on the fact that company's interests are not at odds with the community, recent concern of responsible management aims at initiating and developing

connections with the employees within the organization. In case of problems of loss of confidence in the position of a company, the instruments of CSR are very useful. The future certainly will belong to social responsible companies, not only in their relation to the environment, but to all the stakeholders. These companies must be *strategically capable to use their values*. In this extended relationship, human capital owns a very important position.

At European Union level, the principles developed to guide companies in implementing corporate social responsibility focuses on two dimensions: *internal* (the relationship between the company and its own employees) and *external* (the relationship between the company and its stakeholders). Regarding the internal dimension, corporate responsibility (in the view of the EU) is focused on: ensuring better quality of life for employees at work and outside it, maintaining a safe and healthy working environment, responsible approach of restructuring in a crisis, taking into account the interests of all parties involved, minimizing the impact of their operations on the environment and natural resources. EU recommendation is that these principles to be integrated by the companies in their codes of conduct, but also to report on how they were applied.

On the other hand, if we consider corporate responsibility as a sum of obligations – *economic, legal, ethical and philanthropic*, arranged in this order in a corporate social responsibilities pyramid, we notice that ethical responsibility (where we also consider appropriate treatment of employees to be included) occupies the same position as “the need for esteem, status, respect” in Maslow’s Pyramid. So, in a company, economic and legal responsibilities can be considered implicit (as are considered “physiological needs, for security and belonging” in Maslow’s Pyramid), but socially corporate responsibility practices must surely be oriented primarily to motivate employees, as part of ethical responsibilities (and to philanthropic activities – “self-realization” in Maslow’s Pyramid).

2. Stages in the integration of CSR related to employees

The integration in business strategies of CSR related to employees followed three stages, namely:

- stage I – employees are perceived as *corporate costs* (fair salaries and benefits, without discrimination; improved work conditions);
- stage II – employees are perceived as *corporate assets* (the emphasis is on the employees and their needs; investments in training and continuous improvement);
- stage III – employee are perceived as *business partners* (the participation of the employees in the company management; self-improvement; integrating professional and private life).

In this staging, we notice an evolution of employees’ perception in the development of corporate strategies based on social responsibility: **from corporate costs to business partners**.

This evolution is based on the inter-relationship between employee’s satisfaction, commitment and motivation. It all starts with *economic dimension of the employer-employee relationship* - salaries. Although important and well perceived, this is not efficient (we consider the influence of expenses on financial performance), nor sufficient. The appreciation of employees, preferably public, leads to their progress, their motivation and indirectly increases the firm's financial performance. However, in the case of stage III, the employer may ask the employee to issue opinions on the company, so the latter to feel involved in company operations. For these actions the employer has to win too, in that it can even get a resolution he needs, analyzing the issue from several angles.

Employees are employed in a company based on their qualifications and skills. Experts in a field are the most specialized employees, who are expected to peak

performance in that given field. Related to motivation and performance, the costs associated to an expert are higher, but the revenues that he generates through his work are proportionate to his knowledge. Most experts felt need in the key departments of the company, namely those with direct impact on company results. Most of the times, companies decide to hire experts when they are in difficulty or when they need them to start the business. Thus, hiring an expert is expensive but reduces the cost of training and education and leads more quickly to the improvement of the quality of products and services offered, which leads indirectly to performance. The existence of an expert in the company can lead to the specialization of new ones, so that in case of breach of contract, the chain of succession can continue. The main purpose of employing experts in the company is primarily to enhance the chances of developing business in a short time.

Of course, these all relate with an organization's overall culture – and here we consider the *social dimension of the employer-employee relationship*. Organizations that have a culture that supports and encourages cooperative innovation should attempt to understand what it is about their culture that gives them a competitive advantage and develop and nurture those cultural attributes. Human capital development as it relates to culture can be managed if the organizational membership is relatively stable. This task becomes much more difficult when there is mobility in the employee base. This transient change in an organization's employee profile is a significant challenge when attempting to leverage human capital.

