

Corporate Social Responsibility, Employee Organizational Identification, and Creative Effort: The Moderating Impact of Corporate Ability

Abstract

A growing body of research examines whether and how corporate social responsibility (CSR) leads to positive employee attitudes and work behaviors. While previous research suggests that CSR improves employee loyalty, motivation, satisfaction and commitment, little research examines how CSR affects employee creativity. In addition, considerable skepticism remains regarding the significance of CSR in relation to employee attitudes and behaviors and of the potential contingencies that intervene in these relationships. In this study, we argue that the impact of CSR on employee creativity is contingent upon a focal firm's corporate ability (CA), i.e., its expertise in producing and delivering its products/services. Specifically, we argue that corporate ability not only influences employee organizational identification, hence employee creativity, but also affects how employees react to CSR. We test our arguments within a sample of professional workers in the telecommunication sector in Spain and find strong support for the proposed model.

Key words: Corporate social responsibility; corporate ability; organizational identification; creative effort

Corporate social responsibility (CSR) research has tended to focus on the *business case* for addressing wider social problems, leading to the development of a substantial body of scholarship (e.g., Margolis & Walsh 2003; McWilliams, Siegel, & Wright, 2006; Orlitzky, Schmidt, & Rynes, 2003; Orlitzky, Siegel, & Waldman, 2011). While this work has generally suggested that engaging with CSR is associated with positive, if relatively small, financial returns (Margolis & Walsh, 2003; Orlitzky et al., 2003), it has so far failed to provide compelling managerial implications because it has seldom shed light on the mechanisms and processes that underpin links between CSR and firm performance. More recently, this deficit in scholarship has begun to be addressed, as scholars have paid growing attention to the effect of CSR from the stakeholder perspective (Hillenbrand, Money, & Pavelin, 2012) by examining its impact on the attitudes and behaviors of core organizational stakeholders, including customers (Brown & Dacin, 1997; Sen & Bhattacharya, 2001; He & Li, 2011) and (potential) employees (Brammer, Millington, & Rayton 2007; Carmeli, Gilat, & Waldman, 2007; Glomb, Bhawe, Miner, & Wall, 2011; Hillenbrand, Money, & Ghobadian, 2013; Rupp, Ganapathi, Aguilera, & Williams, 2006).

The increasing body of scholarly evidence regarding the relationship between firm's CSR activities and employee attitudes and behaviors broadly suggests that firms' social and environmental programs are well received by employees (Berger, Cunningham, & Drumwright, 2006; Brammer et al. 2007; Carmeli, 2005; Collier & Esteban, 2007; Kim, Lee, Lee, & Kim, 2010). Overall, research shows that CSR influences a range of employee attitudes and behaviors, including employee organizational identification (OID) (Berger et al., 2006; Kim et al., 2010), job satisfaction (Valentine & Fleischman, 2008), commitment (Brammer et al. 2007; Carmeli, 2005; Collier & Esteban, 2007), trust (Hansen, Dunford, Boss, Boss, & Angermeier, 2011; Hillenbrand, et al., 2013; Vlachos, Theotokis, & Panagopoulos, 2010), and employee attraction and retention (Bhattacharya, Sen, & Korschun

2008; Greening & Turban, 2000). Notwithstanding this growing body of research, considerable uncertainty remains regarding how CSR motivates employees to behave in ways that support organizational objectives (Aqueveque & Encina, 2010).

In this paper we significantly extend the existing literature by examining how CSR influences employee OID and creative effort. We make three particular contributions to extant research. First, we contribute to the growing, but still under-developed (Etzion, 2007) literature by providing new empirical evidence regarding how CSR relates to both employee attitudes and behavior. Much of the extant literature examines attitudinal responses to CSR (Brammer et al, 2007; Berger et al., 2006) but fails to link these to behaviors. Developing more robust insights into how CSR affects both employee attitudes and behaviors will provide substantially improved managerial prescriptions for the development of CSR.

Second, unlike prior research on employee responses to CSR, we argue that the subjective perception and interpretation of organizational practices is a precursor to their impacts on employee attitudes and behaviors (Nishii, Lepak, & Schneider, 2008). We argue that the impact of CSR on employees is conditioned by their perceptions of companies' ability and effectiveness in producing and delivering products and services to the expected and promised specifications. That is, CSR contributes to enhanced employee OID and creative effort only when employees perceive that firms have the capabilities to deliver on their promises regarding their core businesses.

Third, in contrast to earlier work that examines employee behavior only in respect to intentions to remain in the organization (Brammer et al., 2007), our analysis informs the development of a key positive employee behavior—namely, employee creative effort. Creative effort has been shown to be an important influence on employee creativity and job performance (Choi, Anderson, & Veillette, 2009; Hirst, van Dick, & van Knippenberg, 2009; Hirst, Knippenberg, & Zhou, 2009; Zhu, Wang, Zheng, Liu, & Miao, 2013) and has also been

associated with group and organizational level performance and competitive advantage (Drazin, Glynn, & Kazanjian, 1999; Oldham & Cummings, 1996).

