Corporate social responsibility as a source of employee satisfaction

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Abstract

Corporate social responsibility has received an increasing amount of attention from practitioners and scholars alike in recent years. However, very little is known about whether or how corporate social responsibility affects employees. Because employees are primary stakeholders who directly contribute to the success of the company, understanding employee reactions to corporate social responsibility may help answer lingering questions about the potential effects of corporate social responsibility on firms as well as illuminate some of the processes responsible for them. To begin our chapter, we provide a brief history of scholarship on corporate social responsibility and highlight some of the major challenges researchers in this area currently face. We then discuss why corporate social responsibility may represent a special opportunity to influence employees’ general impression of their company. Next, we identify four distinct paths through which corporate social responsibility may affect employees’ relationship with their company that correspond to four universal psychological needs: security, self-esteem, belongingness, and a meaningful existence. Finally, we offer an agenda for micro-level research on corporate social responsibility.

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No one likes rain on their parade. Not even in Seattle. For eight years, Washington Mutual Bank sponsored Seattle’s annual “Family 4th at Lake Union” fireworks show on Independence Day. The financial giant folded in 2008 due to its extensive involvement in high-risk loans when subprime mortgage crisis hit, creating the largest bank failure in American history and leaving Seattle’s summer ritual without a sponsor. JPMorgan Chase, the company that bought what was left of WaMu after its collapse, agreed to sponsor the fireworks for one year, but it chose not to extend the commitment into the future. No other corporate sponsor came forward, and the nonprofit organization that planned to produce the event in 2010 had no other choice but to cancel it. When news of the cancelation broke, local celebrity chef and restaurateur Tom Douglas and radio host Dave Ross launched a fundraising campaign to save the show. Douglas started a fund by donating some of the money required, and he called on individuals and corporations to chip in as well. Within 24 h, Starbucks, Microsoft, and about 300 other individual and corporate donors had pledged enough money to light the sky according to tradition. Residents of the city and the surrounding areas were relieved that the show would go on, but they also seemed to revel in the cooperative spirit and sense of community the combined sponsorship represented. Clearly, the public was pleased about the outcome, but do community-minded actions like these have any special effect on the way employees at Starbucks, Microsoft, and Douglas’ restaurants feel about their company and do their job?

People try to understand others by making inferences about actors’ underlying traits and stable tendencies based on observable behaviors (e.g., Heider, 1958; Jones & Davis, 1965). Most people would probably argue that Tom Douglas’s voluntary contribution to a community event like the Family 4th at Lake Union conveys information about his values and sends a qualitatively different message about who he is than does his entrepreneurial success (Rosenberg, Nelson, & Vivekantanathan, 1968; Trafimow & Trafimow, 1999; Wojciszke, 1994; Wojciszke, Bazinska, & Jaworski, 1998). That is, Douglas’ capacity to create a local empire of popular restaurants says more about his talents and skills than about his social orientation or moral character, whereas an unsolicited effort to serve the interests of the community says more about his character than his skill. These two dimensions of appraisal, competence/agency/ability and warmth/communion/morality, represent a basic framework people use to understand others (e.g., Abele & Wojciszke, 2007; Cuddy, Glick, & Beninger, 2011; Reeder & Brewer, 1979; Rosenberg & Sedlak, 1972; Wojciszke, 1994). Information about warmth/communion/morality is particularly influential in global evaluations of others because it provides insight into their important and enduring beliefs (Rokeach, 1979; cf. Katz & Kahn, 1978) and indicates whether they are trustworthy and cooperative (e.g., Wojciszke & Abele, 2008; Wojciszke et al., 1998; cf. Peeters, 1983).

People employ the same psychological processes they use to appraise individuals when evaluating organizations (e.g., Davies, Chun, Da Silva & Roper, 2003; Dowling, 2001; Epley, Waytz, & Cacioppo, 2007). Because people often conceptualize companies as social actors with traits, motives, and intentions, they are likely to evaluate organizational character in terms of both ability and morality (Leach, Ellemers, & Barreto, 2007; Lichtenstein, Drumwright, & Braig, 2004; Maigman & Ferrell, 2004; Sen & Bhattacharya, 2001; Sen, Bhattacharya, & Korschun, 2006). Corporate contributions to the community, such as donations to the Family 4th at Lake Union, may therefore influence people’s evaluations of Starbucks and Microsoft in much the same way they influence people’s evaluations of Tom Douglas. Given that moral similarity or dissimilarity uniquely impacts people’s willingness to enter relationships with groups and individuals (Haidt, Rosenberg, & Hom, 2003; Leach et al., 2007; Skitka, Bauman, & Sargis, 2005), maintaining a moral image should be of interest to individuals and organizations alike. That said, there are many factors that affect whether and how people infer the morality of an actor based on a specific behavior, and this link may be especially variable when the target is a corporation rather than an individual.

We propose that actions that demonstrate corporate social responsibility represent a fairly rare opportunity to positively influence how individuals—if especially employees and prospective employees—perceive firms. In particular, discretionary activities that indicate a prosocial rather than an instrumental orientation have the potential to elicit attributions of morality, which can strengthen the social ties between individuals and the organization. As a result, acts of corporate social responsibility should, for example, increase identification and commitment to the organization, organizational citizenship behaviors, and meaningfulness of work (e.g., Aguilera, Rupp, Williams, & Ganapathi, 2007; Bartel, 2001; Ellemers, Kingma, van de Burght, & Barreto, 2011; Fombrun, Gardberg, & Barnett,
2000; Peterson, 2004; Rodrigo & Arenas, 2008; Swaen & Maignan, 2003). Corporate social responsibility should also enhance firms’ ability to attract and keep top talent (e.g., Albinger & Freeman, 2000; Greening & Turban, 2000; Turban & Greening, 1997). Although it is not new to suggest that CSR can have a positive impact on employees’ view of their employer, very little work has attempted to explain how CSR affects employees and why CSR is likely to play a special role in employees’ relationships with the firm.

We identify four psychological routes through which CSR can impact employees’ relationships with their company. Specifically, we outline how CSR can (a) reassure concerns about safety and security, (b) provide positive distinctiveness and enhance social identity, (c) symbolize commitment to important values and engender a sense of belongingness, and (d) add meaning and provide a greater sense of purpose at work. Before turning to the psychological routes that explain how CSR activities affect employees’ impressions of the firm, we first provide a brief description of the concept of corporate social responsibility.

1. Corporate social responsibility

It is widely accepted that businesses exist to make money for investors. But should firms voluntarily perform additional functions that benefit other members of society? Scholarship on corporate social responsibility (CSR) is a broad area of inquiry that attempts to answer this fundamental question. It generally addresses the proper relation between business and society and the extent to which firms have responsibilities beyond the pursuit of their economic self-interest and compliance with the law (Carroll, 1979; Jones, 1980; McWilliams & Siegel, 2001; see also Davis, 1973; Stone, 1975). The field has yet to come to consensus on a more precise definition of CSR, which has led to a somewhat confusing array of conceptualizations and operationalizations that partially diverge from each other and overlap at times with a number of other closely related constructs (Aguilera et al., 2007; Aguinis & Glavas, 2012; Carroll, 1999; Waddock, 2004). We believe, however, that Aguinis (2011) concisely captured several key elements of CSR when he defined it as “context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance” (p. 855). We therefore use Aguinis’s definition of CSR as the starting point of our inquiry.