3. Non-financial motivation of employees – component of corporate responsibility

Although it is considered that, in Romania, CSR is still at an early stage, it appears that, in CSR reports of the companies, the first preoccupations are oriented to *actions meant to improve the life quality of employees*, which undoubtedly will help companies improve both their performance and community welfare.

Specifically, through social responsible actions which aim non-financial motivation of the employees, we find:

- *ensuring a stable and pleasant work environment; care for own employees equally with the concern for community issues by setting up a Committee for Security and Health at Work; ensuring complete care and medical packages for employees and healthcare for their families (extract from the CSR Report 2009- BCR S.A.);*

- *ensuring the environment in which the employees can work together and efficient; continuous improvement of the employees through training programs tailored to their needs; grating employees who are older than an year stock of shares, according to their responsibilities and position within the company; equality of opportunities – 12% of the employees are men and 88% - women (extract from the CSR Report 2009 – EurActiv România);*

- *Employees are as important as customers; 99,5% of all employment contracts are concluded for an indefinite period, 92% of all employment contracts are concluded for normal work time (8 hours/day), and 88% from our employees are women; in addition, for our temporary and part-time employees we provide all the benefits and advantages of full-time employees (extract from the CSR Report 2009 – Dona Pharmacies, part of S.C. SIEPCOFAR S.A.);*

- *Some of the most important partners of the group are employees. Our courses of action in relation to them are: motivation, attracting and retaining talents in the company; ensuring an ongoing dialogue with the employees through the Employees' Forum – a body for social dialogue which represents the interests of the employees in direct relation to management, to support the construction of a personal development*

plan; professional development of the employees by implementing a training system that includes courses for e-learning (extract from CSR Report 2009 – Orange România);

- Romstal Academy foundation (with 10 centers for training across the country), which supported and supports an impressive number of training courses and professional formation courses for people who work or want to build a career in facilities; in 2008, ROMSTAL Company conducted by specialized firms a number of 14.407 hours of software training courses for employees, which count about 10 hours of training course per employee; also, ROMSTAL Academy and company's suppliers claimed about 22.500 technical courses, i.e. 15,5 hours of training per employee (extract from CSR Report 2008 – S.C. Romstal IMEX S.R.L.).

These are only a few cases of involvement of companies (they exercise their activity in Romania, as well) in actions of corporate responsibility related to employees, but certainly the examples could continue.

However, we can conclude from a study in April 2009 by Braun & Partners Network for measuring the efficiency of corporate social responsibility that, from seven criteria of analysis, the responsibility for human resources has the lowest percentage - 11%. The study was conducted on 25 companies (most profitable) from Romania, Hungary, Poland and Bulgaria, taking into account the seven dimensions of corporate social responsibility (percentages indicate the "attitude" to the dimensions listed): Transparency and communication (45 %), corporate governance (30%), relationship with stakeholders (18%), responsibility towards the environment (18%), economic responsibility (15%), society (14%) and responsibility in human resources (11%) . In this latter dimension were considered *health and safety systems for employees, and transparency of their performance evaluation.*

Important to be mentioned is the fact that a responsible management system towards own employees *contributes to their motivation, both financial and non-financial, and, through that, to an optimization of human capital and to a higher performance of the company.*

The following table summarizes the most important social indicators proposed by the consulting firm PricewaterhouseCoopers for the measurement of corporate responsibility and sustainability in terms of employees.

Table. 1 Social indicators for the measurement of corporate responsibility on employees

Indicators	Domain	Category
Salary range set by gender, minority, disability and age	<i>Gender, minority, disability, age</i>	Diversity (A)
Satisfaction due to the corporate effort to maintain a non-discriminatory work environment		
Share of employees who consider that the company is offering equal opportunities to its employees		
Total amount invested in training	<i>Training of the employees</i>	Training and employee development (B)
Share of annual training		
Number of employees retrained and placed in new positions	<i>Relocation of the employees</i>	
Number of employees who	<i>Career development</i>	

