THE SOCIAL RESPONSIBILITY OF THE ORGANIZATION TOWARDS EMPLOYEES AND ORGANIZATIONAL TRUST

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Abstract: The aim of this paper is to point out the importance of the so-called micro aspect of the social responsibility of the organization. On the basis of theoretical analysis, this paper primarily refers to the relationship that exists between the socially responsible behavior of the organization towards employees and organizational trust. Results presented in this paper have shown that the employees’ perception of whether, and to what extent, the organization fulfills their expectations, affects the level of organizational trust. Therefore, a perceived higher level of socially responsible behavior of the organization towards employees contributes to increase in the level of organizational trust, and vice versa. The results also point out that the higher level of organizational trust can have a stimulating effect on the socially responsible behavior of the organization. Expectations of this paper are that its content will encourage the managers in terms of increasing their attention to the micro aspect of the social responsibility of their organization, as well as creating conditions for strengthening the climate of organizational trust.

Keywords: social responsibility, organization, organizational trust, employees.

1. Introduction

The social responsibility of the organization can be considered as an obligation of the organization to respect the relevant social values. Those values can be „imposed“ to the organization by certain external stakeholders (the so-called macro, or external aspect of the social responsibility of the organization) or by employees (the so-called micro, or internal aspect of the social responsibility of the organization).

The micro aspect of the social responsibility of the organization, among other things, reflects the employees’ perception of whether, and to what extent, the organization fulfills their different expectations. That perception has an impact on employees’ behavior.

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It appears that the micro aspect of the social responsibility of the organization predominantly emphasizes the relationship that exists between the social responsibility of the organization and various forms of employees’ behavior. On the basis of theoretical analysis, this paper primarily refers to the relationship that exists between the socially responsible behavior of the organization towards employees and organizational trust.

2. Current trends in the concept of social responsibility of organizations

Although the history of socially responsible practice is nearly as old as organizations themselves (Henriques, 2003), the concept of social responsibility has not got its theoretical foundation until the mid-20th century (Simić, 2014). From this period, until the present day, this concept has attracted the attention of a number of theorists and practitioners. In this regard, this concept has undergone frequent modifications, i.e. frequent shifting of the focus of theorists’ attention from the existing to the new, current aspects of this concept. This part of the paper will point to two significant trends that have, in recent decades, been present within the concept of social responsibility. The first concerns the importance of ethical and philanthropic responsibilities, as the special values identified within the framework of the concept of social responsibility of organizations. The second concerns stressing the importance of the so-called micro, or internal aspect of social responsibility.

1) The primacy of ethical and philanthropic responsibility. The social responsibility of organizations refers to the obligations of organizations and their members to respect the relevant values of the society within which organizations operate (Simić, 2013). This mostly relates to the relevant economic, institutional (legal), ethical, and philanthropic values of a society. Hence the social responsibility of organizations, in a traditional sense, is analyzed through the four above-mentioned categories of social values, i.e. as economic, institutional, ethical, and philanthropic social responsibility (Carroll, 1999).

Organizational respect for institutional and economic values of society is regulated by relevant laws and regulations. Therefore, the above values can be grouped into the so-called domain of legally binding behavior of organizations (Figure 1). There are, however, those values of a society which organizations should respect, but are not required to do so. These are the appropriate ethical and philanthropic values, which, due to their nature, belong to the so-called domain of absolutely free behavior of organizations.

![Figure 1: Domains of behavior of organizations](image-url)
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The fact that respect for institutional and economic values of the society is regarded as a standard, which organizations should not be allowed to depart from, points to the fact that the social responsibility of organizations in the modern business environment is increasingly associated with respect for philanthropic and ethical values of society (Carroll & Shabana, 2010; Kotler & Lee, 2005). In other words, the concept of social responsibility of organizations, in the modern business environment, predominantly focuses on fostering responsible behavior of organizations in all those domains in which organizations are “not obliged” to behave in a socially responsible manner.

2) Micro (internal) aspect of social responsibility. Socially responsible behavior of organizations can have external focus, when it brings about positive effects in relation to various external stakeholders. Socially responsible behavior of organizations can also have internal focus, when the effects of such behavior tackle organization and its members. The first focus of socially responsible behavior of organizations reflects the so-called macro (or external) aspect of socially responsible behavior of organizations. The second aspect is referred to as micro (or internal) aspect of socially responsible behavior of organizations.