Conceptual Model and Hypotheses Development

The model, provided in Figure 1, begins with a primary distinction, common within studies of employee cognition (Trafimow & Trafimow, 1999; Wojciszke, 1994; Wojciszke, Bazinska, & Jaworski, 1998), between employees' evaluations of organizations' competence/capability and appraisals of organizations' morality/social responsibility/trustworthiness (Brown & Dacin, 1997; Berens, van Riel, & van Rekom, 2007; Sen, Battacharya, & Korschun, 2006). In this study, the first of these dimensions is conceptualised, following Brown and Dacin (1997), using the concept of Corporate Ability (CA), which is defined as a "company's expertise in producing and delivering its outputs" (Brown & Dacin, 1997, p. 68). The second dimension is conceptualised as Corporate Social Responsibility (CSR), defined as "as actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel, 2001, p. 117), and relates to how successful a company is perceived to be at meeting its social obligations and responsibilities. Since CSR includes a wide range of potential activities and practices (Carroll, 1999; Campbell, 2007), the analysis is further refined to focus on employee perceptions of external CSR. Following Brammer et al. (2007), external CSR is defined as "aspects of CSR that are primarily concerned with the external image and reputation of the organization," (Brammer et al., 2007, 1702) and includes firms' community, philanthropic, and environmental programs and activities. Within the model, CA and CSR are hypothesised to influence employees' organizational identification (OID) because strong CA and CSR offer reassurance to employees in relation to the organization's ability to meet important needs, including needs for social status, security, safety, meaning, and purpose (Bauman & Skitka, 2012). Drawing on the literature on creativity in organizations, CA, CSR

and OID are hypothesized to influence employees' creative effort. Lastly, the final stage of the model hypothesises that CA moderates the relationships between CSR and both OID and employee creative effort. Drawing on seminal work in social psychology, we argue that employee evaluations of CSR are influenced by other organizational characteristics because they influence whether such activities are perceived as authentic reflections of a firm's commitment to pro-sociality (Berens et al., 2007; Folkes & Kamins, 1999; Handelman & Arnold, 1999). Having outlined the model in broad terms, we now turn to providing a more detailed discussion of the hypotheses.

Figure 1 about here.

CSR, CA and Employee OID

Organizational identification develops when an employee views an organization's central and essential characteristics as self-defining (Ashforth et al., 2008; Haslam, 2001). In that sense, OID reflects the "the degree to which a member defines him- or herself by the same attributes that he or she believes define the organization" (Dutton, Dukerich, & Harquail, 1994, p. 239). OID is related to many positive employee attitudinal and behavioral outcomes (Ashforth et al. 2008; Hekman, Bigley, Steensma, & Hereford, 2009; Riketta, 2005), and can enhance employee performance (Ashforth et al., 2008; Homburg, Wieseke, & Hoyer, 2009). OID also provides employees with personal and social meanings (Haslam, Postmes, & Ellemers, 2003).

How and why does firms' external CSR lead to stronger OID among employees? A primary observation made in prior research is that CSR influences employees' attitudes and behaviors only to the extent they perceive and evaluate it (Barnett, 2007; Brown & Dacin, 1997; Rupp et al. 2006). Bauman and Skitka (2012) argue that CSR leads to stronger organizational identification among employees by promoting external assessments of organizational attractiveness and status, thus provoking employees' desire to affiliate with a

focal organization and by symbolizing commitment to important values and engendering a sense of belongingness (Bauman & Skitka, 2012). Individuals have a strong basic need to identify with a social group that has positive image, which may help them to enhance their own self-concept (Tajfel & Turner, 1985). Similarly, employees tend to identify with an organization when they perceive that it is highly prestigious and has an attractive image, which may help them enhance their own self-esteem (Ashforth & Mael, 1989; Dutton et al. 1994; Pratt, 1998). Prior research has suggested that CSR is strongly associated with social evaluations of the esteem and regard in which organizations are held within society (Brammer & Millington, 2005; Fombrun & Shanley, 1990). CSR has been found to affect company evaluation and product responses (Brown & Dacin 1997; Lichtenstein, Drumwright, & Braig, 2004). Research has also shown that more socially responsible companies are highly attractive to prospective employees (Greening & Turban, 2000; Turban & Greening, 1997). In that sense, being socially responsible differentiates companies in the eyes of external communities, improves firm's image relative to other organizations, and hence increases employees' desire to identify and associate with firms with stronger CSR.

A second process by which external CSR promotes OID arises from the enhanced sense of belongingness that employees feel within companies that exhibit values that they share. Considerable empirical evidence suggests that employees hold broadly pro-social values and seek these values to be mirrored in the organizations they work for (Jones et al., 2014; Net Impact, 2012). Social identity perspectives suggest that circumstances in which employees perceive that their values closely mirror those of their organization tend to reinforce their self-concept and encourage them to identify more strongly with the organization (Dutton et al., 1994; Hogg & Abrams, 1993; Hogg & Terry, 2000). Hence, stronger positive CSR is likely to encourage OID because it communicates a commitment to values that employees share. Based on these arguments, we hypothesize:

Hypothesis 1: There is a positive relationship between external CSR and employee OID.

Research has shown that individuals generally evaluate organizations in relation to their capability vis a vis their rivals (Abele & Wojciszke, 2007; Cuddy, Glick, & Beninger, 2011). Corporate ability (CA) refers to perceptions of a company's expertise in producing and delivering its products/services (Ahearne et al., 2005; Brown, 1998; Brown & Dacin, 1997; Sen & Bhattacharya, 2001). Positive CA is likely to encourage stronger employee identification with a focal organization for at least two reasons. First, as with CSR, positive CA leads to external esteem, prestige, and status, that is attractive to employees and encourages OID. Prior research has shown that indicators of firm capability such as sustained financial performance, innovativeness, and producing high quality products, are strongly predictive of external evaluations of firms (Lange, Lee, & Dai, 2011; Rindova et al., 2005; Walker, 2010). Within research on OID, the concept of perceived external prestige has been used to reflect employee perceptions of how external actors view organizations (Dutton et al., 1994). A considerable amount of research has found evidence that perceived external prestige is positively related to OID (Mael & Ashforth, 1992; Bhattacharya et al., 1995; Fisher & Wakefield, 1998). This suggests that employees identify more strongly with organizations that are more capable because they are proud to belong to a capable organization and can "bask in its reflected glory" (Cialdini et al., 1976). Second, CA helps to support the development and maintenance of psychological safety, comfort, security, and trust, within workplaces because more capable organizations are viewed as having greater capacity to meet their explicit and implicit obligations to employees over time. Research has shown that firms with strong perceived ability benefit from stronger stakeholder identifications that stem from reduced risk and enhanced trust (Xie & Peng, 2011). Thus, we hypothesize:

Hypothesis 2: There is a positive relationship between CA and OID.

