

Running Head: EMPLOYEE REACTIONS TO CORPORATE SOCIAL RESPONSIBILITY

Employee Reactions to Corporate Social Responsibility:
An Organizational Justice Framework

Deborah E. Rupp

Jyoti Ganapathi

Ruth V. Aguilera

Cynthia A. Williams

University of Illinois at Urbana-Champaign

Abstract

We seek to bridge the macro concept of corporate social responsibility (CSR) with micro research in organizational justice. A theoretical model is presented whereby employees' perceptions of CSR impact their subsequent emotions, attitudes, and behaviors, mediated by instrumental, relational, and deontic motives/needs, as well as moderated by organizations' social accounts.

Employee Reactions to Corporate Social Responsibility:
An Organizational Justice Framework

Corporate engagement with society, also termed *corporate social responsibility* (CSR), refers to one process by which an organization expresses and develops its “corporate culture” and social consciousness. Mired in a definitional debate dating back several decades (see Carroll, 1999), CSR has been conceptualized as activities, decisions, or policies that “organizations” engage in to effect positive social change and environment sustainability (Aguilera, Rupp, Williams, & Ganapathi, in press). In other words, CSR is typically identified as a macro-level activity that has macro level consequences (Orlitsky, Schmidt, & Rynes, 2003), and as a result, it has received scant attention within the micro organizational behavior literature. This paper posits that individual employees, as members of the organization, are concerned about, contribute to, and react to an organization’s evolving social consciousness, and therefore CSR should be a topic of interest to micro OB scholars. Specifically, we argue that employees make distinct judgments about their employing organization’s CSR efforts, these perceptions provide evidence regarding the fulfillment of psychological needs, and acts of social responsibility or irresponsibility on the part of the organization can trickle down to affect employees’ subsequent attitude and behaviors.

Who are Employees? An Operational Definition

Our discussion begins by explaining whom we mean by employees. To say that CSR happens *to* employees is anthropomorphically erroneous. That is, if we define an employee as anyone working for a particular firm, then CSR by nature is necessarily reciprocal in that employees as individuals and groups, and as representatives of their firms, commit acts of social (ir)responsibility, whereas other employees are insider witnesses to such acts. Given that

employees are insiders, and often seek identification with their employing firm, they differ from the general public (outsiders, and possibly consumers, who are observers of the organization but not a part of its functional core). So employees may react negatively when perceiving a corporate injustice because the action implies a misalignment with their values and threatens their psychological needs. Employees may also react, however, with dissonance and make cognitive adjustments to dampen their original evaluation and demonize the organization's opponents. Further, we define employees as the non-management workforce because these individuals are less likely to be involved in developing and implementing CSR policy, less likely to have fully internalized the corporate culture and be defensive of it (as compared to top management teams), and more likely to evaluate and react to the organization's acts of CSR. We use a justice framework to explore the nature of these evaluations and reactions.

Bridging CSR and Organizational Justice

Just as CSR has been a dominant topic within the macro OB literature, organizational justice has been of great interest to organizational psychologists for decades. In order to bridge these two literatures and make propositions regarding employees' perceptions of CSR, it is necessary to outline what CSR and organizational justice have in common, and what findings within the justice literature can inform individual-level inquiries into CSR effects.

CSR and justice share a fundamental ethical assumption of normative treatment (Folger, Cropanzano, & Goldman, 2005). Organizational justice implies norms regarding the treatment of individuals (employees) and groups of individuals *within* the organization. In addition to a concern about how employees are treated, CSR (with some exceptions) entails norms regarding the treatment of individuals, groups of individuals, and environments *external* to the organization. The focus of our present discussion is whether employees show similar concerns

for the treatment of external parties as they have been demonstrated to show for the treatment of internal parties.

Research demonstrates that employee attitudes and behaviors are heavily influenced by how fair they consider their organization's actions to be (Cropanzano, Byrne, Bobocel, & Rupp, 2001). Employees often rely on fairness perceptions to decide whether management is trustworthy, non-biased, and will treat them as legitimate members of the organization. The objects of judgment typically studied by justice researchers are the outcomes, procedures, and interpersonal treatment received *by the individual making the judgment*, with a focus on how employees feel *they are themselves* being treated. Because of this, many have argued that justice concerns are largely self-interested in that the pursuit of self-focused justice protects individuals' outcomes and provides evidence of their status and standing within the organization.

Despite this argument, contemporary justice research finds that justice involves much more than economic rationality and self-interest. Fairness theory and its corollary, the deontic model, suggest that justice is a universal norm of interpersonal conduct and people have an automatic morality-driven response upon witnessing an injustice, even when they are not themselves the victim of the unfair act. Indeed, both laboratory and field research has demonstrated empirically that individuals react emotionally, attitudinally, and behaviorally upon learning about an injustice directed toward another, even when they do not identify with the victims (see Folger, et al., 2005 for a review of this research). Also, these reactions are often automatic and can be positive in the reaction to justice and retributive or vengeful in the reaction to injustice. It seems that individuals do react deontically, and that these responses can and do, at times, transcend economic self-interest.