Scholarly interest in CSR from a management perspective can be traced back at least as far as the 1930s, and the topic has been particularly contentious and ideologically charged from the start (Carroll, 1999). A major source of disagreement concerns whether and how far beyond “the bottom line” firms should go. Proponents of a narrow economic view of CSR maintain that firms are socially responsible to the extent that they maximize profits while complying with the letter of the law (e.g., Easterbrook & Fischel, 1996; Friedman, 1962; Leavitt, 1958; Sternberg, 1996, 2000). From this perspective, businesses achieve social responsibility through profitability because profitable firms deliver the returns that investors seek, provide paychecks that employees need, and supply the goods and services consumers want. By definition, economic exchange is socially desirable in a free market system because it would not occur voluntarily if it did not make both parties to the exchange better off (cf. Smith, 1909, 1976). Moreover, expenditures toward ends other than profitability could introduce inefficiencies into the market that in turn would decrease overall social benefit (Friedman, 1962; Friedman & Friedman, 1980). Requiring companies to pursue social objectives other than profitability also decreases the overall amount of personal freedom in society, because it impinges on shareholders’ right to invest their money in whatever ways they wish (Friedman, 1962). Taken together, these arguments lead some to conclude that the sole social responsibility of business is to increase profits (Friedman, 1970).

Proponents of a more expansive view on CSR, in contrast, contend that businesses ought to use their power and resources for “broad social ends and not simply for the narrowly circumscribed interests of private persons and firms” (Frederick, 1960, p. 60; see also Davis, 1960; McGuire, 1963). Socially responsible firms should first achieve their economic goals and fulfill their legal obligations. However, they also should adhere to ethical standards not mandated by law and engage in some philanthropic or other discretionary activities that help address the needs of society (e.g., Carroll, 1979; Wartick & Cochran, 1985; Wood, 1991). According to this perspective, society has a right to require responsibilities that are not a part of the narrow economic view because it licenses businesses to operate and absorbs the negative externalities businesses generate (Jones, 1980). Also, corporations and the individuals who run them have no special status that absolves them from the ethical obligations and civic duties that are required of other members of society (Donaldson & Preston, 1995; Logsdon & Wood, 2002; Quinn & Jones, 1995). Therefore, some conclude that businesses must consider the needs and desires of society at large and do more than simply maximize profit.
Despite these unresolved differences over normative aspects of CSR, the amount of resources companies put toward CSR increased dramatically over the past several decades. A new era of CSR began in the United States in 1953 when the New Jersey Supreme Court lifted legal restrictions on corporate philanthropy and explicitly endorsed CSR (A. P. Smith Mfg. Co. v. Barlow). Companies moved quickly to adapt to the apparent shift in society’s expectations for businesses. Most large companies established programs for philanthropy and developed explicit codes of ethics by the end of the 1980s (Business Roundtable, 1988; Smith, 1994). As of 2004, over 80% of Fortune 500 companies explicitly touted multiple aspects of CSR on their websites (Bhattacharya & Sen, 2004). In other words, CSR has become a mainstream concern, and many companies now question how rather than whether they should address it (Smith, 2003).

Efforts to document and understand the antecedents and consequences of CSR for firms have been a major focus of research in recent years (Aguinis & Glavas, 2012; Margolis & Walsh, 2001; Pelzoa & Shang, 2011). The body of empirical evidence indicates that CSR is positively associated with firm reputation and financial performance (e.g., Margolis & Walsh, 2001, 2003; Orlitzky & Benjamin, 2001; Orlitzky, Schmidt, & Rynes, 2003; Pelzoa, 2009), which has led many in the field to endorse the notion that CSR benefits firms. However, some researchers urge caution because existing studies have several methodological limitations; for example, large companies are overrepresented in study samples, key control variables are missing from some analyses, there is uncertainty about how well existing measures operationalize key constructs, and nearly all studies are correlational and unable to determine whether CSR improves financial performance or vice versa (e.g., Griffin & Mahon, 1997; Margolis & Walsh, 2003; McGuire, Sundgren, & Schneeweis, 1988; Pelzoa, 2009; Ullmann, 1985; Waddock & Graves, 1997). Moreover, others have called for more precise theoretical accounts of the relation between CSR and financial performance to clarify the processes involved and identify important moderating conditions (Aguilera et al., 2007; Aguinis & Glavas, 2012; Rowley & Berman, 2000; Wood, 2010; Wood & Jones, 1995). Existing theories and data do not therefore provide unequivocal answers to some crucial questions about CSR.

One underutilized approach to understanding some of the potential costs and benefits of CSR to firms is to investigate the impact of CSR on employees. Research often addresses how CSR affects important stakeholder groups, especially investors (e.g., Graves & Waddock, 1994) and consumers (e.g., Sen & Bhattacharya, 2001), but it has tended to neglect employees (Aguilera et al., 2007; Aguinis & Glavas, 2012). This gap in knowledge is surprising given how well established it is that employee attitudes and behavior have far reaching consequences for the overall success of organizations (e.g., Chambers, Foulon, Handfield-Jones, Hankin, & Michaels, 1998, Lawler, 1992; Mathieu & Zajac, 1990; Meyer & Allen, 1997; Mowday, Porter & Steers, 1982; Pfeffer, 1994). If CSR can, for example, attract talent, increase commitment, encourage organization citizenship behavior, or decrease turnover, then firms that engage in CSR should perform better than those that do not. Moreover, a micro-level analysis of how employees form impressions and conceptualize their relationships with firms should complement and extend existing macro-level theories, help identify missing process variables and contingencies, and account for additional variance in how individuals respond to specific policies and actions (e.g., Foss, 2011; Powell & Colyvas, 2008; Staw, 1991). The micro-level processes that are responsible for a relation between CSR and employee attitudes and behavior may also generalize and provide additional insight into the effects of CSR on other stakeholders. The time is right for organizational behaviorists to join the conversation about CSR and construct individual-level theories of when, why, and how CSR affects employees.

2. Employee perceptions of organizations

The first step in understanding the potential impact of CSR on employees is to consider why CSR may represent a special opportunity to positively influence employees’ and prospective employees’ perceptions of firms. In the next section, we explain how people form impressions of others and discuss why the moral implications of CSR should make it particularly consequential for employee relations.

2.1. Corporations are people-like

The notion of corporate personhood has been in the news a lot lately as a result of Supreme Court’s ruling on Citizens United v. Federal Election Commission, discussions of corporate tax rates, and the much publicized sound bite, “Corporations are people, my friend” taken from presidential candidate Mitt Romney’s campaign stop at the
2011 Iowa State Fair. Despite how loaded the concept of corporate personhood can be in the legal and political arenas (and the current authors’ own skepticism about the wisdom of the Citizens United decision), people nonetheless use many of the same psychological processes to perceive, understand, and evaluate organizations as they do persons. To be clear, our claim is not that corporations and persons are or should be equivalent in any sense; we mean only to assert that there is utility in examining corporations as artificial persons (see Bradley, Brief, & Smith-Crowe, 2008).

People often anthropomorphize organizations (Davies et al., 2003; Dowling, 2001; Levinson, 1965). They treat them as single entities rather than as aggregated collectives and endow them with humanlike qualities, including motives and intentions (Frombrun, 1996; Hamilton & Sherman, 1996). In people’s minds, organizations are social actors that have the capacities to deliberate, self-reflect, act with purpose, and be held accountable for those actions (King, Felin, & Whetten, 2010). By applying familiar lay theories of human nature to non-human entities, people can reduce the amount of uncertainty they experience and make difficult to control situations seem predictable and more manageable (Epley et al., 2007; Guthrie, 1993; Waytz, Morewedge, Epley, Monteleone, Gao, & Cacioppo, 2010). In short, anthropomorphism provides people with the tools they need to make sense of their relationships with companies, brands, and a variety of other non-human entities (e.g., Fournier, 1998; Levinson, 1965; Muniz & O’Guinn, 2001). Therefore, we turn next to psychological research on social perceptions and discuss its implications for how CSR may influence employees’ impressions of firms.