Influences on Employee Creative Effort: OID, CSR and CA

Employee creativity is high when employees come up with novel, original, relevant, and useful products, ideas, or processes (Drazin et al., 1999). Research suggests that employee creativity is highest in contexts characterized by high levels of work engagement, employee self-efficacy, autonomy, support, and resources (Amabile, 1988; Amabile, Conti, Coon, Lazenby, & Herron, 1996). Research on creativity has emphasized that it is important to distinguish between the inputs to and the outcomes of creative processes and reflecting this distinction, we focus on an input to organizational creativity: employee creative effort.

Regarding the relationship between OID and employee creative effort, prior research has shown that employees that identify strongly with an organization are likely to show a supportive attitude toward it (Ashforth & Mael, 1989), and to act to support organizational objectives (Simon, 1997; van Dick, van Knippenberg, Kerschreiter, Hertel, & Wieseke, 2008). Stronger OID encourages employees to undertake actions that are consistent with the company's identity, reputation and strategy (Ashforth & Mael, 1996), and therefore contributes to a company's success (Mathieu & Zajac, 1990; Randall, 1990; van Dick et al., 2008). Employees that identify strongly with an organization are more likely to engage in discretionary pro-organizational behaviors (Ashforth & Mael, 1989), and expend additional effort (Amabile, 1996; Ryan & Deci, 2000). Additionally, strongly identified employees that feel secure in their work are more curious, willing to take more risks, exhibit extra cognitive openness and wider information search, and greater task persistence (Amabile, Barsade, Mueller, & Staw, 2005; Amabile, 1979, 1996; Fredrickson, 1998; Grant & Berry, 2011). These outcomes of OID are likely to promote employee creative effort. Thus, we propose:

Hypothesis 3: There is a positive relationship between OID and employee creative effort.

OID acts to reduce perceived differences among employees between their own interests and the organization's interests, thus encouraging a stronger alignment between employee goals and organizational goals (Ashforth & Mael, 1989; Hall et al., 1970; Whetten & Godfrey, 1998). Stronger OID increases employee receptivity to, and engagement with, organizational strategies, practices and goals (Riketta, 2005; Walumbwa et al., 2011). Consistent with a process of strengthened interest alignment, OID has been found to positively moderate relationships between a range of independent variables - including transformational leadership, perceived organizational support, and perceived external prestige - and employee attitudes and behaviors (Edwards & Peccei, 2010; Mignonac et al., 2006; Wang & Rode, 2010). Research has also specifically highlighted OID as a positive moderator of influences on employee creativity (Wang & Rode, 2010). Accordingly, we expect OID to amplify the effects of CSR on employee creative effort.

Hypothesis 4: The positive relationship between CSR and employee creative effort is partially mediated by employee OID.

Beyond the effect of CSR, the factors affecting employee creative effort in organizations have proved to be complex and multifaceted (Amabile, 1988). While little research has explicitly examined the role of CA on creativity, one strand of creativity research addresses the so-called "Pygmalion effect" a self-fulfilling prophecy whereby positive external expectations about individual performance or capabilities lead to improved subsequent performance (Coelho et al., 2011; Merton, 1948; Tierney & Farmer, 2011). This suggests that CA and employee capability are likely to be mutually reinforcing over time. Another prominent strand of research finds that high CA firms that have strong reputations are able to attract larger and higher-quality applicant pools (Collins & Han, 2004; Turban & Cable, 2003). High-quality employees are expected to have high levels of self-efficacy that are known to contribute to improved levels of employee creativity (Amabile, 1988; Amabile

et al., 1996). This suggests that CA directly influences firms' ability to recruit talented employees, which is likely to influence firms' capacity for creativity. Thus, we hypothesize:

Hypothesis 5: There is a positive relationship between CA and employee creative effort.

CA as a Moderator of Employee Responses to CSR

Most large organizations do some "good" things and some "bad" things that complicate the task of achieving a single unified normative evaluation of a firm's character or morality (Bradley, Brief, & Smith-Crowe, 2008). Second, consistent with the varied pattern of firms' CSR impacts, firms' CSR communications and programs are often decoupled from their social and environmental impacts, either purposively (as in the case of "greenwashing") or non-purposively (Marquis & Toffel, 2012). Employees will generally have a wealth of information and experience in respect of their employers against which CSR activities are evaluated (Fein & Hilton, 1994; Fein, Hilton, & Miller, 1990). Employees may engage in the processes of causal reasoning when trying to diagnose a firm's motivations in relation to its CSR activities (Becker-Olsen, Cudmore, & Hill, 2006; Bhattacharya & Sen 2004). CSR research has distinguished between alternative motivations for engaging in responsible activities and practices, and especially between instrumental approaches to CSR whereby organizations seek to benefit from responsible conduct and altruistic motivations for CSR in which there are no anticipated benefits (Du, Bhattacharya, & Sen, 2007; Godfrey, 2005). In general, instrumentally motivated CSR is less effective in building OID than intrinsically motivated CSR because the latter embodies genuine pro-social values with which stakeholders identify and to which they aspire (Godfrey, 2005). Research has suggested that where evaluators receive competing cues regarding firms' CSR activities such activities tend to be evaluated less positively, or even negatively, because they are interpreted as being hypocritical, or as a form of "green washing" (Aqueveque & Encina, 2010; Cartwright &

Holmes, 2006; Wagner et al., 2009). Moreover, competing cues can arise from beyond firms' CSR activities, suggesting that evaluators interpret CSR holistically in the context of firm behavior (Glavas & Godwin, 2013; Kim et al., 2010).