It is this series of findings that leads us to posit that employees will react to acts of corporate social (ir)responsibility (i.e., the firm's actions beyond the firm) in much the same way that they react to justice related events that occur inside the firm. If justice norms are indeed universal and can transcend self-interest, then the extension of justice concerns to external, societal groups and environments is reasonable. The next step in this line of inquiry, therefore, is to identify whether the phenomena uncovered in the organizational justice literature can properly be extended into the realm of CSR.

A Proposed Taxonomy of CSR Perceptions

Using the traditional framework provided by the organizational justice literature, which consists of procedural, distributive and interactional justice, we propose that employees make three distinct judgments regarding the social concern and actions of their employing organization. That is, employees judge the social concern that is embedded in an organization's actions (procedural CSR), the outcomes that result from such actions (distributive CSR), and how individuals, both within and outside the organization, are treated interpersonally as a result of these actions (interactional CSR). Combined, these perceptions shape overall perceptions of an organization's level of accountability, responsibility, and the extent to which it upholds moral and ethical standards.

Proposition 1: Employees form distinct judgments about the distributive, procedural, and interactional aspects of the "socially (ir)responsible" actions of their organization.

We are not necessarily arguing for the existence of these perceptions (as this would be irrefutable), but rather the uniquenesses between them. Here we are proposing a three-factor structure that might guide future empirical research in this area.

What Might Employee CSR Perceptions Predict?

Above we made the argument based on past theory and research that employees'

perceptions of CSR will trigger emotional, attitudinal, and behavioral responses. A second important question investigates what types of reactions in particular are most likely. There is some evidence on which we might build a reasonable set of dependent variables. First, CSR research has shown that job applicant and employee perceptions of a firm's CSR affects how attractive these individuals perceive the firm to be (e.g, Greening & Turban, 2000). Second, research on third-party justice reactions (which is essentially what CSR perceptions are, except focused on the external environment) finds both anger and revenge as consequences of injustice (Rupp & Spencer, in press).

But this is not to say that employees only react when organizations engage in social *irresponsibility*. Indeed, meta-analytic evidence clearly shows positive outcomes resulting from perceptions of justice such as enhanced job satisfaction, organizational commitment, organizational citizenship, and job performance (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). There is no evidence to suggest that similar outcomes would not result from CSR perceptions, although realistically, the effect sizes might be smaller given the third-party rather than first-party orientation of these perceptions.

Proposition 2: Employee perceptions of CSR will exert positive effects on individually-relevant outcomes such as organizational attractiveness, job satisfaction, organizational commitment, citizenship behavior, and job performance. Employee perceptions of CSR will exert negative effects on individually-relevant outcomes such as anger.

It is important to note that, consistent with fairness theory and the deontic model, these effects are expected to be subtle and automatic, and to recognize that there are instrumental motives that also drive employee behavior. It is not unlikely, however, that as a firm shows increasing or decreasing concern for its broader social impact on society, and given that these concerns are salient to employees, systematic changes might be detected in employees' well-being, job attitudes, affective commitment, and even their willingness to make sacrifices in

order to support the greater good. Cases exist which highlight this point. For example, the New Belgium Brewery employee-owners of Fort Collins, Colorado have been reported to have unanimously sacrificed their end-of-year bonuses in order to allow the organization the resources needed to invest in wind power as a sustainable energy source for powering manufacturing operations. In addition, large number of corporate scandals have emerged as a result of employee whistle-blowing (Osano & Kobayashi, 2003).

Mediating Mechanisms

Assuming employees' perceptions of CSR do positively influence the emotions, attitudes, and behaviors listed above, we draw on the multiple needs model of organizational justice (Cropanzano, et al., 2001) to understand why CSR is important to employees. This model suggests that employees' concern for fairness stems from instrumental, relational, and morality-based motivations that map onto the three basic needs for control, belongingness and meaningful existence.

Instrumental motives and control needs. Control is important to individuals because having control over situations can help maximize the favorability of outcomes. Consistently fair processes allow employees to more accurately foretell an organization's actions, hence giving them a sense of control. Applied to CSR, employees may have instrumental motives for caring that an organization is concerned about the effect of its activities on people and communities outside the organization and has established mechanisms to address these issues. In other words, an organization's CSR actions may indicate to employees that their organization also has concern for them and they may therefore be able to have their interests met, thus satisfying their need for control.