2.2. Perceived corporate morality

People often assume that actors’ behavior in one situation is indicative of their underlying traits and stable behavioral tendencies (Ashe, 1946; Heider, 1958; Jones & Davis, 1965; Kelley, 1972). Despite the complexities of human behavior, a two-dimensional structure explains most social evaluations (e.g., Cuddy et al., 2011; Fiske, Cuddy, & Glick, 2007; Judd, James-Hawkins, Yzerbyt & Kashima, 2005; Peeters, 1983; Reeder, 1985; Rosenberg & Sedlak, 1972; Wojciszke, 1994). One dimension, variously labeled competence, ability, or agency, refers to actors’ capacity to attain their goals and consists of attributions about skill, intelligence, inefficacy, or ineptitude. A second dimension, labeled warmth, morality, or communion, addresses the social implications of actors’ goals and consists of inferences about traits including friendliness, honesty, aggressiveness, or recklessness. Language provides the tools to produce highly nuanced evaluations of social encounters, but this simple two-factor framework can account for a large amount of the variance in people’s evaluations of themselves and others. For example, in a study that examined judgments of over 1100 real-world situations, people’s interpretations of behavior reflected one of these two dimensions more than 75% of the time (Wojciszke, 1994). Moreover, these two dimensions characterize social judgments of several types and across a range of situations, including small group interactions (Parsons & Bales, 1955), interpersonal attraction (Lydon, Jamieson, & Zanna, 1988), personality (Wiggins, 1991), autobiographical memory (McAdams, Hoffman, Mansfield, & Day, 1996), perceptions of political leaders (Kinder & Sears, 1985), group stereotypes (Fiske, Cuddy, Glick & Xu, 2002), consumers’ views of companies and their products (Brown & Dacin, 1997), and employees’ evaluations of their supervisors (Wojciszke, Abele, & Baryla, 2009).

The warmth dimension comprises a wide set of social traits and behavioral tendencies, but the subset of warmth traits people associate with morality has stronger effects on person perception than warmth traits that refer to general sociability (Anderson & Sedikides, 1991; Brambilla, Rusconi, Sacchi, & Cherubini, 2011; Leach et al., 2007; Rosenberg et al., 1968). Sociability traits indicate a person’s style of relating with others (e.g., affability, likeability, aggressiveness), whereas morality traits include an appraisal of correctness or incorrectness (trustworthiness, sincerity, dishonesty; Brambilla et al., 2011). Aggressiveness, for example, provides information about a person’s behavioral tendencies, but it does not necessarily imply that an actor is fundamentally good or bad. Aggressiveness is appropriate, acceptable, and even desirable in some situations. Dishonesty, in contrast, includes an evaluative component that stems from the rigidity people usually associate with their moral rules and beliefs. People perceive morals as terminal absolutes, or ends in themselves, that apply across persons and situations (Skitka et al., 2005). Behavior in moral contexts, therefore, is less attributable to situational causes and more supportive of dispositional inference, or moral character judgment (Pizarro & Tannenbaum, 2012; Reeder & Spores, 1983; Tannenbaum, Uhlmann, & Diermeier, 2011). Importantly, perceived morality plays a dominant role in how people evaluate others relative to competence and sociability (Brambilla et al., 2011; Leach et al., 2007).

Morality is difficult to define precisely in terms of specific content (see Bauman & Skitka, 2009; Tenbrunsel & Smith-Crowe, 2008), but many would agree that it generally involves standards for how people ought to treat each
other that take into account human welfare, rights, and justice (Turiel, 1983; cf. Graham et al., 2011; Kohlberg, 1984; Shweder, Much, Mahapatra, & Park, 1997). CSR, by definition, addresses the relation of business to society, which necessarily involves questions about rights, justice, and how business affects human welfare. The connections between CSR and morality are also reflected in the great care theorists have taken to ground their views in principles of normative ethics, irrespective of whether they espouse a narrow or expansive view of CSR (e.g., Donaldson & Preston, 1995; Freeman, 1994; Friedman & Friedman, 1980; Jones, 1995; Sternberg, 2000). In sum, corporate policies and actions typically associated with CSR represent important sources of information that influence individuals’ judgments of corporate morality (Ellemers et al., 2011; Jones, 1995; Swanson, 1995).

Aspects of CSR may differ in terms of the amount and type of impact they have on judgments of corporate morality. People generally pay more attention and react more strongly to negative than positive events (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; Fiske, 1980; Kanouse & Hanson, 1972). In the context of CSR, a firm’s failure to comply with the law or adhere to widely-accepted ethical standards for conduct, such as a serious scandal, will usually draw more attention and have a stronger influence on people’s perceptions than positive discretionary activities, such as philanthropy and community outreach efforts (cf. Lange & Washburn, 2012). That said, positive discretionary activities may still serve a special function because corporate goodness entails more than merely the absence of bad. Companies that refrain from doing wrong are “decent” at best, but to be a “good” company also requires an active commitment—in both intent and action—to promote virtuous ends (Bradley et al., 2008; Paine, 2003). Discretionary CSR activities (i.e., those advocated by proponents of the expansive but not the narrow view on CSR) represent one way companies can attempt to move beyond decency and approach corporate morality in the eyes of their employees and other stakeholders. Importantly, we expect the psychological needs we discuss in detail below to be more closely aligned with perceived morality than decency.

2.3. Evaluating complex actors

Before moving on, it is important to note that evaluating corporate morality is difficult because corporations, like people, are complex entities whose actions are neither all good nor all bad (Bradley et al., 2008). A company that performs admirably when it comes to promoting safety on the shop floor, for example, may not effectively handle issues related to workforce diversity or consider the environmental impact of its operations. Objective measures of corporate morality therefore are fraught with uncertainty about what actions ought to count and how each should be weighted when creating an aggregated score. That said, people routinely make moral attributions and character judgments based on information they have available (Birnbaum, 1973; Pizarro & Tannenbaum, 2012; Reeder & Spores, 1983), and cognitive economy requires that these judgments be imperfect and perhaps even overly simplistic at times (Fiske & Taylor, 1984). Therefore, employees’ perceptions of corporate morality may not correspond to assessments conducted by ratings agencies or judgments made by other stakeholders. Regardless, we expect that employees’ subjective assessments of moral character influence their attitudes and behavior toward their company, just as they do when people evaluate other persons.

Judgments of morality, like other social inferences, are relatively stable and resist change once formed (Birnbaum, 1973; Reeder & Coover, 1986; see also Briscoe, Woodyard, & Shaw, 1967; Crocker, Fiske, & Taylor, 1984). Yet, in the face of severe shocks or a corpus of evidence to the contrary, judgments of corporate morality are malleable and subject to revision. Under normal circumstances, however, people interpret new events through the lens of their prior judgments about the actor. Prior moral deeds act like “credits” that can change the way people construe ambiguous actions or lessen the blow of clear transgressions (Effron & Monin, 2010; Godfrey, 2005; Godfrey, Merril, & Hansen, 2009; Fombrun et al., 2000). People judge moral transgressions as less severe and are more lenient in their punishment recommendations when transgressors have a history of moral behavior relative to when they do not (Effron & Monin, 2010). Paralleling these results, a positive reputation for CSR can reduce the extent to which consumers blame a company for a product–harm crisis and limit the negative impact of the crisis on brand evaluations and purchasing intentions (Klein & Dawar, 2004). Similarly, at the level of the firm, having a positive reputation for CSR lessens the impact of negative events, such as law suits and punitive regulatory actions, on company stock prices (Godfrey et al., 2009). Taken together, this evidence converges on the notion that people form global judgments about a company based on its level of CSR, which in turn affects how people think, feel, and act toward the company.

