

MEDIATION EFFECT OF PERCEIVED INTERNAL CORPORATE SOCIAL RESPONSIBILITY ON ORGANIZATIONAL IDENTIFICATION AMONG SME'S EMPLOYEES

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Abstract: Current study intends to study the relationship between CSR dimension and Organizational Identification. Researcher studied whether perceived internal CSR mediates the link between overall CSR dimension and Organizational Identity. The study adopted the cross sectional method to collect the data which explores that PICSAR perceived internal CSR mediates the relationship between Overall CSR dimension and Organizational Identification. The study also reports that the Corporate Social responsibility mechanism plays effective role in controlling the Environment, Employee, Consumer and Community dimension towards CSR. The results analysis of the questionnaire in has done through systematic approach using AMOS 23.0 software version. Social identity theory implied in this study exhibits that the employees receive a positive feeling of identity when their organization has a positive reputation. The findings reports that overall CSR dimension creates good perception of Internal CSR and Organizational Identification.

Key words: Corporate Social Responsibility; Cross sectional study; Perceived Internal CSR; Organizational Identification.

Introduction:

In recent years, there has been a steady increase in research work outcomes. However, less attention has been paid to the relationships between CSR dimensions towards organizational identification. In current study, we aim to contribute to the literature in three ways. First, we extend pasts research by examining the current CSR dimensions a subtle but chronic form of stake holders approach originating from the compliance report. Second, we investigate how such CSR dimensions link to organizational identification by examining the relationship between perceived internal CSR and employee organizational identification. We argue that employers who involve themselves in CSR activities experience perceived internal CSR, which in turn perceived the organizational identification. Third, researcher extends this study by extending the factors that might create positive relationship with respect employee integrity towards organization considering CSR dimension activities. Specifically, we examine perceived internal CSR as a potential mediator of the relationships between overall CSR dimension, and organizational identification. Building theories of CSR perspectives and employee perception, we thus propose a mediation model (Subramaniam, I. D. and Moslehi, M. M. 2013), which jointly examines perceived

internal CSR as the mediating mechanism with employees' core organizational identification. Before discussing our hypotheses, we first introduce the concept of overall CSR dimension by defining it and distinguishing it conceptually from related constructs.

Overall Corporate Social Responsibility dimension

Overall CSR dimensions is the widely discussed concept in the theory and practice according to Weber, 2008. The universally defined concept is yet not explore at larger extend. The concept is practiced by the clear understanding according to researcher point of view. Therefore, researcher intends to study the uncover meaning of the term CSR though various literatures.

Overall CSR dimension includes the theory linked with stakeholders approach were it gives the clarity or the dimensions which studies the activities SMEs involved in environment activities, employee related benefits, customer oriented and community involvement activities.

Many research reports SMEs are already managing large number of social and economic activities. Overall CSR dimensional activities are more ambiguous and easily ignored sometimes. Though the firms are government strategic policies and mandatory norms, employees may have different understanding of term CSR dimensions.

Perceived Internal Corporate Social Responsibility

Perception is an individual's psychological drive that leads to the development of one's behavior (Allen et al. 2016). As outlined by stakeholder theory (Freeman, 1984), CSR initiatives provide beneficial consequences for organizations by fulfilling stakeholders' interests of the company, including employees, government, customer and shareholders (Lee et al., 2013a). This study perceives CSR as a multidimensional approach connected to various stakeholders of an organization that CSR has two main dimensions, internal and external (Amann & Stachowicz-Stanusch, 2012; Brammer et al., 2007; Jamali et al., 2008). External CSR includes community and philanthropy contributions. By taking this approach, the company communicates with the physical environment and its ethical manner to consumers and other external stakeholders (Carroll, 1991). Companies concern all internal operations of company in internal CSR activities (Brammer et al., 2007). It is possible to justify the relation between external CSR and internal individuals' positive outcomes by the help of Social Identity Theory (SIT) which was originally presented by (Tajfel & Turner, 1979). SIT declares that people tend to group themselves in social categories that impact their self-concept (Ashforth & Mael, 1989; Greening & Turban, 2000; Peterson, 2004). Based on SIT, employees receive a positive feeling of identity when their organization has a positive reputation (e.g. perhaps committing to CSR), and collaboration with a company that has a negative image in CSR could have a detrimental effect on employees' self-concept (Peterson, 2004). Prior researches have indicated a positive association of corporate

prestige and its engagement in societal matters (Hess et al., 2002) and philanthropy (Brammer & Millington, 2005).

Organizational Identification

Organizational identification has an important place in the study of organizational behavior because researchers have found that employees' identification levels impact overall organizational effectiveness (Ashforth & Mael, 1989). However, until the late 1980s, organizational identification was not fully understood and researchers confused this construct with other related subjects such as organizational commitment (Ashforth & Mael).

Ashforth and Mael (1989) undertook the task of re-conceptualizing the construct and explained that social identity theory (SIT) could easily restore the coherence of organizational identification and its applications to organizational behavior. SIT reinstates that individuals tend to classify themselves into various social categories such as religious affiliation, gender, and/or teams (Tajfel & Turner, 1985). Based on this assumption, Ashforth and Mael suggested that organizational identification —is a specific form of social identification where the individual defines him or herself in terms of their membership in a particular organization (p. 105). The organizational identification framework developed by them is now widely accepted. By using SIT as a premise for organizational identification, Ashforth and Mael were able to provide a concise definition and clarify the applicability of this construct.

