



DO CSR ACTIVITIES RELATED TO ENVIRONMENTAL CONCERN CREATES ORGANIZATIONAL IDENTITY?

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Abstract

Empirical investigation on CSR environmental dimensions has been studied which profoundly increases perception and motivational levels of employees to build and create a strong Organizational Identification (OI). This study examines the phenomenon using conceptual framework and reviewing previous studies, which reports less exploration of CSR in SME's. A research model has been developed and tested to see whether a CSR activity in a firm creates OI with internal and external perceptions of employees among SME's. Theoretical implication explores social exchange theory, social identity theory and social learning theory. Using cross-sectional data from 369 employees, the study reports the direct relationship between CSR on OI. Further, the further study tests the parallel mediator model with moderating effect of Organizational Value (OV). Results report partial mediation with stronger interacting effect with perceived external CSR.

Keywords: Corporate Social Responsibility, Organizational Identification, Organizational Value, Perceived External Prestige, Small and Medium Enterprises.

INTRODUCTION

Business strategy and management scholars are increasingly interested in Corporate Social Responsibility (CSR) in today's socially conscious market environment as stated by Serenko and Bontis (2009) and Wagner et al., (2009). In the recent years CSR has become an important study area (Aguinis, 2011; Rupp et al., 2011). According to Aguinis (2011) two decades ago, CSR was mostly limited to certain organizations focusing on environmental legislation in the collection of laws and regulations pertaining to air quality, water quality, the wilderness, endangered wildlife and other environmental factors and for others it was just the act of donating to a charity or a foundation whose mission was to fight a cause and deliver social impact. But the reality of CSR and its implications towards society has become more complex as of now (McPherson, 2012).

The current study tries to explore more than the concept of CSR and tries to explain the psychological phenomenon that affects people inside an organisation. The perspective of CSR is done by starting with an organisational psychology viewpoint, which is a growingly important theoretical underpinning for CSR research. A number of significant research areas have been addressed based on existing theories and empirical data by examining predictors and outcomes from different levels (Waldman et al., 2006; Kolodinsky et al., 2010; Aguinis and Glavas, 2012).

From sourcing of different literatures it is evident that relatively few studies have focused on individual or micro-level of CSR during the period 1970s to 2012. But the last one decade has seen a tremendous raise in the studies on individual level or micro point of CSR. Research in this study examines how individuals perceive and react to CSR policies and activities of the company (Jones, 2010, Lin et al., 2010, D'Aprile and Talo, 2015), as well as the processes through which CSR leads to particular outcomes like their attitudes and behaviours.

Individuals who work for or plan to work for businesses that engage in CSR initiatives have a good experience (Peterson, 2004a; Valentine and Fleischman, 2008; Glavas and Piderit, 2009). According to Aguinis and Glavas (2012) and De Roeck&Maon (2016), it is required to



understand the processes and mechanisms that relate CSR to employee outcomes in order to design interventions that will have a beneficial impact on both employee and organisational performance.

Many researchers have worked to develop a theoretical framework for identifying in what ways and events CSR would affect the individuals working in the organization and in turn improve the organizational performance (Rupp et al., 2013; De Roeck et al., 2014; Farooq et al., 2016). Previous research, by De Roeck et al., (2014) and Farooq et al., (2016) have found that organizational identity mediates the link between CSR and employee outcomes. Rupp et al. (2013) revealed that moral identity moderates the connection between CSR and organizational citizenship behaviour in a favourable way.

To date however, researchers have been unable to explain why employees with strong Perceived External Prestige (PEP) respond better to CSR dimensions and how this leads to improved Organization Identification (OID). A moderated mediation model is developed in this study to explain how individuals with strong PEP respond better to the Environmental CSR (ECSR) and, as a result, achieve higher OID. It's a combination of factors that makes us rely on both PEP as the mediating factor and Organizational Value (OV) as the moderating mechanism.

To better comprehend the possible relationship between an organization's societal investment and its overall performance, CSR research should focus more on the micro-mechanisms of stakeholders' behaviour (Bhattacharya et al. 2009; Hansen et al. 2011; Pivato et al. 2008). According to Aguilera et al. (2007), there has been negligible attention to individual employee perception of CSR in the studies.