In summary, perceived morality plays a critical role in how people relate to others, and CSR represents one source of information employees can use to judge corporate morality. Discretionary CSR activities, in particular, may
contribute positively to overall impressions of corporate morality, over and above what can be achieved through compliance with legal and ethical standards alone. In the next section, we argue that employee perceptions of corporate morality can affect employee attitudes and behavior because corporate morality also addresses some basic psychological needs.

3. CSR and employee needs

In the following sections, we discuss four basic psychological needs that represent the origins of four distinct paths through which CSR can affect employees’ relationship with their company. Specifically, we explain how CSR can provide employees with (1) a sense of security and safety that their material needs will be met, (2) self-esteem that stems from a positive social identity, (3) feelings of belongingness and social validation of important values, and (4) existential meaning and a deeper sense of purpose at work. We draw from and extend prior work that has explored associations between CSR and justice (Aguilera et al., 2007; Rupp, 2011; Rupp, Ganapathi, Aguilera, & Williams, 2006) and incorporate additional insights from recent research on social identity (e.g., Ellemers et al., 2011) and pro-social motivation (e.g., Grant, 2007). We frame our discussion in terms of morality rather than justice because morality provides a broad base of concerns that includes justice but also other moral concerns, such as harm, care, and purity (e.g., Gilligan, 1982; Graham et al., 2011; Haidt & Joseph, 2004; Kohlberg, 1984; Shweder et al., 1997; Turiel, 1983). Justice is one lens through which employees interpret CSR, but other moral concerns may be the primary driver of employees’ interest in certain aspects of CSR. For example, the ethic of care may best account for employee perceptions of philanthropic efforts that benefit the poor and the needy (e.g., pharmaceutical companies’ efforts to address diseases like AIDS and river blindness in Africa), and the ethic of purity may underline employee concerns about the environmental impact of their company’s activities. In short, we believe that CSR increases perceived corporate morality, which in turn can help to satisfy employees’ needs for security, self-esteem, belongingness, and a meaningful existence.

3.1. Need for security and safety

People generally would prefer to maximize rewards and minimize costs in relationships with groups and individuals (Blau, 1964; Homans, 1958; Thibaut & Kelley, 1959). Coworkers, teammates, partners, and companies have a greater potential to provide rewards when they are competent rather than incompetent. People should therefore prefer to affiliate with more rather than less competent others, all else being equal. However, social interaction also involves a fundamental dilemma about cooperation and competition (Bakan, 1966; Gintis, Bowles, Boyd, & Fehr, 2005; Lind, 2001; Rawls, 1999). Although working together toward a common interest provides people with a means to accomplish tasks and goals they could not reach on their own, it also inherently includes a risk of exploitation. Belief that another party is moral provides people with a sense of security and safety because people assume that moral actors are less likely to take advantage of them (Abele & Wojciszke, 2007; Lind & Van den Bos, 2002; van den Bos & Lind, 2002; Wojciszke, 2005). Therefore, to the extent that CSR fosters perceptions of corporate morality, CSR should help to satisfy the need for safety and security. Several distinct lines of thought echo this basic logic.

Perceptions of morality often involve an element of trust. Researchers define trust as anticipated cooperation (Burt & Knez, 1996) or as an expectation that another’s actions will be beneficial or at least not detrimental one’s own interests (Robinson, 1996). Trust is often cultivated through reciprocity in repeated interactions (e.g., Deutsch, 1958; Lindskold, 1978; Plisuk & Skolnick, 1968; Solomon, 1960; Weber, Malhotra, & Murnighan, 2005). In the absence of a history that allows people to diagnose trustworthiness, people draw evidence from other sources that serve as substitutes for personal experience (Creed & Miles, 1996; Zucker, 1986). For example, trust can stem from a shared understanding of the rules regarding appropriate behavior (Kramer, 1999; Kramer & Lewicki, 2010). Organizations that set clear injunctive and descriptive norms for behavior can shape members’ expectations that others will act in a trustworthy manner. “Rule-based trust is not predicated on members’ ability to predict specific others’ trust-related

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1 Needs are the core determinants of motivation. They are universal in the sense that every human experiences them to some degree at some time (e.g., Deci & Ryan, 2000; Maslow, 1943; Murray, 1938; Tay & Diener, 2011). Contemporary theorists have left behind the antiquated and empirically unfounded notion of need hierarchies (see Wahba & Birdwell, 1976), but they have retained the more basic premise that needs are a useful means to organize and explain a wide range of behaviors using a small set of foundational concerns (Deci, 1992; Fiske, 2010).
behaviors, but rather on their shared understandings regarding the normatively binding structure of rules guiding—and constraining—both their own and others’ conduct” (Kramer & Lewicki, 2010, p. 264). Somewhat analogously, we believe that a company’s CSR activities can show its understanding of and commitment to a structure of ethical rules that guide and constrain its conduct and, in turn, foster presumptive trust and provide some sense of security and safety.

Instrumental stakeholder theory similarly maintains that corporate morality is an efficient way to mitigate concerns about opportunism and to improve relationships between firms and stakeholders, including employees (Jones, 1995). Formal contracts between exchange partners clarify some expectations about performance and compensation, but no written contract can explicitly detail all aspects of a complex relationship (e.g., Kotter, 1973; Rousseau, 1995). Trust is therefore an integral component of all exchange relationships (Blau, 1964; Eisenberger, Fasolo, & Davis-LaMastro, 1990). In employee–employer relationships, employees look for reassurance that the company will not renege on important aspects of the psychological contract, such as appropriate compensation relative to others, good working conditions, opportunities for advancement, and job security. According to instrumental stakeholder theory, employees address this concern by evaluating corporate morality based on their direct experiences with company policies and decisions. For example, employees will infer that a company is trustworthy, not opportunistic, if it tends to promote from within rather than always fills key positions with outside candidates (Pfeffer, 1994). However, employees also consider whether the firm is opportunistic when dealing with other stakeholders. A strict “no returns” policy, for example, may suggest that the company is willing to act opportunistically toward customers and cause employees to question how it will act toward them (Jones, 1995). Given that CSR comprises a wide range of activities that illustrate a company’s general orientation toward its stakeholders, CSR should affect employees’ perceptions of corporate morality and influence their expectations about whether the company is likely to act opportunistically versus honor psychological contracts.

Signaling theory emphasizes that people interpret available information as signals they can use to fill the information gaps that are common in market situations (Spence, 1974; Wanous, 1992). Job seekers frequently lack specific details about important employment characteristics, such as the working conditions and the quality of relationships within the organization. To cope with this ambiguity, they look for signals that allow them to anticipate what it would be like to work for a given company (Barber, 1998; Breaugh, 1992; Rynes, 1991). Applicants may therefore infer from CSR that a company holds certain values and norms that are likely to affect working conditions and the overall job environment (Backhaus, Stone, & Heiner, 2002; Greening & Turban, 2000; Turban & Greening, 1997).

Fairness heuristic theory also asserts that people who lack sufficient information to evaluate a situation use available evidence to infer whether they are safe from exploitation and exclusion from important groups (Lind, 2001; Lind & Van den Bos, 2002; van den Bos, Lind, & Wilke, 2001). According to the theory, people in uncertain situations form general fairness judgments about people, systems, and organizations based on available information. They then use their general fairness judgment as a heuristic that functions as a proxy for trust; it helps them to interpret new information and serves as a substitute for missing information. For example, when people do not know how decisions that affect them will be made, they may judge fairness based on how others’ have been treated (van den Bos et al., 2001). Likewise, people often use procedural information to evaluate the fairness of outcomes when they do not have relevant social comparison information (van den Bos, Lind, Vermunt, & Wilke, 1997; van den Bos et al., 2001). Based on fairness heuristic theory’s substitutability principle, Rupp, Aguilera, and colleagues have argued that employees use CSR as a proxy for fairness (Aguilera et al., 2007; Rupp, 2011; Rupp et al., 2006). In their view, CSR indicates to employees that their organization is generally committed to social justice across stakeholder relationships and can be trusted to provide them with the outcomes they deserve.