Although it is obvious that socially responsible behavior of organizations has multilateral (external and internal) character, theory (as well as organizational practice) has recorded decades long domination of macro over micro aspect of social responsibility (Orlitzky, et al., 2003; Rupp et al., 2006). Only in recent years have appropriate efforts by researchers been made, investigating the extent and character of the consequences that social responsibility (or irresponsibility) of organizations has on internal environment of the organization (Rodrigo & Arenas, 2008; Hollingworth & Valentine, 2014; Simić, 2014). The issue of consequences that a form of socially responsible behavior of organizations has on the behavior of employees has particularly risen in importance.

The behavior of employees within an organization is the result of an action of a large number of individual, group, and organizational factors (Robbins & Judge, 2013). Socially responsible or irresponsible behavior of organizations towards employees is one of the factors, belonging to the group of organizational factors, which can influence the behavior of employees. The nature of its action is explained below.

From the moment when they become members of a specific organization, employees express different expectations and requirements in respect of the organization (Cartwright, 1999). Among other things, employees express certain expectations regarding the organizational policy of the so-called internal, or micro-focused, socially responsible behavior of the organization. Although the expectations and requirements of employees in relation to the organization for which they work can be quite heterogeneous, it could be concluded in principle, that employees generally expect that, within the organization: they perform work which, for them, has a meaning and a purpose; they achieve fair and correct earnings; they work in a healthy and safe working environment; they have decent working conditions; there is a climate of respect and reverence; there is a real participation; there is a work-life balance regarding employees; there is concern for employees; they have a sense of belonging to a specific organization; there is a good system of informing employees; there are no conflicts, or they are reduced to a minimum; there is respect for diversity (gender, cultural, religious, ethnic, etc.); there is no discrimination; there are possibilities for the development and realization of potentials of employees, etc. (Palazzi & Starcher, 1997). Employees, among other things, communicate and support some of these
expectations and requirements through their own behavior. Thus, for example, the expectation of employees regarding the “climate of respect and reverence” will be realized to a greater extent if the employees treat their colleagues with respect and reverence. Similarly, employees’ expectations regarding “respect for diversity” and “non-existence of discrimination” must have strong support in the behavior of employees.

On the other hand, employees’ perception of the degree to which the organization or its policy of socially responsible behavior meets their expectations has an impact on the attitudes of employees and their behavior. In organizational theory, the perception of the organization is generally referred to as the process within which an individual creates appropriate impressions in relation to that organizational feature which is, from their point of view, relevant at a given moment (Janičijević, 2008). Accordingly, the perception of social responsibility of the organization involves subjective, psychological interpretation of socially responsible activities of the organization by its employees. This interpretation can have a positive or a negative impact on various individual forms of employees’ behavior, their individual, as well as overall organizational performance.

With respect to forms of employees’ behavior within the organization, which, among other things, can be shaped and influenced by the manner in which employees perceive the socially responsible behavior of organizations, special attention is paid to those, which are, from the aspect of successful operation of modern organizations, considered organizationally relevant. This refers to certain forms of employees’ behavior which are, because of the difficulty of their creation, imitation, or copying by competitive organizations, regarded as a fundamental base for the acquisition and strengthening of the competitive advantage of a modern organization. One of these forms of behavior is organizational trust.

3. Organizational trust

Although the trust is regarded as a category whose age is equated with the oldest forms of human communities (Möllering et al., 2004), more intense interest of theorists dealing with social sciences in the phenomenon of trust has not begun until the last decade of the 20th century. In addition to philosophers (Hobbes, Locke, Hume), psychologists (Freud), and sociologists (Durkheim, Simmel), the phenomenon of trust has also attracted some (though still insufficient) attention of theorists in the field of organization and management (McAllister, 1995; Wekselberg, 1996; Mayer et al., 1995; Gilberth & Tang, 1998; Huff & Kelley, 2003; Möllering et al., 2004; Brown et al., 2006; Yilmaz & Atalay, 2009).