Further research is needed in this area to understand why and how businesses' investments in sustainability programs might have a positive influence on employees' organisational identities with the mediating factor of PEP of the individual employee.

The present study's objective is to address this research question in order to gain a better understanding of the mechanisms through which ECSR initiatives and their PEP through the moderation of OV foster employees' OID.

In three concentrated areas, our study goes beyond prior research on employees' perceptions of ECSR. As a first step, we explore why perceived ECSR dimension might potentially impact OID. It was done by examining ECSR's effect on OID, a psychological process that is well-known for strengthening employees' relationship with mediating factor of PEP (Bhattacharya et al. 2009; Riketta 2005). Researcher surveyed employees of Small and Medium Enterprises (SME's) whose engagement towards work has been put under great pressure due to various environmental changes in last few years.

Secondly, to evaluate the influence of perceived ECSR on employees' OID, we build an integrated framework based on PEP a potentially mediating mechanism explaining this association (Dutton et al. 1994; Smidts et al. 2001). Further interacting effect of OV with the relationship of ECSR and OID is explored.

Finally, based on literature, we explored a likelihood effect that can explain some of the circumstances under which ECSR could more favourably impact employees' OID, with the moderated mediated approach.



Conceptual Background and Hypothesis

Corporate Social Responsibility (CSR) refers to a company's activities that go beyond profit-making and legal compliance (McGuire, 1963; Davis, 1973; McWilliams et al., 2006; Aguilera et al., 2007; De Roeck et al., 2014). In addition to advocating good causes, a firm's ethical viewpoint is highlighted through adopting good practises and engaging in philanthropy (Carroll, 1979; Kotler and Lee, 2005). You need all of these things in order to create a more effective connection with the firm's stakeholders (Waddock and Smith, 2000; Bhattacharya et al., 2009).

In fact, recent micro-CSR research show that CSR has an impact on employees' OID (Glavas and Godwin, 2013, e.g., Farooq M. et al., 2014; Farooq O. et al., 2014; El Akremi et al., 2015). When an organisation is active in social welfare initiatives, employees feel a deep connection to it (Smidts et al., 2001; Glavas and Godwin, 2013). The study by Jones (2010) found that workers who got support from their employer when performing community service were more likely to feel highly committed to the organisation. "Firms engaging in social well-being activities are more likely to recruit qualified personnel," suggest Jones et al. (2014). An investigation on CSR and stakeholder relationships by Sen et al (2006) found that both external and internal stakeholders identify better with a business after they became aware of its CSR efforts. Only a few research, however, have looked at how and why certain CSR activities impact identification.

According to Social Identity Theory and Self-Categorization Theory (Tajfel and Turner 1985; Ashforth and Mael 1989), OID is a special type of social identification (Haslam and Ellemers, 2005). An organization's success and failure might be experienced as if they were their own (Mael and Ashforth, 1992, p. 103). According to research, a firm's overall effectiveness might be affected by OID.

In the words of Ellemers et al., (2003) to preserve a good social identity, it is necessary to make comparisons with the appropriate out-groups in order to assess and maintain positive self-esteem. According to Social Identity Theory, a minimal degree of group identification as well as salient participation in the group is required for its assumptions to be valid (Van Dick, 2001).

Individual's self is also divided into two parts: their personal identity and a huge variety of societal identities (Abrams and Hogg, 1988). Individuals categorise themselves into different social groups to enhancing their self and self-concept (Tajfel and Turner, 1986; Hogg and Terry, 2000; Terry and Hogg, 2001). To summarize, social identification is triggered by people's desire to improve themselves, and they do so by associating with well-known, attractive and unique social groupings (Terry and Hogg, 2001).

When employees experience a sense of oneness with their business, they are more productive (Ashforth and Mael, 1989). If the individual's alternative identities are less salient than his/her identity as a member of an organisation, and if the individual's self-concept and the perceived organisational identity have a lot of qualities, OID will be strongest (Dutton et al, 1994)

An organization's employees' identification is enhanced when it invests in CSR initiatives that benefit the community as well as its own employees. Activities that promote CSR also provide employees a chance to draw favourable social comparisons with other businesses as a means of boosting their self-esteem (Bartel, 2001). However, previous studies on the connection between CSR and OID have not completely investigated the mechanism by which ECSR impacts OID.