In sum, CSR may help to satisfy the need for security and safety because companies with a strong reputation for CSR generally exhibit cooperative rather than opportunistic behavior across stakeholder relationships. Employees and prospective employees may then infer from CSR that their company is moral and conclude that it is safe to invest their time and effort into the success of the company, or put differently, CSR may serve as the basis of presumptive trust. Prospective and new employees may be especially likely to look toward CSR as a means to satisfy their need for security and safety because these individuals have little personal experience to guide their expectations about how the company will treat them.

3.2. Need for esteem

People desire to maintain a positive image of themselves (e.g., Locke, McClear, & Knight, 1996; Maslow, 1943; Sedikides & Strube, 1997; Steele, 1988; Tajfel & Turner, 1979). Relationships with groups and individuals are
important to people’s self-concept for at least two reasons. First, memberships in groups and organizations often serve as a source of pride and value (e.g., Ashforth & Mael, 1989; Dutton, Roberts, & Bedar, 2010; Tajfel & Turner, 1979; Tyler, 1999). Second, perceived similarity to others in a group provides a sense of belongingness and validates people’s personal values and beliefs (Byrne, 1971; Heider, 1958; Newcomb, 1961, 1978; Turner, Hogg, Oakes, Reicher, & Wetherell, 1987). In other words, people can derive esteem from advantageous intergroup comparisons, and they also are reassured by intragroup similarity. Most prior work in this area has focused on the role of CSR in firm reputation and intergroup comparisons, and only very little research has considered whether CSR shapes employees’ perceptions of how well they fit within the organization. We first review social identity theory and research that conceptualizes CSR as a means to achieve positive group distinctiveness. We then explore how aspects of CSR can affect the extent to which people identify with their organization and symbolize what people in the organization believe is right and good.

3.2.1. Intergroup distinctiveness

Group membership is a fundamental part of the way people define themselves and understand their social environment (Tajfel & Turner, 1979). People incorporate groups that are important to them into their self-concept, including the organizations for which they work. They feel a sense of connectedness or unity with these groups and view group successes and failures as personal successes and failures (Ashforth & Mael, 1989; Dutton, Dukerich, & Harquail, 1994; Tajfel & Turner, 1979). As a result, people care deeply about how well their groups compare with others. They search for characteristics, perhaps especially virtuous qualities and character strengths, that distinguish their group from others and use them to judge group favorability (Dutton et al., 2010; Tajfel & Turner, 1979). People also try to build positive social identities by affiliating with attractive and successful groups (“basking in reflected glory,” Cialdini et al., 1976; see also Snyder, Lassegard, & Ford, 1986). In short, social identity provides answers to two important questions: “Who are we?” and “How good are we?” (Ashforth, Harrison, & Corley, 2008).

Several researchers have argued recently that employees and prospective employees view CSR as a source of positive distinctiveness that enhances the image of a firm relative to others and makes membership in the organization more attractive. Consistent with this view, research conducted at the level of the firm indicates that CSR is an important contributor to overall firm reputation (Fombrun & Shanley, 1990), and micro-level research demonstrates that prospective employees are more attracted to companies with a stronger reputation for CSR (Albinger & Freeman, 2000; Backhaus et al., 2002; Greening & Turban, 2000; Turban & Greening, 1997; cf. Luce, Barber & Hillman, 2001). Studies of existing employees also show that CSR has a number of positive effects on attitudes about the company and workplace behavior, including organizational pride, satisfaction, commitment, in-role performance, organizational citizenship behavior, and turnover intentions (Brammer, Millington, & Pavlin, 2006; Ellemers et al., 2011; Jones, 2010; Lin, Lyau, Tsai, Chen, & Chiu, 2010; Peterson, 2004; Riordan, Gatewood, & Bill, 1997; Valentine & Fleischman, 2008; cf. Dutton & Dukerich, 1991). Taken together, these studies provide a growing body of evidence that fits an identity-based account of how CSR affects employees. That said, direct empirical evidence that social identity processes drive the relation between CSR and employee attitudes and behavior is limited.

We could find only three studies that measured organizational identification and tested whether it mediated the relationship between CSR and employee attitudes and behavior (Bartel, 2001; Carmeli, Gilat, & Waldman, 2007; Jones, 2010). Carmeli et al. (2007) surveyed employees and supervisors from four companies in the electronics and media industry. Employees reported their perceptions of their company’s financial performance and social responsibility, and supervisors rated their employees’ performance and employee adjustment (i.e., the extent to which they seemed to get along with others, accept criticism, and fit with others in their work group). Results indicated that employees’ perceptions of social responsibility increased organizational identification, which in turn increased supervisors’ ratings of employee adjustment and job performance. Therefore, this study seems to provide direct evidence that CSR can cause organizational identification. Some may question, however, the extent to which the measure of social responsibility used in this study captured central features of the construct. The social responsibility measure consisted of four items that assessed employees’ perceptions of product quality, product development, the company’s ability to retain employees, and relations between management and employees. Although confirmatory factor analysis found that these four items loaded on a different factor than employee perceptions of sales growth, profitability, and market share, it is unclear whether employees construed the aspects of the company included in the social responsibility measures in terms of CSR. It may be that the study actually measured two aspects of economic performance rather than one indicator of economic performance and one indicator of social performance.
Bartel (2001) and Jones (2010) provide clearer evidence that social identity processes mediate the relationship between CSR and employee attitudes and behavior. Bartel (2001) examined Pilsbury employees’ experiences in several arms of the company’s community outreach (i.e., volunteerism) program. She found that participation in the program provided employees’ with opportunities to make favorable social comparisons, which enhanced collective self-esteem and strength of identification with the organization. Stronger organizational identification, in turn, was positively associated with supervisors’ subsequent ratings of program participants’ work effort, willingness to provide assistance to fellow employees, and attempts to maintain or improve positive work relationships. Supervisors also mentioned in qualitative interviews that they believed that some employees who participated in the program were energized by their experiences and worked harder has a result. Jones (2010) similarly found that employees’ attitudes about a volunteerism program were positively associated with organizational pride and identification, which in turn predicted employees’ intentions to remain with the organization, organizational citizenship behavior, and in-role performance six months later. The results of these two studies provide the best empirical evidence that CSR engages social identity processes and affects employees’ relationship with their organizations. Of course, generalizability is a concern because the studies examined similar programs. Nevertheless, these studies provide the type of data necessary to substantiate claims about the psychological processes and organizational outcomes CSR triggers.

In sum, identity and identification appear to play a role in the effect of CSR on employees, but empirical evidence is still sparse. This is one key area in need of future research. In the next section, we raise the possibility that CSR can increase organizational identification because it affects how employees view themselves vis-à-vis the organization rather than how well they feel their company compares with others.

3.2.2. Belongingness

CSR may promote organizational identification because it can influence the amount of similarity or dissimilarity people perceive between themselves and the organization. Self-categorization theory, part of the broader social identity perspective, explains the cognitive processes responsible for how and when people think of themselves as individuals or members of groups (Turner, 1982, 1984; Turner et al., 1987; Turner, Oakes, Haslam, & McGarty, 1994). The theory differentiates between personal identity (the individual or personal self) and social identity (the collective self). Onorato and Turner (2004) describe the distinctions between these levels of identity as follows: “Personal identity refers to ‘me’ versus ‘not me’ categorizations… social identity, on the other hand, refers to ‘us’ versus ‘them’ categorizations” (p. 259). Self-categorization theory predicts that personal and social identities operate rather hydraulically: the salience of personal identity is inhibited to the extent that a social identity is salient and vice versa (Onorato & Turner, 2004).