And, as is the case with many other categories within the field of organization and management, theorists have still reached no consensus in terms of a single definition of organizational trust. Thus, for example, Gilberth and Tang define organizational trust as a belief that everyone will comply with the objectives of the organization, and that everyone will be honest (Gilberth & Tang, 1998). Schoorman, Mayer, and Davis define organizational trust as the willingness of an individual to be found in a vulnerable position in relation to the other side (Schoorman et al., 2007). Starting from the fact that the dependent position and risk are fundamental categories of trust, Currall and Inkpen define trust as one side’s decision (individual, group, organization) to be found in the dependent
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position in relation to the other side (individual, group, organization) under risk. The dependency relationship reflects a situation in which one side allows their fate at a given moment to be in the hands of the other side. This relationship is based on positive expectations of one side over another. The risk, as another important category within the above definition of trust, reflects the potential possibility that the side that “trusts” experiences something negative, to be injured or damaged by the party to which they “trust” (Currall & Inkpen, 2006).

Disagreement is also present in terms of perceiving dimensions which precisely determine organizational trust. Thus, for example, Blomqvist K. and Ståhle P. see the following as significant dimensions of organizational trust: competence, signals of good will, and actual behavior (Blomqvist & Ståhle), while Mishra suggests four dimensions of organizational trust: competence, openness and honesty, concern for employees, reliability (Mishra, 1996). Theory has also recorded different ways to identify the types of organizational trust. While certain authors (Huff & Kelley, 2003) categorize organizational trust internally and externally, there are authors (Simić & Stefanović, 2013) that make a system-based categorization of types of organizational trust, and, accordingly, differentiate among: interpersonal, intragroup, intergroup, intraorganizational, and interorganizational trust.

Regardless of the variations in the way of determination of organizational trust, the fact is that organizational trust is one of those categories which are crucial for the successful functioning of the organization. Trust within and among organizations, inter alia, contributes to: lowering costs of monitoring and control; strengthening cooperation among members of the organization, as well as cooperation among the organizations; improving communication within and among organizations; creating more harmonious interpersonal relationships; influencing the nature of perception, the nature of attitudes, and behavior of members of the organization; fostering innovative potential of the organization; encouraging teamwork; creating a more flexible organizational structure; facilitating and accelerating organizational changes; more effective management of organizations in times of crisis; raising the level of satisfaction at work; strengthening organizational commitment of the organization’s members and their civic behavior; their individual, as well as overall (organizational) performance; the competitive position of the organization, etc.. (Ning et al., 2007; Huff & Kelley, 2003; Rindfleisch, 2000; Zalabak et al., 2000; Van Dyne et al., 2000).

4. The interaction of social responsibility and organizational trust

The analyzed relationship between the social responsibility of the organization towards employees and the employees’ behavior indicates that there is appropriate reciprocity between the two listed categories. On the one hand, the employees exhibit certain expectations regarding the social responsibility of their organizations. Managers need to be aware of that. In this regard, the managers are expected to implement such a policy of socially responsible behavior of organizations towards employees that will enable the fulfillment of the requirements and expectations of employees as much as possible. This leads to the conclusion that employees, i.e. the nature and intensity of their expectations in relation to the level of social responsibility of their organizations, represent a significant
factor of internal or micro social responsibility of organizations. Given that communication and realization of some of these expectations are determined by employees’ behavior, it follows that, to some extent, employees’ behavior affects the level of demonstrated internal social responsibility of the organization. On the other hand, employees perceive the level of socially responsible behavior of the organization towards employees in terms of whether, and to what extent, the organization has met their expectations. This perception is further reflected in the behavior of employees.

Given that this paper analyzes organizational trust as a specific form of employees’ behavior, it can be concluded that a perceived higher level of internal social responsibility of the organization towards employees will have a direct impact on the increase in the level of trust that employees have in relation to their organization. This can ultimately be reflected in the overall level of organizational trust. Certain, though still very modest (in terms of their number), studies, conducted with the aim of examining the relationship between social responsibility of organizations and the level of organizational trust of employees, confirm the direct impact of social responsibility on organizational trust (Lin, 2010; Hansen et al., 2011). In addition, research conducted by Kiefer, Wong, Wong, Ngo, and Lui (Kiefer, 2005; Wong, et al., 2005), suggesting that better working conditions, job security, etc. raise the level of organizational trust, indirectly confirms the link between social responsibility of the organization and the level of organizational trust.