Here, we propose that ECSR contributes to the firm's OID, through the moderating factor OV and mediating factor PEP. Further, employees' assessment of CSR activities will vary according to their personal values and work orientation. Employees who see their work as a calling—finding it most meaningful if it has a broader impact or fulfills a greater purpose—will put greater importance on CSR activities of organization. Thus, the current study proposes that the effect of ECSR activities on OID with moderating value of OV and internal respect is mediated by their PEP.

Mediating Role of Perceived External Prestige

Although the literature assumes implicitly that employees' organizational identification and underlying self-enhancement process justifies the way in which CSR affects employee outcomes, most studies have not explored this underlying self-enhancement mechanism. The few exceptions to this (e.g., Jones, 2010) argue that employees satisfy their need for self-esteem by taking pride in belonging to a socially well-regarded organization, which results in favorable attitudes toward the organization. That said, the mediation mechanism that translates the effect of CSR initiatives into favorable attitudes remains unclear (Bhattacharya et al., 2009; Jones, 2010).

Employees' OID and underlying self-enhancement process are indirectly assumed to be responsible for CSR's impact on employee outcomes, although most research have not examined this mechanism. Many people disagree and argue that employees gain self-esteem by being proud of belonging to a well-respected organisation, which leads in favourable sentiments about the organisation Jones (2010). Despite this, the exact process through which CSR activities convert into favourable opinions is still a mystery (Bhattacharya et al., 2009; Jones, 2010).

According to Mael and Ashforth (1992), perceived external prestige is essential since it increases workers' self-concepts and self-worth. Socio-Identity Theorists claim that people desire to be part of renowned organisations since it boosts their self-esteem (Van Dick, 2001; Edwards, 2005). Ashforth and Mael, 1989; Benkhoff, 1997 have found that a firm's external prestige enhances its workers' self-esteem and organisational identification.

When employees believe that their employers are socially responsible, they become more loyal (El Akremi et al., 2015). For this reason (Kim et al., 2010), instead of concentrating on how external CSR directly affects OID, we suggest that such actions are ways of increasing an organization's PEP. It is understood that employees are more likely to feel good about their company when it is participating in something good. Community involvement and generosity improve the company's reputation among outsiders (Fryxell and Jia, 1994; Brammer and Millington, 2005).

There are external indicators, just like word-of-mouth, brand management, and other media that influence employees' PEP (Smidts et al., 2001). To determine relative prestige, employees will compare their organization's distinctive, central, and lasting activities with those of other firms using these criteria (Dutton et al., 1994; Lee et al., 2008). Environmentally responsible companies have high external prestige in the eyes of their staff, and this has a direct impact on the latter's sense of OID.

Based on the above discussion, we propose the following hypothesis:

Hypothesis 1: Perceived external prestige mediates the positive relationship between ECSR and OID.



Moderating Role of Organizational Value

Values are permanent objectives that guide people in their daily lives (Rokeach, 1973; Schwartz, 1992). As described by Rokeach (1973), value is "a long-term conviction that a certain mode of behaviour or end-state of life is personally or socially superior to an opposite or converse way of conduct or end-state of existence" (Ma, X, 2009). For purposes of conceptualising values, they may be viewed as explicit or implicit formulation of the desirable that influences people's methods and goals of action (Kluckhohn, Clyde, 1951). Their definition is "persistent ideas that one way of action is individually or socially superior to another mode of conduct, or a different ultimate condition of life". "Value" is defined by Schwartz (1992) as specific circumstances that individuals aspire to, as well as the overriding concrete scene and can be the judgement and decision standard in an array of behavioural patterns (Ma, X 2009).

Korschun et al. (2014), Öberseder et al. (2013) and Plouffe et al. (2016) regard employees as a significant stakeholder group of the firm. This is consistent with the literature on business ethics and CSR. Organizational CSR value is seen by employees to be related to socially responsible actions, with a focus on society's welfare and/or socially responsible reputation and/or rewards for making socially responsible decisions. To embrace CSR means infusing values into an organization's culture, which may have a beneficial influence on employees' OID.