According to self-categorization theory, people cognitively represent groups as prototypes. Prototypes are sets of attributes (e.g., values, attitudes, behaviors) that best define the group according to the perceiver’s subjective view (Turner, 1987). People use prototypes to judge the degree of similarity between the self or others and the group. When people believe that they are prototypical, they feel secure about their self-concept and their place within the group and the social world at large; but when people believe that they are not prototypical, they experience uncertainty about their self-concept and are less likely to identify with the group (Dutton et al., 1994; Hogg & Abrams, 1993; Hogg & Terry, 2000). Analogous ideas about the significance of value similarity can be found in several other prominent perspectives on interpersonal relationships and group behavior, including the similarity-attraction hypothesis (Byrne, 1971; Newcomb, 1961, 1978), relational and organizational demography (e.g., Pfeffer, 1983; Tsui & O’Reilly, 1989; see especially Harrison, Price, & Bell, 1998; Jackson, May, & Whitney, 1995), and research on person-organization fit (e.g., Kristof, 1996; O’Reilly, Chatman, & Caldwell, 1991; Schneider, 1987). The take home message from each of these programs of research is that people prefer to affiliate with groups of others who are similar to themselves. To the extent that CSR communicates company values and influences employees’ prototype of their company, CSR may affect employees’ judgments of their own prototypicality and their level of identification with the firm.

Company volunteerism programs may be especially likely to affect identification through perceived prototypicality. Volunteerism programs are an increasingly common way that companies get involved in local communities, and many companies directly subsidize volunteerism by giving employees paid time off to volunteer (Jones, 2010; United Nations Volunteers, 2011). For example, Booz Allen Hamilton’s Volunteer Service Grant program annually distributes $500,000 in employees’ names to nonprofit organizations where employees volunteer at least 40 h of their time per year (Booz Allen Hamilton, 2012), and Timberland’s Path of Service program pays employees around the world for up to 40 h of service to their community (Timberland, 2012). Of course, programs
such as these may increase employee organizational identification because they have the potential to improve the firms’ reputation in the eyes of the community. However, volunteer projects that bring groups of employees together outside of the workplace may also affect identification by aligning employees’ prototypes of the organization with their views of themselves. The experience of working collectively as volunteers may be particularly memorable and help to reinforce employees’ sense that they are like others in the company (cf. Bartel, 2001). People are more likely to make dispositional attributions for behavior that is discretionary than compulsory (Jones & Davis, 1965; Kelley, 1972), and people typically only volunteer their time when the cause is important to them. Employees who participate in volunteerism programs alongside their coworkers are therefore more likely to interpret their activity as evidence that they share important values with their firm. In this way, volunteerism programs may increase employee pride and identification because they effect employees’ perceptions of their own prototypicality with the firm, above and beyond the firm’s CSR programs’ effects on the firms’ reputation in the community.

In summary, social identity processes can help explain why CSR matters to employees. CSR may serve as a basis for favorable intergroup comparisons and a source of group-based esteem. It also may help shape employees’ prototype of the group and affect perceived value similarity and sense of belongingness. Intergroup distinctiveness and intragroup similarity often operate in tandem as part of individuals’ ongoing efforts to understand their social environment (Hogg, 2000; Hogg & Terry, 2000), but future research needs to add precision to our understanding of how these two mechanisms operate in the context of CSR.

3.3. Need for a meaningful existence

Many classic theories of motivation and human development suggest that people strive to achieve more in life than material comfort and social approval (Alderfer, 1972; Erikson, 1950; Maslow, 1943, 1954, 1971; McClelland, 1965; McGregor, 1960; Rogers, 1959, 1961; see also Frankl, 1959). Although it is not essential for people to satisfy all of their psychological needs through work (Nord, Brief, Atieh, & Doherty, 1988), work nonetheless can be meaningful and enrich the quality of life in addition to providing a paycheck (Baumeister & Vohs, 2002; Pratt & Ashforth, 2003; Rosso, Dekas, & Wrzesniewski, 2010). One way work can be meaningful is to have a positive impact on others’ lives in addition to benefitting the worker (Grant, 2007; Hackman & Oldham, 1976; Pratt & Ashforth, 2003). People can derive a sense of purpose and significance from work they perceive as something that contributes to individuals’ well-being, improves their community, or is vital to society (Grant, 2007; Pratt & Ashforth, 2003; Wrzesniewski, 2003). Helping others also can contribute to people’s general sense that they are living life in a manner that is consistent with their core values (Baumeister & Vohs, 2002; cf. Aristotle, 1908). In other words, prosocial elements of work are meaningful because they “bring individuals into harmony with other beings or principles” (Rosso et al., 2010, p. 115).

Of course, not all jobs are inherently meaningful. It may be very easy for nurses or firefighters to view their work as meaningful because they are physically close to those who benefit from their work and the help they provide is significant and enduring (Grant, 2007). In contrast, employees who work for a company like Coca-Cola may have greater difficulty grasping how their work is meaningful and important. CSR has the potential to fulfill employees’ needs for meaning, perhaps especially in work settings where the products of work do not lead directly to prosocial benefits for others. Learning that the goal of the Coca-Cola Company is to give back at least 1% of their annual operating income to improve the living standards of people around the world, for example, may give Coca-Cola employees a greater sense of meaning than they would have if Coca-Cola did not engage in these efforts. In 2010, Coca-Cola achieved its goal of using 1.2% of its operating income to fund projects such as water stewardship, community recycling and education, and disaster relief in communities facing crises (Coca-Cola Company, 2010/2011). Corporate sponsored volunteer projects, such as Coca-Cola’s Pick It Up, Clean It Up, Sea Change program (an effort designed to pick up trash on beaches), are also likely to increase Coca-Cola employees’ sense of meaning. Consistent with the idea that Coca-Cola employees are eager to find meaning through their work, more than 26,000 employees volunteered for the Sea Change program in 2011, and they collectively picked up more than 200,000 pounds of trash (Coca-Cola Company, 2010/2011). Companies that support volunteerism and engage in philanthropy may facilitate employees’ participation in their community and provide a way that employees can feel like they are part of an effort to help others around the world. These types of activities may bring a completely different type of meaning to the workplace that would not be possible through profit maximization alone.

In summary, the extant empirical literature includes a limited but growing body of evidence that indicates that CSR does indeed influence employees’ and prospective employees’ attitudes about companies and behavior in the workplace.
(Aguinis & Glavas, 2012). However, micro-level research on CSR is still in its infancy. To date, research has focused mainly on ways that individuals respond to CSR, and only very few studies have empirically examined the psychological processes that underlie the effects. Our needs-based approach provides a broad theoretical account of why employees and prospective employees may care about CSR, and in doing so, it begins to connect CSR with a broad set of existing theories in micro-level organizational behavior and social psychology. A great deal of future research will need to test the mechanisms responsible for employees’ reactions to CSR, identify conditional relationships, establish boundary conditions, explore additional outcomes, and further specify how CSR related to other theories and phenomena. The area is full of opportunities for new discoveries. In the next section, we turn our attention to how our needs-based approach to understanding employees’ reactions to CSR can help guide future research.

4. An agenda for micro-level research on CSR

Our agenda for future research is based on the idea that employees’ psychological needs, types of CSR, and organizational outcomes are linked (see Table 1). A major premise behind our approach is that a wide array of theories and empirical research in organizational behavior and social psychology can inform questions about how employees are likely to react to CSR. An overarching framework should help to identify how important pieces may fit together and suggest new areas to explore.