We argue that employee perceptions of CA are a highly salient aspect of organizational context against which employees interpret and respond to CSR. Specifically, we hypothesize that where employees perceive firms' CSR to be significantly higher than CA, they will interpret such CSR as being instrumentally-motivated, and a form of "green washing". In such circumstances, CSR will have a significantly reduced effect on OID compared to circumstances in which CSR and CA are approximately equal or where CA is higher than CSR. While no empirical research has explored interactions between perceptions of CA and CSR among employees, some parallel research exists in consumer behavior. A number of studies have looked at the interaction between perceptions of product/service quality and CSR in shaping consumers' favorable attitude (Folkes & Kamins, 1999), purchase behavior/preference (Berens et al., 2007; Sen & Bhattacharya, 2001), customer identification and loyalty (He & Li, 2011; Sen & Bhattacharya, 2001), and organizational support (Handelman & Arnold, 1999). For example, He and Li (2011) found that CSR has a stronger effect on customer-brand identification when customers perceive service quality to be of a high standard. Based on this discussion, we hypothesize that:

Hypothesis 6: CA moderates the relationship between CSR and OID such that CSR more positively influences OID when CA is stronger rather than weaker.

Hypothesis 7: CA moderates the relationship between CSR and employee creative effort such that CSR has a more positive effect on employee creative effort when CA is stronger rather than weaker.

Method

Sample

Our empirical research was conducted within a subsidiary of a Spanish multinational corporation (MNC) in the telecommunications sector. According to Prado-Lorenzo et al. (2008), CSR practices in Spanish firms are geared towards social welfare and they mainly engage in CSR to differentiate themselves from their competition and improve their corporate image. For the purpose of this study, we selected a company with a relatively high visibility with regard to CSR, widely known for its CSR activities and producing regular annual CSR reports.

We collected data from several departments, namely Operations, Technology, Marketing, and Sales. These departments were selected based on access granted through negotiation with departmental managers. In total these offices have 232 employees (21 in the Operations office; 101 in the Technology office; 80 in the Marketing office; and 30 in the Sales office). Before the main survey, we conducted a pilot test ($n=40$) within a department of a Spanish subsidiary of another MNC of a translated questionnaire from English to Spanish (with the translation-back translation approach). No question regarding the questionnaire was received from the respondents. And all scales had acceptable Cronbach's alpha scores. In the main survey, 193 questionnaires were delivered and 163 usable questionnaires were received, providing an effective response rate of 85% (out of 193 questionnaires delivered) and a global response rate of 70% (out of 232 total employees in these offices; 39 employees were not able to reach due to annual leave or absence from offices). The final sample has 103 women (51.5%) with an overall sample average age of 38.42 years ($sd = 7.33$).

To reduce common method bias, the variables of CA, CSR and OID were measured by the first wave of the survey. The dependent variable of creative effort was measured in a second wave of survey that was undertaken a week after the first wave.

All variables were measured with 7-point Likert scales (ranging from 1 strongly disagree to 7 strongly agree). Appendix A presents the full list of measurement items. CSR and CA were measured by existing scales (Brown & Dacin, 1997). CSR was measured by two items: “X supports good causes”; and “X behaves responsibly regarding the environment,” where “X” represents the name of the telecommunications company. This scale, when applied to employees, measures employees’ perception of their organization’s overall external CSR engagement. This scale has been widely used in prior literature (Berens et al., 2005; Berens et al., 2007; He & Li, 2011; Kim et al., 2010).

The CA scale has three items measuring an organization’s capability in product and service quality and delivery, and asks respondents to evaluate statements of the organization’s ability such as whether it “offers high-quality services.” We used the term *services* in the questionnaire because the company is in the telecommunications industry. Organizational identification was measured by the widely used scale of Mael and Ashforth (1995). A sample item is: “When someone criticizes X, it feels like a personal insult.” We measured creative effort one week later with a 3-item scale (Hirst et al., 2009). A sample item is: “I try new approaches in my work even if they are unproven or risky.”

Analyses

We applied the partial least squares (PLS) method (Fornell & Cha, 1994) with SmartPLS software (Ringle, Wende, & Will, 2005) to test the convergent and discriminant validities of all constructs. PLS path modeling is component-based and therefore requires less stringent assumptions in terms of multivariate normality, measurement levels of the manifest variables, and sample size (Reinartz, Haenlein, & Henseler, 2009). Similar to covariance-based measurement model, PLS estimation shares the same advantage of allowing for the testing for psychometric properties (Hennig-Thurau, Henning, & Sattler, 2007) in terms of testing the convergent and discriminant validities by examining the average variance

extracted (AVE) scores and composite reliability scores. The square root of AVE scores of all variables should be higher than their correlations with any other involved constructs (Fornell & Larcker, 1981). Given these merits, PLS is becoming increasingly popular (see Henseler, Ringle, & Sinkovics, 2009, for a review). Another method that is also popular for measurement modeling is confirmatory factor analyses with AMOS/Lisrel (a co-variance based maximum likelihood method). However, this method works better if the sample size is larger (at least over 200, depending on the total number of items). For our study, due to the nature of our data (smaller sample size), PLS is a more desirable method to test the validities of our measures.

Results

As all data were provided by self-report questionnaire, it is important to assess the potential common method bias (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). We performed a common method factor test using the PLS approach (Liang, Saraf, Hu, & Xue, 2007). This method requires adding a common method latent variable (CMLV) (Podsakoff et al., 2003) and linking this CMLV to all manifest variables. The severity of CMV can be assessed by examining the relative strengths and significances of factor loadings of the manifest variable on its original proposed latent variable and the CMLV. An absence of severe common method bias for the data can be concluded when the factor loadings to the proposed latent variable are over 0.50 and when the loadings to CMLV are instead non-significant or, if significant, are much smaller than those to the proposed latent variable (Williams, Edwards, & Vandenberg, 2003). Appendix B presents the results of the test. The results clearly show that common method variance does not pose a severe concern for the data.