In other words, businesses with a strong ethical values are more likely to treat their employees fairly. For example, views of organisational fairness and business ethics and values have been shown to be positively correlated with OID and work satisfaction in previous research studies (Baker et al. 2006; Huntetal.1989; Moorman 1991; Ruiz-Palomino et al. 2013; Singhapakdi et al. 2010; Valentine et al., 2006; Vitell and Singhapakdi 2008). It's also been demonstrated that employee views of CSR initiatives may favourably affect OID (Bauman and Skitka 2012; Ellemers et al. 2011; Valentine and Fleischman 2008).

CSR-oriented companies tend to have excellent OID, we suggest that an organization's commitment to CSR principles and values is likely to increase OID because employees' self-identification with their employer and perceptions of themselves as moral persons are enhanced. When people think of themselves as moral, it boosts their self-esteem since morality is a highly valued cultural trait, especially in an Asian setting. Many studies in the area of organisational psychology and other behavioural studies suggest that OID is associated with a variety of employee behavioural outcomes, emerging from the values created in the organization.

Based on this discussion, our study will test the following second hypothesis:

Hypothesis 2: The relationship between Environmental CSR dimensions and perceived external prestige is moderated by organizational value such that stronger the organizational values and ethics, the stronger will be relationship and vice versa.

Shao, Aquino and Freeman (2008) stated that the "study of organizational identity blended with organisational ethics and values in organisational contexts is still in its infancy." As a result of our literature analysis, we have concluded that no research has been conducted to date on the relationship between ECSR and OID, with OV moderating and mediated by PEP. The current study makes a major contribution to the existing literature, given the ever-increasing CSR activities inside businesses and the relevance of CSR in the literature. Figure 1 shows the conceptual paradigm for this research.

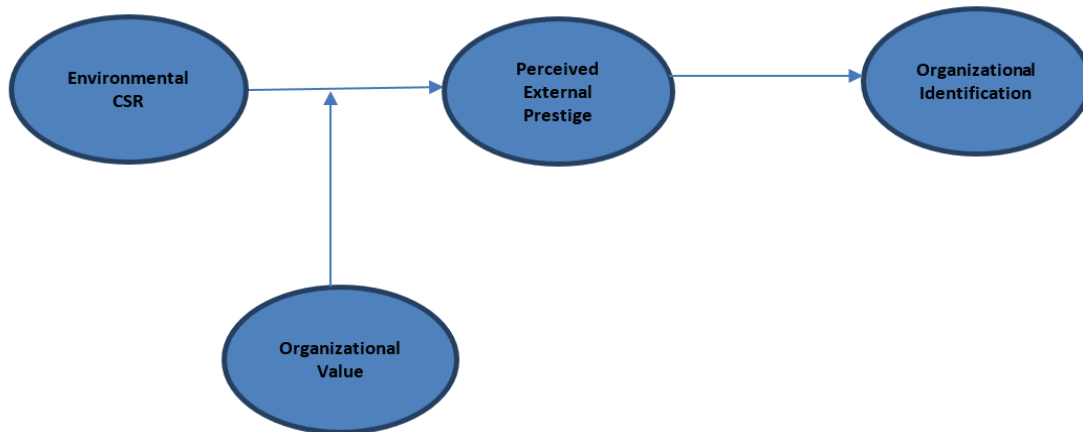


Fig 1: Structural Model: Standardized path coefficients and R² for the hypothesised model.

Note: *p<0.5, **P< 0.01.

Interacting Variable: Environmental CSR multiplied by Organisational Value

METHOD

We collected data from 61 Small and Medium Enterprises located in Coimbatore of Tamil Nadu State, India.

A total of 495 questionnaires were distributed, of which 412 were returned and 369 analyzed. All the respondents on average were 31 to 40 years old (SD = 0.75). The majority were male (79%), similar to several other studies in the field. Most respondents (56%) had at least a Bachelor’s degree and had worked at the organization for 10 years, on average (SD = 0.17). 61.2 per cent of the company core business was manufacturing and 37 per cent core business was service. Trading companies taken for the study are very less as 2.2 per cent only. 40% of the firm business operates for more than 20 years. Then similar to that 31% of firm operates for more than 15 to 20 years. Remaining 13% of lies within 10 to 15 years of business operations and 17% of firm falls under the year of business operations less than 10 years.

Measures

All measures were measured on a five-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5). The five-item scale adapted from Mael and Ashforth (1992) was used to measure perceived external prestige which had 8 items.