Developed network of trust (both within and among organizations) raises the level of the overall, internal or intraorganizational, as well as external or interorganizational trust. A higher level of organizational trust offers a number of benefits, in terms of functioning of the organization. Among other things, a higher level of organizational trust strengthens cooperation among members of the organization, as well as cooperation among organizations; improves communication within and among organizations; creates more harmonious interpersonal relationships; affects the nature of perception, the nature of attitudes and behavior of members of the organization; strengthens the innovative potential of the organization; encourages teamwork; creates more flexible organizational structure; facilitates and accelerates organizational change; contributes to more effective management of organization in times of crisis; raises the level of satisfaction at work; strengthens organizational commitment of the organization’s members and their civic behavior; affects their individual, as well as overall (organizational) performance (See Ning et al., 2007; Huff & Kelley, 2003; Rindfleisch, 2000; Zalabak et al., 2000; Van Dyne et al., 2000).

The interactive nature of the relationship between social responsibility of the organization towards employees and organizational trust is strengthened by certain similarities that can be identified between the two above categories.

First, with regard to social responsibility of the organization, employees in a particular organization exhibit certain expectations (e.g. to achieve fair and correct earnings; to work in a healthy and safe working environment; to have decent conditions of work; that there is a climate of respect and reverence; that there is real participation; that there is a work-life balance; that there is a good system of informing employees; that there is no discrimination; that there is respect for diversity; that there are possibilities for the development and realization of employees’ potential, etc.). In connection with the organizational trust, particularly with regard to certain critical dimensions of organizational trust (e.g. competence, signals of good will, realistic behavior, openness and honesty,
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can be concerned for employees, reliability), employees exhibit certain expectations in relation to the other side (individual, group, organization).

Secondly, whether the organization has, and to what extent, through socially responsible activities, responded to the expectations of its employees is a matter of perception, i.e., psychological interpretation of these activities by employees. Similarly, the degree of employee’s expectations in relation to the other side (individual, group, organization), with regard to certain critical dimensions of organizational trust, is also a matter of perception of a specific employee.

Third, the same agents (employees in a specific organization, with all of their personal attributes, knowledge, experience, skills etc.) perceive and interpret both of these categories (socially responsible activities of the organization and critical dimensions of organizational trust). In this regard, it is expected that, as far as their perception is concerned, both of these categories are assessed in a similar manner (whether subjective or objective, prejudiced or not, burdened by realistic or unrealistic expectations).

5. Implications for managers

From the perspective of managers, awareness of the interaction between social responsibility of organizations and organizational trust has enormous significance. Generally speaking, the identified nature of this interaction contributes to a stronger affirmation of the so-called micro aspect of social responsibility of organizations. When seriously supported and successfully implemented in practice by managers, this aspect can ensure better functioning of modern organizations. More specifically speaking, expectations are that the nature of the identified interaction could encourage managers to strongly promote the practice of socially responsible behavior towards employees within organizations, as well as to establish, strengthen, expand, and possibly update the database of organizational trust.

Creation and implementation of appropriate policies and practices of socially responsible behavior of organizations is not an easy task facing the management. For the purpose of its refinement, certain theorists point to different sets of management activities that may be of use to today’s managers (Panapannan et al., 2003; Simić & Ivanović-Đukić, 2013). Cramer developed an interesting concept of the practical implementation of socially responsible behavior of organizations. This theorist believes that six activities of managers contribute to the successful implementation of socially responsible forms of behavior of organizations. At issue are the following activities: compiling lists of expectations and requirements of stakeholders; the formulation of the vision and mission of socially responsible behavior and the creation of an appropriate code of ethics; formulating a strategy of socially responsible behavior and drafting a plan of concrete actions to be undertaken; creating a system for monitoring the implementation of socially responsible form of behavior; incorporation of the socially responsible form of behavior in the management process; reporting on the results achieved (Cramer, 2005).