Table 1 presents the factor loadings and other measurement properties based on the proposed factor structure. Internal reliabilities of all scales are acceptable based on

Cronbach's α . All factor loadings are higher than the 0.50 threshold with the minimum of 0.83. All composite reliabilities are higher than the 0.80. All average variances extracted (AVEs) are higher than the 0.50 threshold. Table 2 presents the descriptive statistics and clearly shows that the square roots of all AVEs are higher than all of the paired correlations involving the focal variable. Therefore, both convergent and discriminant validities of our measures are achieved.

Insert Table 1 and Table 2 about here

We applied hierarchical moderated regression (Aiken & West, 1991; Aguinis & Gottfredson, 2010) to test our hypotheses. We standardized all continuous independent variables to facilitate the generation of interactions (product terms).

Table 3 reports the regression results with OID as the dependent variable. Step 1 of the OID model tests the main effect of CSR on OID. CSR have a significant main effect on OID ($b = .43, p < .001$). Thus, Hypothesis 1 is supported. Step 1 also shows that CA has a significant main effect on OID ($b = .30, p < .001$). Thus, Hypothesis 2 is also supported.

Insert Table 3 about here.

Table 4 reports the regression results with creative effort as the dependent variable.

Insert Table 4 about here.

Step 1 includes CA, CSR, age, and gender as the independent variables. Step 1 shows that CSR has a significant main effect on creative effort ($b = .27, p < .001$). Step 1 also finds that CA has a significant main effect on creative effort ($b = .38, p < .001$). This result meets one condition of mediation effects, in that the independent variable (CSR) has a significant effect on the outcome variable (creative effort). Table 3 (see Step 1) demonstrates that a second condition has been met, in that the independent variable has a significant effect on the

mediator (OID) ($b = .43, p < .001$). To establish a mediation effect, it is still necessary that the mediator has a significant effect on the outcome variable (Hypothesis 3) (Baron & Kenny, 1986).

In Table 4, Step 2a shows the effect of the mediator (OID) on creative effort. According to Hypothesis 3, OID has a positive effect on creative effort. To test this hypothesis, we need to control for the effect of CA, CSR and other control variables. Step 2a shows that the effect of OID on creative effort is significant ($b = .29, p < .001$). Thus, Hypothesis 3 is supported.

Step 2a also shows that the effect of CSR on creative effort drops from $b = 0.27 (p < .001)$ to $b = 0.14 (p < .05)$, which suggests that OID partially mediates the effect of CSR on creative effort. We conducted a Sobel test to further confirm the effect size and significance of the indirect effect, which shows that the indirect effect is significant ($b = .13, \text{Sobel } Z = 3.64, p < .001$). Thus Hypothesis 4, which predicts that OID partially mediates the effect of CSR on creative effort, is supported. The Sobel test also shows that OID partially mediates the effect of CA on creative effort ($b = .09, \text{Sobel } Z = 3.16, p < .001$). Hence, Hypothesis 5 is supported.

Hypothesis 6 states that CA moderates the relationship between CSR and employee OID. Step 2 of the OID model (see Table 3) adds the two-way interactions to test the moderator effects. Step 2 shows that the two-way interactions between CA and CSR is significant ($b = .17, p < .01$). We plotted the interactive effects in graphs. Figure 2 shows that CSR has a significantly stronger positive effect on OID when CA is stronger. Thus, Hypothesis 6 is supported.

Insert Figure 2 about here.

We also expect that OID mediates the moderating effect of CA (Hypothesis 7) on the relationship between CSR and creative effort. Using Step 1 in Table 4 as the base, we added the interaction to Step 2b in order to test the main moderating effect of CA using creative effort as the dependent variable. Step 2b shows that the interaction of CA and CSR is significant ($b = .12, p < .05$). Therefore Step 2b met an important condition of the mediated moderation effects in Hypothesis 7, as the direct moderating effect is supported.

To further assess whether this moderating effect is mediated by OID, we ran Step 3 which adds OID to Step 2b (see Table 4, Step 3). Step 3 shows that the effect of OID is significant ($b = .27, p < .001$). But the interaction between CA and CSR is no longer significant ($b = .07, ns$). Figure 2 has already shown that CA enhance the effect of CSR on OID; while Table 2 Step 2b shows that CA enhance the effect of CSR on creative effort when OID is not controlled for. And it has also been established that OID has a positive effect on creative effort. Therefore, these results suggest that OID fully mediates the enhancing effect of CA on the relationship between CSR and creative effort. The Sobel test also confirms the significance of this mediated moderation effect¹ ($b = .05, \text{Sobel } Z = 2.30, p < .05$). Figure 3 shows that CSR has a stronger positive relationship (via OID) with creative effort when CA is stronger than when CA is weaker. Thus, Hypothesis 7 is supported.

Insert Figure 3 about here.

Discussion

Over the last two decades, there has been extensive research on the association between CSR and organizational performance, oftentimes referred to as the business case for CSR. Overall, the evidence indicates that CSR positively influences organizational performance but has failed to sufficiently thoroughly examine the mechanisms and processes that underpin this relationship. One of the research themes that emerged out of this call is whether CSR

¹ We calculated this mediated moderation effect based on the moderating effect on OID (Table 3 Step 2) and the effect of OID on creative effort (Table 4 Step 2a).

pays off by building a positive employee-organization relationship and enhancing job-related effort. Much of this small, but growing, literature has focused on employees' attitudinal responses to CSR but has failed to link these to employee behaviors. The present research contributes to this literature by examining how CSR influences employees' organizational identification and creative effort. Additionally, we argue that the impact of CSR on employee attitudes and behaviors could be contingent. In particular, we argue that the link between external CSR and employee attitudes and behaviors, namely employee OID and creative effort, depends on their corporate ability (CA).