Indicators	Domain	Category
benefit of professional counseling		
Share of internal promotion		
The perception that the company encourages employee training and continuing education	<i>Personal development</i>	
Number of employees involved in projects that fall outside their normal duties		
Earnings categories	<i>Payment equity</i>	Wages, benefits and compensations (C)
Salaries paid to meet		
Average wage growth in the previous year		
Level of satisfaction of the employees due to collected benefits	<i>Employees benefits</i>	
The perception that company's program of benefits and compensations covers employees' needs		
Satisfaction due to provisions related to child care	<i>Flexibility</i>	
Flexibility in providing benefits		
Number of work accidents	<i>Incidents at work</i>	Health and safety at work (D)
Number of days not worked due to safety incidents at work		
The incidence of accidents according to the position held in the company		
The share of working days lost through sickness	<i>Absenteeism</i>	
Statistics related to absenteeism		
Investments in preventing work accidents	<i>Preventing work accidents</i>	
Work satisfaction	<i>Overall satisfaction</i>	Employees satisfaction (E)
Perception according to which the work environment is a pleasant one		
Employees turnover on jobs	<i>Employees rotation</i>	
Number of employees who left or came in the company		
Analysis of the reasons for		

Indicators	Domain	Category
which employees have left the company		
Number of employees older than the legal minimum age of employment at local level	<i>Employing minors</i>	Human rights (F)
Assessment of business partners on the use of minors in the work process		
Company does not use any form of forced labor	<i>Forced labor</i>	
The respect of employees' rights in freedom of association and collective bargaining.	<i>Freedom of association</i>	
Belief that communication within the company can be freely and openly	<i>Opening</i>	
Belief that management encourages the participation of all employees in decision making within the company	<i>Participation</i>	

From the table above we can notice the bigger share of non-financial indicators (A-G, except B), comparative to financial ones (B), which can be used by a company to evaluate its social responsibility related to own employees. Establishing optimum values for these indicators, a company can estimate the non-financial performance of its human capital, according to the principles of corporate responsibility. Also, from the table we can notice another *dimension of the employer-employee relationship, the political one*. Related to the stability of the key relationships that exist between the company and employee representatives, whether they are opinion leaders or union leaders, this dimension can be often identified in companies with a large number of employees.

Conclusions

In the area of CSR, transparency is the main ingredient; employees must be aware of all company's actions and, in addition, it is desirable that social responsibility should not be considered a matter of competition, but rather *a joint action*. Only in this way, the community will really benefit from the effects of CSR activities.

For CSR to really contribute to a certain level of *business performance*, it is necessary that engaging in social responsible actions not to be just a fashionable trend, but to be an integrated philosophy in a company.

In this context, four dimensions must be taken into consideration to ensure a successful and sustainable change in the relationship of a company with own employees: institutional (a company must structure, define and control the manner in which employees work), political, economic and social.

The basic premise from which CSR starts is that the results, the human capital and the environment must be harmonized into a strategic corporate approach, This way, any company will become *economically viable, socially responsible and attentive to environmental matters*.

In conclusion, the performance related to the employees will result from a *compromise between the company and the employees*. Resorting to financial motivation for employees may not represent a common solution, because it affects short-term financial performance through cost. Of course, should not be overlooked that these expenses will be covered through revenue generated by the work of employees. The important aspect is that the employees are paid according to their qualifications, answering this way to both their motivations: financial and non-financial.

Measurement of different ways to achieve performance in the relationship company-employees and its assessment through a set of indicators, like the ones we proposed in the paper, follow some specific activities and related processes, among which we mention:

- *the evolution of the factors that can influence on performance* – training and employee development; wages, benefits and compensation; health and safety; employees satisfaction; human rights; communication. To achieve performance at the highest possible level, it is necessary for a company to provide quality services and for employees to provide efficient work. For this situation, all the indicators should be over leveled;

- *companies which have to be prepared to assume their social role in relation to employees*;

- *monitoring the functioning of the company beyond the control of its results*. For example, if the result is the satisfaction of the employees according to some defined criteria, the company can react quickly to a deviation;

- *human capital, who can be managed if the organizational membership is relatively stable*. This task becomes much more difficult when there is mobility in the employee base. This transient change in an organization's employee profile is a significant challenge when attempting to leverage human capital.

Whatever the nature of stakeholders' objectives, including employees, agreement on the overall performance of the company is possible. This consists in the optimization of the added value created by the organization.

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