The ability to establish, strengthen, expand, and possibly recover the “collapsed” organizational trust is considered one of the key competences of today's managers (Covey, 2009). Bearing in mind the fact that the base of organizational trust makes the so-called
interpersonal trust (Simić & Stefanović, 2013), the efforts of managers must be primarily focused on fostering trust at this level. In doing so, managers themselves must be the key persons in their organizations, who can be trusted. In this context, Covey suggests that, if managers want others to trust them, they need to: tell the truth, demonstrate respect, promote transparency, correct injustice, show loyalty, achieve results, try to be better, face the reality, clearly express their expectations, demonstrate accountability, listen first, be dedicated, spread trust (Covey, 2009).

The above-mentioned activities are not considered easy. Among other things, they include efforts to strengthen various dimensions of organizational trust (competence, openness, honesty, reliability, manifesting good will, etc.) at different levels (individual level, group level, organizational level, interorganizational level). Managers are also expected to create appropriate organizational variables, primarily the appropriate organizational structure, organizational culture, as well as the associated human resource policies, in order to ensure organizational environment, conducive to strengthening the climate of organizational trust (Paliszkiewicz, 2011). This is because, for example, any flexible form of organizational structure, which means a lower level of organizational formalization, better communication, teamwork, lower degree of centralization of decision-making, and the like (Simić, 2007), represents an organizational context that is more suitable for strengthening the organizational trust, in comparison to the models of organizational structure that are considered less flexible (such as, for example, a model of functional and a model of divisional organizational structure). In respect of organizational culture, strengthening the climate of organizational trust is to a great extent affected by the culture which is, by its characteristics, healthy (desirable in terms of organization and organizational goals), entrepreneurial-oriented (innovative and creative), and dominant (accepted by the majority or all members of the organization). In addition, active human resource management policy, which includes the identification and selection of competent staff with the appropriate personal attributes (loyalty, accessibility, openness, integrity, pleasantness, correctness, keeping the given word, etc.), their proper socialization, adequate training, consistent reward and punishment systems, can strengthen the climate of organizational trust.

6. Conclusion

The above analyzed facts point to several important conclusions. First, modern managers must be aware of the fact that it is essential to, in addition to the macro or external social responsibility, pay considerable attention to the micro or internal social responsibility of organizations. Of particular significance is internal social responsibility of organizations towards employees. By applying appropriate mechanisms, managers can strengthen socially responsible behavior of the organization towards employees. Second, organizational trust is a sophisticated organizational category, whose level has certain impact on the quality of functioning of various organizational variables, as well as the quality of functioning of the entire organization. By using the selected mechanisms, managers can also strengthen the climate of organizational trust. Third, because of the identified interdependency between social responsibility of the organization towards employees and organizational trust, improvement of any of the two categories listed above will reflect positively on both. And vice versa, a decrease in the level of socially
responsible behavior of the organization towards employees, or decrease in the level of organizational trust, will leave a negative impact on both of these categories.

References

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DRUŠTVENA ODGOVORNOST ORGANIZACIJE PREMA ZAPOSLENIMA I ORGANIZACIONO POVERENJE

Apstrakt: Cilj ovog rada je da ukaže na značaj tzv. mikro aspekta društvene odgovornosti organizacije. Na osnovu teorijske analize, ovaj rad prvenstveno ukazuje na odnos koji postoji između društveno odgovornog ponašanja organizacije prema zaposlenima i organizacionog poverenja. Rezultati predstavljeni u ovom radu ukazuju na to da percepcija zaposlenih o tome da li, i u kojoj meri, organizacija ispunjava njihova očekivanja, utiče na nivo organizacionog poverenja. Onda, percepcija višeg nivoa društveno odgovornog ponašanja organizacije prema zaposlenima doprinosi povećanju nivoa organizacionog poverenja, i obrnuto. Rezultati ukazuju i na to da viši nivo organizacionog poverenja može imati pozitivne efekte na društveno odgovorno ponašanje organizacije. Očekivanja od ovog rada su da će njegov sadržaj podsticajno delovati na menadžere u smislu usmeravanja njihove pažnje ka mikro aspektu društvene odgovornosti organizacije, kao i na kreiranje uslova za jačanje klime organizacionog poverenja.

Ključne reči: društvena odgovornost, organizacija, organizaciono poverenje, zaposleni.