Our analysis provides several important results. As hypothesized, CSR influences employee creative effort, both directly and indirectly, through OID. In addition, we find that controlling for CSR, CA relates to employee creative effort (through employee OID). These findings support the notion that, in general, employees make holistic judgments of their organizations in developing their attitudinal and behavioral responses toward their employer. More importantly, our results show that: (a) CA enhances the positive relationship between CSR and OID; and (b) OID also mediates the moderating effect of CA on the relationship between CSR and creative effort. Thus, collectively, these findings provide empirical evidence to support the core thesis that CA is an important precondition for external CSR to pay off internally.

The current study's findings are consistent with prior research that posits a direct and positive relationship between external CSR and employee OID (Berger et al., 2006; Kim et al., 2010). More importantly, the findings extend this line of research in a number of ways. First, the results enhance our understanding of the relationship between CSR and employee OID and creative efforts by adding a new factor (i.e., CA) to the model. Second, our research not only examines OID, but also a behavioral outcome captured in this study by self-reported creative effort. Creative effort is important for organizations, as it is an important factor for

employee creativity that is fundamental to group and organizational level performance and competitive advantage (Drazin et al., 1999).

Consistent with the social identity perspective, our findings show that OID mediates the effect of CSR on creative effort. This result lends some support to Hirst et al.'s (2009) finding that OID has a positive effect on creative effort, which, in turn, mediates the effect of OID on creative performance. In addition, our study provides empirical support for Rupp et al.'s (2006) theoretical account that CSR perception influences employee behavior because CSR helps meet employees' relational and psychological needs. More importantly, our results also extend their theoretical account by suggesting that the mediation effects of the relational motive and need fulfillment can be moderated by CA.

It is important to note that the social identity perspective might be only one of many theoretical explanations for the effect of CSR on employee creative effort. For example, from a social exchange perspective, CSR may enhance employee trust in the organization and psychological safety, hence encouraging employee creative effort. From a social learning perspective, organizations with stronger CSR along with their agents (managers and supervisors) may act as role models for employees to emulate to behave in a way that are more other-oriented, including investing in more creative effort to enhance organizational performance. We find that OID only *partially* mediates the effects of CSR on employee creative effort, so that even when OID is controlled for, CSR still has a direct positive relationship with creative effort. In other words, the social identification argument (i.e., OID) cannot fully explain why CSR enhances employee creative effort.

Managerial Implications

The results of this study demonstrate that external CSR influences incumbent employees' attitudes and behaviors. Moreover, these relationships depend on the organization's capability in product and service quality and delivery. These findings have

implications for managers in a number of areas, including CSR investment, CSR communication, and CSR monitoring. First, we suggest that managers should further emphasize external CSR activities in their internal communications. Although most prior research has suggested that companies should invest in CSR because it may pay off in terms of economic returns or favorable consumer responses, our research suggests that external CSR activities can pay off internally. Investment in CSR to build stronger employee organizational identification is even more pressing in the current context of high mobility of talented workers (Collings and Mellahi, 2009) which requires organizations to provide an important mooring for people's social identification. Also, our results underscore the importance of having both CSR and corporate ability in producing products and services in place to achieve higher employee organizational identification. That is, without a sufficient level of company ability, CSR is not likely to pay off internally.

Second, in terms of CSR communication, our results suggest that employees should be considered as a primary audience in companies' CSR communication and reporting. For CSR to have meaningful and desirable impacts for various stakeholders, their knowledge of their company's CSR activities is essential. Therefore, for CSR to have a significant impact on employees, it is critical that CSR is communicated effectively to employees. The finding that CSR has a stronger impact on employee attitudes and behavior when CA is stronger also has strong implications for organizations. Firstly, when CSR investment is in place, it is important that CA investment is not compromised. Secondly, while communicating CSR to employees, it is also important to communicate effectively the strength of CA-related activities to reinforce employees' awareness and appreciation of the operational strength of their organization.

Finally, monitoring the impact of CSR investment is a key issue for most organizations, as it may justify the investment and identify the opportunities of CSR

investment. Most prior monitoring tools of CSR focus on mostly short-term and more tangible criteria, such as economic performance, reputation rankings, sales increases, and so on (Aguinis & Glavas, 2012). Our research suggests that to more accurately measure the value of CSR, companies should take into account the impact of CSR on employees, such as employee OID and the extra efforts they invest in improving their creativity.

Limitations and Future Research Directions

This study has a number of limitations. First, the measure of creative effort is self-reported by the employees. Self-reported measures can have a bias of measure inflation. Rating by direct supervisors could be a better approach. Second, this study relies on employees from only one organization, which limits the generalizability of the findings of the present research. Third, the measure of CSR is relatively short, hence may not capture the various aspects of CSR activities. Although a short and global measure has the advantage of being economical, convenient and practical, future research that uses a more comprehensive measure of CSR is needed. Moreover, due to the cross-sectional nature of the present research, cautions need to be taken in claiming causal relationships. Future research that adopts a longitudinal research design to formally test the causal effects would complement this study.

The current study provides several other implications for future CSR research. Given that prior research mainly examined the direct effect of CSR on various organizational outcomes, the results of the current study underscore the importance of examining the processes and mechanisms that underline these outcomes. Our results show that only when CA is perceived positively by employees will CSR practices have beneficial implications for employee attitudes and behavior. Thus, we suggest that future research moves towards a better and more complete understanding of the outcomes of CSR by examining the “black box” of how CSR impacts organizational outcomes. As noted earlier, one way to do so is to

incorporate other potentially important mediating and moderating variables such as how employees' perceptions of organization capabilities mediate the link between CSR and organizational outcomes. We encourage future research to examine simultaneously different psychological mechanisms (based on different theoretical angles, e.g., social exchange, social learning, etc.) by which CSR influences employee attitudes and behaviors. For example, organizational trust, perceived organizational justice, organizational admiration, and psychological job meaningfulness could be other psychological mechanisms on the relationship between CSR and employee creative effort.