Our needs-based framework highlights reasons why employees may care about CSR. To the extent that CSR helps address a range of psychological needs, it should complement (but not replace) other forms of worker compensation and have a variety of important organizational consequences.\(^2\) Fulfillment or partial fulfillment of each psychological

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\(^2\) By emphasizing the potential value added by CSR, we do not mean to underestimate the economic importance of work for most people (see Brief, Konovsky, George, Goodwin, & Link, 1995; Brief & Nord, 1990; Nord et al., 1988). All else being equal, however, we expect that people probably would prefer to earn money while also feeling safe and secure, proud of their company, similar to other employees, and helpful to others.
need contributes separately to subjective well-being, but need fulfillment is only rewarding up to the point of satisfaction (e.g., Deci & Ryan, 2000; Murray, 1938; Tay & Diener, 2011). As with money, the marginal utility of addressing any given need declines beyond a certain point (Diener, Ng, Harter, & Arora, 2010; Kahneman & Deaton, 2010). For example, evidence that a company is likely to honor the psychological contract should have a stronger effect on employees who are experiencing uncertainty than those who already feel safe and secure. Moreover, employees who experience moderate levels of security, distinctiveness, belongingness, and meaningfulness at work should be happier overall than employees who feel extremely secure but lack distinctiveness, belongingness, and meaningfulness. People generally prefer to have a “balanced life,” that is, when several important needs are satisfied and there is no major deficiency in any area (Diener, Ng, & Tov, 2008; Sirgy & Wu, 2009). CSR represents a means through which companies can address several of employees’ needs, enhance overall well-being, and strengthen their relationship with their organization. However, different types of CSR are likely to address different psychological needs which may in turn produce different outcomes.

4.1. Safety and security

People’s need for safety and security stems from the risk of exploitation that is fundamental to social interactions. Instrumental stakeholder theory, fairness heuristic theory, signaling theory, and research on trust all suggest that people use available information to assess whether companies are likely to act opportunistically or honor the psychological contract (e.g., Kramer & Lewicki, 2010; Jones, 1995; Lind, 2001; Spence, 1974; van den Bos & Lind, 2002). CSR activities that positively affect employee relations should have the greatest capacity to satisfy employees’ and prospective employees’ concerns about safety and security. Formal policies and company programs that directly address issues such as employee benefits, working conditions, and development programs can demonstrate a company’s general commitment to its employees, contribute to judgments of general fairness and attributions of corporate morality, build trust in the company, and reduce fears of exploitation (cf. Aguilera et al., 2007; Rupp, 2011; Rupp et al., 2006).

CSR activities that affect employee relations and assuage safety and security needs have the potential to produce a variety of positive organizational consequences, but two seem particularly likely. First, employee-centered CSR should decrease deviant or counterproductive work behavior directed toward the organization. Prior research indicates, for example, that employees steal less from their company and miss fewer days of work when they feel that their company pays them appropriately rather than inappropriately and uses fair rather than unfair decision making policies and procedures (Greenberg, 1990; Lam, Schaubroeck, & Aryee, 2002; see also Conlon, Meyer, Nowakowski, 2005). Second, employee-centered CSR should increase firms’ ability to recruit and retain high quality employees (Backhaus et al., 2002; Greening & Turban, 2000; Turban & Greening, 1997; cf. Behling, Labovitz, & Gainer, 1968; Rynes, 1991). However, this effect may be stronger for job seekers than existing employees. Job seekers are likely to have access to formal, organizational-level policies and procedures that affect employees, but they lack information about how any given supervisor is likely to interpret and implement them. Existing employees, in contrast, are likely to consider their organization’s formal guidelines, but they also have a host of personal experiences with their supervisors, the human resources department, and others responsible for enacting company rules. These additional informal, or supervisor-level, sources of information also shape employees’ evaluations of the organization at large (Blader & Tyler, 2003; Rupp & Cropanzano, 2002). Therefore, employee-centered CSR is likely to constitute a larger portion of the evidence relevant to safety and security that is available to prospective employees compared to what is available to existing employees. In any case, companies that ensure that employees receive their just deserts should have fewer problems with workplace deviance and counterproductive behavior, and they should be more attractive to existing and prospective employees.

Consistent with this idea, Costco consistently emphasizes in its annual report that taking care of employees is part of the company’s mission and core values (e.g., Costco Wholesale Corporation, 2011, p. 2), and it backs up its claims with a host of employee-friendly policies.3 Costco pays highly competitive wages and contributes to up 9% of

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3 Although one certainly could question whether these policies constitute CSR or simply represent elements of economic exchange, we include this example because these policies are at least partly responsible for Costco having a reputation for caring for its employees (see Goldberg & Ritter, 2006; Shapiro, 2004).
employees’ salary to 401(k) plans (Cascio, 2006). Eighty-five percent of Costco employees have health and dental insurance through the company, and they pay only about 8% of the cost (Greenhouse, 2005). In comparison, less than half of the employees at other major retailers have access to health insurance, and those who do pay an average of 23% of the premium (Coleman-Lochner, 2006).

Costco further differs from its competitors because it allows its employees to unionize and maintains good relations with the unions. In a 2005 interview, the chief negotiator for the Teamsters union called the company’s contract with the Teamsters “the best agreement of any retailer in the country,” and explained that it guaranteed that full time employees would comprise at least half of workforce at stores and part time employees would be offered the opportunity to work at least 25 h per week (Greenhouse, 2005). Costco also offers employees stability and a career path by requiring approval from senior company officers to terminate any employee with over two years of experience and promising to fill 86% of its openings for top positions with internal candidates (Shapiro, 2004). Taken together, Costco sends a clear message to employees and prospective employees that it will not take advantage of them, and Costco enjoys low levels of turnover and the lowest levels of employee theft in the industry—just one tenth of the industry average (Shapiro, 2004).

In summary, CSR activities that directly benefit employees should be especially likely to satisfy employees’ need for safety and security. Policies and procedures that show concern for employees and promise a good working environment prompt attributions of corporate morality, support general fairness judgments, and foster trust in the company, which in turn should increase organizational attractiveness and commitment and decrease counter-productive workplace behavior.

4.2. Group distinctiveness

People’s need for positive distinctiveness is satisfied when they believe that their group compares favorably with others along important dimensions (Tajfel & Turner, 1979). Corporate activities contribute to positive distinctiveness in the eyes of employees when they increase the prestige of the organization and help it to stand out relative to others (Ashforth & Mael, 1989; Mael & Ashforth, 1992; Tyler, 1999). CSR is one likely source of positive distinctiveness (e.g., Ellemers et al., 2011; Jones, 2010; cf. Dutton et al., 1994).

CSR activities that provide positive distinctiveness and enhance the firm’s reputation should help the firm attract and retain talent. A core tenet of social identity theory is that people seek to improve their social identity by moving to higher status groups when group boundaries are permeable (Tajfel & Turner, 1979). “People are willing to stay loyal to their group as long as it can provide them with a positive social identity. When this is not the case, and people are offered the possibility of changing group membership, they are tempted to do so” (Doosje, Ellemers, & Spears, 1999, p. 90). Consistent with this idea, organizational prestige is associated with increased attractiveness of organizations during recruitment (e.g., Turban & Cable, 2003) and decreased turnover and turnover intentions (e.g., Herrbach, Mignonac, & Gatignon, 2004; Riordan et al., 1997; see also Ellemers, 1993). The size of the effect of a given activity on a firm’s reputation depends in part on the number of people outside of the company who are aware of it. Therefore, CSR activities that are highly visible to external stakeholders should be particularly effective at increasing prestige and enhancing employees’ social identity. A wide range of corporate activities, including philanthropy programs, production of high quality and innovative products, and providing jobs for a large number of people in an area, may project a positive image of the firm, enhance the firm’s reputation, and increase positive distinctiveness.