Organizational Value was measured on a 5 item scale adapted from Adria Denise Toliver (2013). Nine items were used to measure the Environmental Dimension of CSR adapted from European Commission (2005). Organizational Identification was measured with 5 items adapted from Mael and Ashforth (1992).

Control variables—in this case, age, gender, experience, years of service and core business of the company— were included in survey to rule out other possible explanations for any significant relationships. Variables such as age and gender can have a significant impact on organizational identification at the individual level (Riketta, 2005).

DATA ANALYSIS

We examined the data using SPSS 21 and AMOS 21. Missing value analysis, multivariate outliers, normality, descriptive statistics, multicollinearity, homoscedasticity, and correlation analyses were all part of the data screening stage. The confirmatory factor analysis fit indices for measurement models is shown in Table 1, as we adopted 5 general indexes to assess the model fit: χ^2/df , TLI, CFI, RMSEA, and SRMR (Hu and Bentler, 1999). The acceptable cutoff values that we used were less than 2.00 for χ^2/df , more than 0.90 for TLI and CFI, and less than 0.08 for RMSEA and SRMR, which are widely reported and recommended (Hu and Bentler, 1999; Kline, 2011).

Table 1: Confirmatory factor analyses fit indices for measurement models

Model	v2	df	v2/df	Dv2(Ddf)	RMSEA	NNFI	CFI	SRMR
1. Four-factor model	181.88	142	0.78	–	0.04	0.98	0.98	0.07
2. Three-factor model (PEP & OV = 1 factor)	181.88	142	0.78	–	0.04	0.98	0.98	0.07
3. Three-factor model (ENV.CSR & OV = 1 factor)	281.6	146	1.93	99.73**	0.08	0.94	0.95	0.09
4. Three-factor model (ENV.CSR & PEP = 1 factor)	302.77	146	2.07	120.90**	0.08	0.94	0.95	0.09
5. Three-factor model (OI & PEP = 1 factor)	302.77	146	2.07	120.90**	0.08	0.94	0.95	0.09
6. Three-factor model (ENV.CSR & PEP & OV = 1 factor)	401.34	146	2.75	219.46**	0.11	0.89	0.91	0.11
7. Three-factor model (ENV.CSR & OV = 1 factor)	369.87	149	2.48	187.99**	0.10	0.92	0.93	0.10
8. Three-factor model (ENV.CSR & PEP & OI = 1 factor)	576.57	149	3.87	394.70**	0.14	0.86	0.88	0.11
9. Two-factor model (ENV.CSR & OV & OI = 1 factor)	656.42	151	4.35	474.54**	0.15	0.84	0.86	0.11
10. Two-factor model (CSR & PEP & OI = 1 factor)	749.76	151	4.97	567.88**	0.16	0.81	0.83	0.11
11. One-factor model	838.38	152	5.52	656.51**	0.17	0.78	0.8	0.12

RMSEA Root Mean Square Error of Approximation, NNFI Non-Normed Fit Index, CFI Comparative Fit Index, SRMR Standardized Root Mean Square Residual

Note: N = 495 * p < .05, ** p < .01

Table 2: Descriptive statistics and correlations among latent variables

Variable	N	M	SD	1	2	3	4	5
1. Environmental CSR	165	3.5	0.55	1				
2. Organizational Identification	165	3.57	0.79	.52**	1			
3. Perceived External Prestige	165	3.27	0.78	.52**	.46**	1		
4. Organizational Value	165	3.24	0.79	.44**	.53**	.33**	1	

Note: N = 495 * p < .05, ** p < .01



Table 3: Indirect Effects at Low, Mean, and High Levels of Organisational Value for Overall CSR

Mediators	Level	Unique effect of mediators on OI	Indirect Effect	Direct Effect (PYX)	Total Effect	Bootstrapping BCA 95% CI	
						Lower	Upper
	0.55**	-0.05	-0.04	--	--	-0.12	0.05
	0.58**	0.54**	0.36**	--	--	0.18	0.50
	--		0.31**	0.16	0.52**	0.15	0.48
Pairwise Contrast of the indirect effect.							
			-0.36	--	--	-0.54	-0.21
BCA bias corrected and accelerated 5,000 bootstrap samples. Note: N = 495 p < 0.05 , ** p < 0.01							