Conclusion

Prior research has suggested that CSR is associated with improved financial returns and more positive employee attitudes, but has shed relatively little light on the mechanisms that underpin the financial benefits of CSR or on the processes and contingencies involved in the relationship between CSR and employee behavior. In this study, we make a significant contribution to advancing prior research by demonstrating that the impact of CSR on employee OID and creative effort depends upon CA. Specifically, we show that CSR activities have significantly greater impacts on both employee OID and creative effort when employees perceive that the firm provides higher quality goods and services. We hope this study prompts further research to explore the processes and contingencies that shape the relationship between CSR and organizational outcomes, particularly in relation to employee behavior.

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Table 1
Measurement Properties

	Indicators	Loading	AVE	CR	Cronbach's α
CA	CA1	0.86	.74	.89	.82
	CA2	0.81			
	CA3	0.90			
CSR	CSR1	0.88	.80	.89	.75
	CSR3	0.91			
Creative effort (CE)	CE1	0.86	.76	.91	.83
	CE2	0.88			
	CE3	0.88			
Organizational identification	OID1	0.84	.60	.88	.82
	OID2	0.76			
	OID3	0.78			
	OID4	0.71			
	OID5	0.75			

Table 2
Descriptive Statistics

	1	2	3	4	5	6
1.Age	-					
2.Gender	.11	-				
3.CA	-.03	-.18*	.86			
4.CSR	.19*	.03	.37**	.89		
5.OID	-.09	-.28**	.53**	.50**	.77	
6.Creative effort	-.11	-.24**	.61**	.41**	.60**	.87
Mean	38.42	-	5.31	5.43	5.24	5.57
SD	7.33	-	1.21	1.11	1.02	.88

Diagonal represents the square root of AVE.

* $p < .05$

** $p < .01$

Table 3
Regression Results for OID

	Step 1		Step 2	
	b	t	b	t
(constant)	6.16	18.67	6.16	19.02
Age	-.02*	-2.08	-.02*	-2.27
Gender	-.53***	-4.29	-.54***	-4.47
CA	.30***	4.55	.29***	4.54
CSR	.43***	6.53	.44***	6.83
CA × CSR			.17**	2.69
R ²	.445		.469	
ΔR ²			.024**	
F	31.628		27.747	

* $p < .05$ (two-tailed test)

** $p < .01$ (two-tailed test)

*** $p < .001$ (two-tailed test)

CA = Corporate ability; CSR = Corporate social responsibility; Gender with male employees as the base dummy (male = 0; female = 1).

Table 4
Regression Results for Creative Effort

	Step 1		Step 2a		Step 2b		Step 3 ^a	
	b	t	b	t	b	t	b	t
(constant)	6.25	21.51	4.48	9.08	6.25	21.73	4.59	9.19
Age	-.01	-1.88	-.01	-1.25	-.02*	-2.02	-.01	-1.37
Gender	-.31**	-2.83	-.15	-1.42	-.31**	-2.93	-.17	-1.56
CA	.38***	6.62	.30***	5.09	.38***	6.61	.30***	5.15
CSR	.27***	4.62	.14*	2.33	.28***	4.81	.16**	2.52
CA × CSR					.12*	2.10	.07	1.31
OID			.29***	4.32			.27***	3.96
R ²	.445		.492		.469		.497	
ΔR ²			.060		.024**		.051***	
F	31.628		30.357		27.747		25.700	

* $p < .05$ (two-tailed test)

** $p < .01$ (two-tailed test)

*** $p < .001$ (two-tailed test)

CA = Corporate ability; CSR = Corporate social responsibility; Gender with male employees as the base dummy (male = 0; female = 1).

^a Step 3 build on Step2b.