Eli Lilly and Company appears to benefit from the visibility of its CSR activities. The company ranked sixth in Forbes magazine’s list of America’s Most Generous Companies in 2009 (Smith, 2010), and it consistently appears on lists of best places to work. Perhaps most interesting about Lilly’s approach to CSR is that it carefully details how the company’s presence impacts its home state of Indiana (Lilly, 2012). The company’s website lists the number of vendor contracts it has, the amount the company spends with vendors, the amount employees donate, and the amount of grant money the Lilly Foundation provides in each county in the state. This level of detail is likely geared toward creating a positive external image of the company in the area where employees who work at the corporate headquarters live. In other words, Lilly attempts to leverage its economic impact in the community as a source of CSR. Although economic impact is not what many people think of first when considering CSR, it is a central feature of many definitions of CSR (e.g., Carroll, 1979). To the extent that Lilly can influence employees sensemaking processes (cf. Weick, 1995), the firm’s economic contribution may function much like the Lilly Foundation’s grant program and other discretionary
activities. When the community views a company in a positive light, employees are likely to feel a sense of pride and be more likely to remain with the company (Dutton et al., 1994).

In summary, a wide range of CSR activities may serve as a source of positive distinctiveness that can help recruit and maintain employees. Philanthropy is one type of activity that contributes to CSR that receives a lot of press, but other highly visible aspects of CSR, including product quality and contributing to the economic vitality of a region, may also capture the attention of a variety of stakeholders, improve firm reputation, and increase organizational attractiveness.

4.3. Belongingness

Similarities and differences are the building blocks of all groups and categories (Campbell, 1956), and social groups are no exception (Allport, 1954; Byrne, 1971; Turner, 1987). People feel that they belong to a group when they share important beliefs and values with group members and the group as a whole (Ashforth & Mael, 1989; Hogg & Terry, 2000; Turner, 1987). Values are a central part of organizational culture (Katz & Kahn, 1978; O’Reilly & Chatman, 1986) and perhaps “the most distinctive property or defining characteristic of a social institution” (Rokeach, 1979, p. 51). CSR should affect organizational identification because it can influence the amount of value similarity or dissimilarity people perceive between themselves and the organization. Values and mission statements can help communicate what a company’s deems important, but actions speak louder than words. Activities that demonstrate commitment to specific values, such as philanthropic support for particular causes, environmental stewardship, and efforts to promote diversity within the company, are likely to have the greatest impact on employees who share those values.

One important way that the need for belongingness operates differently from the need for distinctiveness is that belongingness depends on value congruence between an individual and the company, whereas distinctiveness is more closely tied to general evaluations of how well a company compares to other companies. Employees may see their company as distinctive because it has a stronger reputation for CSR than others in a given industry. However, a specific philanthropic activity may or may not affect a particular employee’s sense of belongingness; belongingness depends on the extent to which the activity resonates with the individual employee’s values. For example, “cast members” at the Walt Disney Company may take pride in the fact that Disney is admired for CSR, but those who are more concerned about the environment may feel a greater sense of belongingness based on the company’s major initiative to reduce its environmental impact (Walt Disney Company, 2008). Likewise, people who value diversity and see it as an end in itself worth pursuing should feel greater sense of belongingness to a company than those who are more ambivalent about diversity programs, irrespective of how much the program enhances the firm’s reputation.

Evidence that the company’s values are congruent with an employee’s beliefs should affirm the employee’s sense of self and increase perceived similarity and fit with the organization. Employees who feel that they truly belong to an organization should internalize responsibility for its success and be willing to work hard to achieve the organization’s goals. Therefore, CSR that satisfies belongingness needs and promotes feelings of fit should be positively associated with in-role performance and organizational citizenship behavior (Ashforth & Mael, 1989; Brief & Motowidlo, 1986; Organ, Podsakoff, & MacKenzie, 2006; O’Reilly & Chatman, 1986; cf. Ryan, Connell, & Deci, 1985).

4.4. Meaning

Perhaps the most exclusive role CSR can serve in the lives of employees is to provide them with a greater sense of meaning from work. Employees’ needs for safety and security, distinctiveness, and belongingness can be satisfied in a variety of ways, many of which are unrelated to CSR. Fewer opportunities exist to augment employees’ sense of purpose at work, and finding meaning may be particularly challenging when the employees’ role and their company’s core purpose is mundane, regardless of how the company’s mission statement may attempt to describe it. Extra-organizational CSR activities, especially volunteerism and community outreach programs that provide opportunities for employees to directly help others, may therefore enhance the meaning employees find in their relationship with their company (cf., Grant, 2007).

Research on job crafting indicates that the meaning people find in their work can depend on how they construe their job (e.g., Grant, 2007; Wrzesniewski & Dutton, 2001; Wrzesniewski, Dutton, & Debebe, 2003). A study of a hospital’s cleaning staff, for example, found that cleaners disliked their job when they viewed the work as unskilled labor and
defined their role narrowly in terms of cleaning; whereas others on the staff liked their job because they viewed it as skilled work that involved helping patients, visitors, and nurses (Wrzesniewski & Dutton, 2001). All of the cleaners were hired to do the same job, but those who found meaning in it were happier with their job and elected to take on additional tasks. We propose that CSR can have a similar effect by providing people with opportunities to express their values, contribute to the community and society at large, and potentially build or at least be a part of a lasting legacy. By satisfying their need for a meaningful existence, employees should enjoy greater life-satisfaction and increased emotional well-being. In addition, when employees participate in programs that matter to them, it may strengthen their relationship with the company and help them rededicate themselves to their own work roles (Grant, 2008; Grant et al., 2007).

5. Conclusion

“Doing well by doing good” is an aphorism sometimes attributed to Benjamin Franklin. Although the etymology of this specific phrase is uncertain, interest in some form of this general notion has a long and varied history (Avi-Yonah, 2005; Carroll, 1999). In recent years, buzz about corporate social responsibility has brought this idea back into the public spotlight; it has been an increasingly frequent topic of conversation in the mass media, the boardroom, the MBA classroom, and the scholarly literature. Can companies address the needs of society and satisfy their economic self-interest at the same time? Is this the platitude du jour, a pipe dream, or an enlightened business strategy?

Understanding the effects of CSR on employees represents one relatively unexplored approach to answering questions about whether and how CSR affects businesses. The paucity of CSR research on employees is surprising given that CSR often is discussed as a means for firms to maintain positive relations with their stakeholders, and employees certainly are key stakeholders (e.g., Donaldson & Preston, 1995; Freeman, 1984; Wood & Jones, 1995). That said, existing micro-level theories and research have a great deal to say about how employees are likely to perceive and respond to CSR. Immediate progress can be achieved through efforts to break down knowledge silos and bridge the gaps in the literature. One potential barrier that may deter micro-level scholars for entering into the conversation about CSR is a misperception that CSR is a macro-level construct, but we hope this chapter helps to dispel that idea.

Our needs-based approach represents one possible way to organize how employees are likely to interpret the wide range of firm activities that have been included under the banner of CSR in work conducted at the macro level. Our intent is to provide a general framework that begins to identify and organize the relations between employees’ concerns, company activities, and attitudinal and behavioral outcomes, as well as implicate the psychological processes that link them. Our effort undoubtedly falls short of being comprehensive. Much more work is necessary to refine each aspect of our approach, correct inaccuracies, and incorporate additional ideas. However, we hope to spark new interest in CSR from scholars with expertise in all areas of organizational behavior. CSR is now a mainstream business practice, and it should also have a presence in the mainstream literature on organizational behavior.

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