Relational motives and belongingness needs. Relational needs for justice are inextricably linked to the psychological need of *belongingness*. Justice is a valuable source of information about the quality of an employee's relationship with his or her organization. Relationships embody the idea of an individual's status, standing, and degree of fit within the organization. *Belongingness* beliefs, in turn, may influence issues of self-identity among employees.

Relational factors such as trust and perceived organizational support mediate justice effects. Said differently, perceptions of justice enhance the quality of the social exchange relationships between employees and organizations, leading to higher levels of performance and citizenship. Tying this back to the idea of CSR, we propose that CSR is often (but not always, and time horizon plays a role here) about fostering positive social relationships between organizations and communities. Employees will turn to CSR to assess the extent to which their organization values such relationships. Perceiving high levels of CSR can lead to employees' belongingness needs being met. An important caveat here is that there may be competing demands from the various stakeholders within society (Aguilera, et al., in press; Waddock, Bodwell, & Graves, 2002) and an organization often has to choose one at the expense of another. Regardless of the actual choices, however, any CSR effort is likely to foster certain relationships between the organization, its employees, and the various members of society, while the quality of those relationships may depend on how well employees understand and agree with the rationale behind their organization's CSR-related decisions.

Morality-based motives and the need for meaningful existence. As discussed previously, Folger's morality-based view argues that it is respect for human dignity and worth that influences an individual's justice needs. That is, working for an organization perceived as just in its interactions with the larger social milieu satisfies individuals' needs for a meaningful

existence. Because this type of motive is *other* focused, the role of CSR perceptions in satisfying such needs is a natural extension. Indeed, employees hold organizations accountable for their actions because they need to know that they are affiliated with an entity that “does the right thing” morally. Here the focus is primarily on what others view as ethically appropriate.

Proposition 3: The effects of employee perceptions of CSR will be mediated by the extent to which such perceptions meet the control (instrumental), belongingness (relational), and meaningful existence (deontic) needs of the employee.

The Moderating Role of Social Accounts

A final important consideration is the social account or explanation provided by the organization for its actions, which can to some degree mitigate effects of perceived unfairness (Cropanzano, et al., 2001). This refers to the fact that when a firm has committed an act that might be conceived as socially irresponsible to its employees (and the general public for that matter), one possible firm intervention that might reduce negative reactions would be to provide a reasonable justification for such acts. Certainly this a worthy area for future research with implications important to organizations and OB researchers alike.

Proposition 4: Effective social accounts provided by organizations to employees will positively moderate the effects of employee CSR perceptions on the aforementioned outcomes.

Conclusion

More theoretical development is needed to flesh out issues such as the differential effects of both distributive vs. procedural vs. interactional CSR perceptions as well as control vs. belongingness vs. meaningful existence needs. Our coverage of this issue thus far has also been primarily “situational” in nature. Future theory development should consider the role of individual differences in moderating the effects of CSR. Clearly there is some variance in deontic motives between people. Also needed is consideration of the antecedents of CSR

perceptions in addition to how these antecedents might be measured in order to test the model empirically. CSR offers a rich “macro” literature that implies important connections with the more “micro” area of workplace justice. It is our hope that this piece will lead to continued dialogue on this important topic.

References

- Aguilera, R., Rupp, D. E., Williams, C., & Ganapathi, J. (in press). Putting the S Back in Corporate Social Responsibility: A Multi-Level Theory of Social Change in Organizations. *Academy of Management Review*.
- Carroll, A.B. (1999). Corporate social responsibility: Evolution of a definitional construct, *Business and Society*, 38 (3), 268-295.
- Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. L. H., & Ng, K. Y. (2001). Justice at the millennium: A meta-analytic review of 25 years of organizational justice research. *Journal of Applied Psychology*, 86, 425-445.
- Cropanzano, R., Byrne, Z. S., Bobocel, D. R., & Rupp, D. E. (2001). Moral virtues, fairness heuristics, social entities, and other denizens of organizational justice. *Journal of Vocational Behavior*, 58, 164-209.
- Folger, R. Cropanzano, R., Goldman, B. (2005). What is the relationship between justice and morality? In J. Greenberg and J.A. Colquitt (Eds.) *Handbook of organizational justice*. 215-245.
- Greening, D. W., & Turban, D. B. (2000). Corporate social performance as a competitive advantage in attracting a quality workforce. *Business and Society*, 39, 254-280.
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24, 403- 441.
- Osano, H., & Kobayashi, M. (2003). Corporate governance and industrial relations, *Financial Review*, 68, 139-155.
- Rupp, D. E., & Spencer, S. (in press). When customers lash out: The effect of customer interactional injustice on emotional labor and the mediating role of discrete emotions. *Journal of Applied Psychology*.

Waddock, S. A., Bodwell, C., & Graves, S. B. (2002). Responsibility: The new business imperative. *Academy of Management Executive*, 16, 132-148.