Figure 1
Conceptual Model and Hypotheses

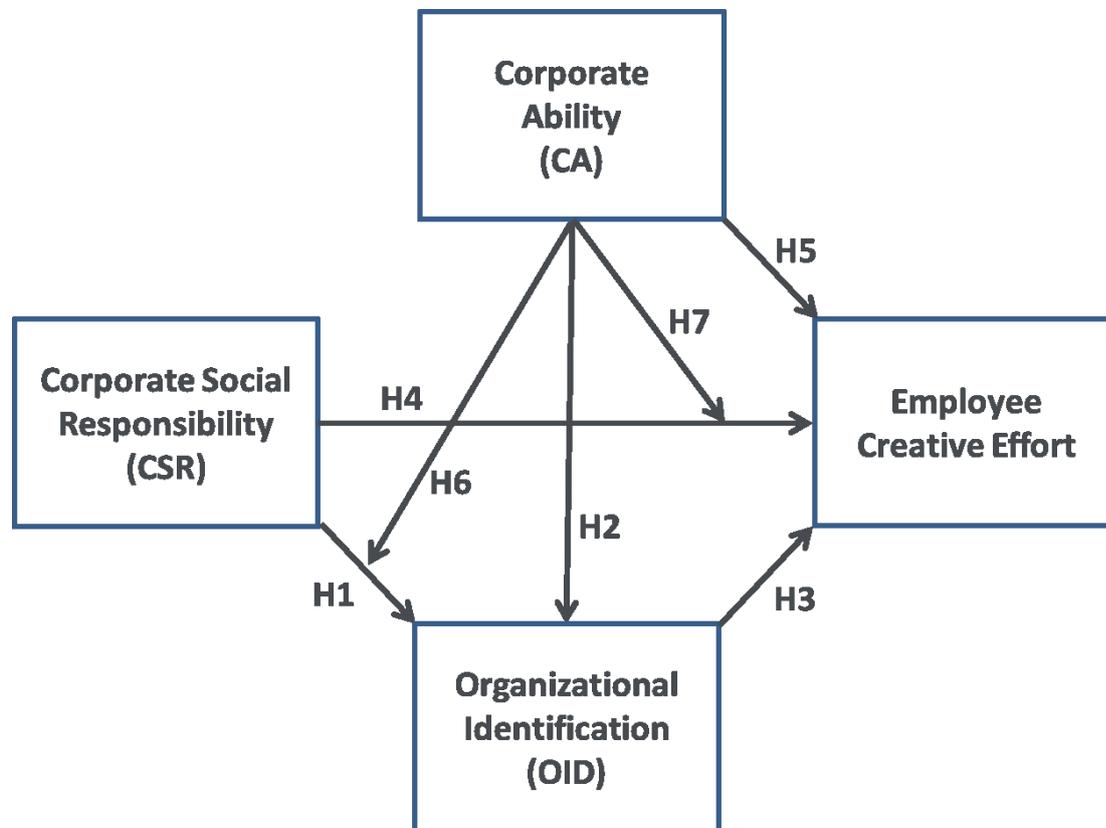
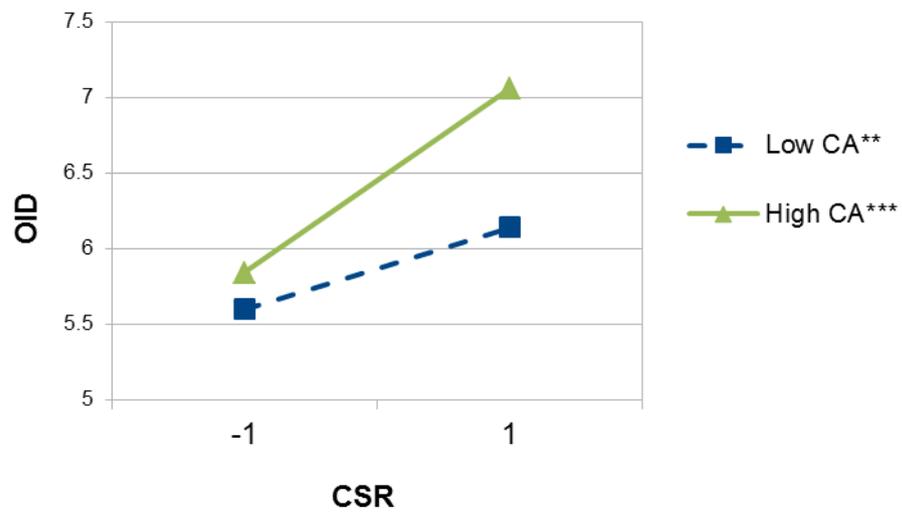


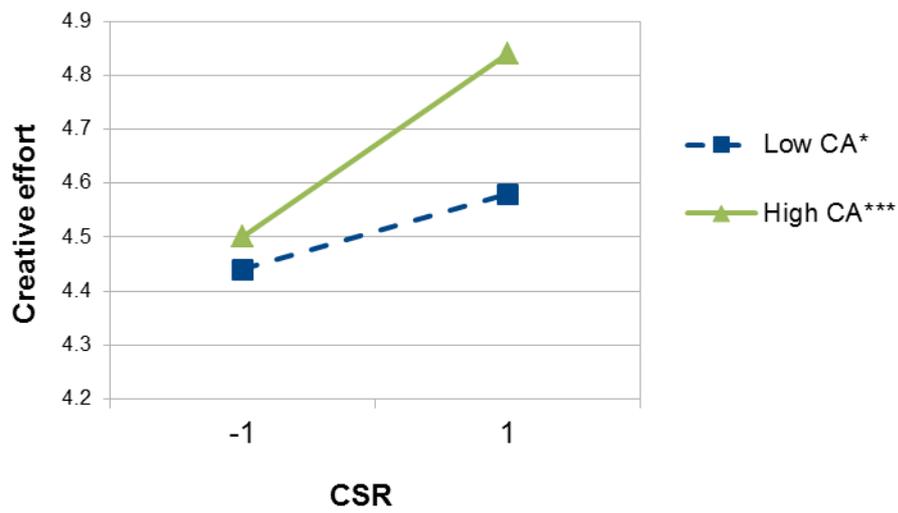
Figure 2**Enhancing Effect of CA on the Relationship between CSR and Employee OID**

** $p < .01$

*** $p < .001$

Figure 3

Enhancing Effect of CA on the Relationship between CSR and Employee Creative Effort through Employee OID



* $p < .05$

*** $p < .001$

Appendix A

Scale items

Corporate ability (CA)

CA1: X offers high-quality services.

CA2: X offers products with a good price–quality ratio.

CA3: X is well managed.

Corporate social responsibility (CSR)

CSR1: X supports good causes.

CSR2: X behaves responsibly regarding the environment.

Organizational identification (OID)

OID1: When someone criticizes X, it feels like a personal insult.

OID2: I am very interested in what others think about X.

OID3: X's successes are my successes.

OID4: When someone praises X, it feels like a personal compliment.

OID5: If a story in the media criticized X, I would feel embarrassed.

Creative effort (CE)

CE1: I have invested considerable effort to identify ways to enhance my work.

CE2: I frequently seek new information and ideas.

CE3: I try new approaches in my work even if they are unproven or risky.

Appendix B

PLS Common Method Variance Analysis

Construct	Indicator	Loading to proposed latent variables	Loading to CMLV ^a
<i>Corporate ability</i>	CA1	1.03***	-0.20***
	CA2	0.91***	-0.10
	CA3	0.64***	0.30***
Organizational identification	OID1	0.79***	0.08
	OID2	0.97***	-0.21*
	OID3	1.09***	-0.32**
	OID4	0.43**	0.30*
	OID5	0.53***	0.22*
Corporate social responsibility	CSR1	0.94***	-0.07
	CSR2	0.86***	0.07
Creative effort	CE1	0.90***	-0.05
	CE2	0.88***	0.01
	CE3	0.84***	0.04
Average		.83	.01

^aCMLV = Common method latent variable

* $p < .05$; ** $p < .01$; *** $p < .001$.