The results from organizational identification research indicate that in order to satisfy their need for self-enhancement, individuals identify with organizations that have prestigious identities (Bhattacharya & Sen, 2003). Prestige refers to organizational stakeholder's perceptions that other people, whose opinions they value, believe the organization is well regarded (Bergami & Bagozzi, 2000). By associating themselves with prestigious organizations, stakeholders bask in the reflected glory of the organization enhancing their sense of self worth (Bhattacharya & Sen, 2003; Cialdini, Borden, Throne, Walker, Freeman, & Sloan, 1976). According to Bhattacharya and Sen (2003), CSR initiatives constitute a key element in stakeholder identification because, an organization's involvement in social issues leads to positive organizational reputation and prestige which at the same time have a positive impact on consumers' identification (Bhattacharya & Sen) and employees' work attitudes (Peterson, 2004).

Which stakeholders influence CSR participation in SMEs and to what extent?

Even though research on social responsibility of SMEs is multidisciplinary, examination of the motivations for such activities is a common factor in most of these studies.

It is evident that the motivations for CSR in SMEs range from philanthropic to strategic and include both building of social capital and the fulfilment of the demands/expectations of stakeholders (mostly internal). Neville B., Bell S. and Menguc

B. (2005) finds that small enterprise CSR motivations in India prioritised enterprise needs over the needs of community stakeholders. This is supported by the findings of Castka et al. (2004) and Williamson et al. (2006). On the other hand, Russo and Perrini (2006) suggest that SMEs, being largely local, follow the principles of social capital theory and are motivated to participate in CSR to exploit their strong relationships built out of trust, reputation and legitimacy with specific stakeholders (suppliers, customers, competitors and the local community). A similar conclusion is drawn by Vyakarnam et al. (2017) who found a strong inclination among SMEs to improve consensus within and among citizens in their local communities. Jenkins (2006), in an analysis of Catalan SMEs, finds philanthropy is a common form of CSR which contradicts Williamson et al.'s (2006) inference that SMEs participate in CSR due to legal requirements and business benefits.

Why do SMEs participate in CSR?

Due to the inherent characteristics of SMEs, most academics and practitioners unanimously acknowledge that the CSR agenda in these organizations is very different and challenging in comparison to large firms Lepoutre & Heene (2006). In general, SMEs lack the resources Moore G. and Spence L. (2006) that need to be invested to participate in responsible activities. As Murillo and Lozano (2006) state, 'the bigger the SME, the more CSR is put into practice'. Spence and Schmidpeter (2003) identify time constraints and perceived lack of opportunity as the two major barriers for such engagements. However, they are doubtful about the time factor since some owner-managers, despite being extremely busy, still manage to get involved in community issues and therefore Spence and Schmidpeter sense an issue of personality type that could explain this attitudinal difference. Nevertheless, lack of time still becomes a problem for social responsibility in SMEs since such activities further reduce their discretionary slack (Lepoutre & Heene 2006).

The second-most discussed issues are the cost involved and information availability. In the mind of most small business owner-managers, socially responsible activities are perceived as costs that result in competitive disadvantage (Anglada 2000; Tilley 1999) and therefore they often have to postpone such expenses even if they feel that CSR activities are something they would like to do. The Chamber of Commerce of Bilbao (cited in Murillo & Lozano 2006) found that insufficient awareness of CSR, accompanied by a lack of resources, impeded CSR participation by the SMEs of the Biscay region. Some authors (Gerstenfield & Roberts 2000; Hitchens et al. 2005; Hunt 2000) have a different view and believe there is enough information available but knowledge is not sufficient among small business owner-managers who are beset by problems of bounded rationality (Nooteboom 1994).

Jenkins (2006) identifies additional factors which impede the social activities of SMEs. They include: organizational culture; difficulties getting employees involved; lack of

measurement and quantification of CSR benefits; difficulties in making connections with the community; and the challenges of maintaining the momentum of such activities. Her findings support Murillo and Lozano's (2006) conclusion that bigger SMEs with more than 100–120 employees do not perceive such factors to be challenging. In line with the conclusions of Gerstenfield and Roberts (2000), Hitchens et al. (2005) and Hunt (2000), SMEs in UK felt that information about CSR is not an issue, and that poor practical and financial help are the main problems (Jenkins 2006). Lack of effective leadership by SME owner-managers is another issue that restricts some organizations in UK from doing more about CSR.

In terms of facilitating CSR in SMEs, Spence and Schmidpeter (2003) found from their analysis of German and British organizations that greater political participation at a local level, more freedom and social infrastructure for owner-managers and a stronger awareness through media, academia and politicians can be useful. Jenkins (2006) opines that a lack of accountability and poor information availability from business organizations restricts SMEs' engagement in social activities. Study suggests the development of CSR learning networks through trade associations to enhance access to a range of complementary experiences and expertise. Tilley (2000) advocates increased commitment from public authorities to improve business ethics in SMEs. Perrini (2006) and Castka et al. (2004) also stress the need for exemplar case studies to encourage SMEs in social participation.

However, Jermia (2014) argues that despite the political emphasis laid on the business benefits in India, there is no strong evidence that demonstrates CSR brings competitive advantage or financial success. She once again highlights the fundamental problem of thinking of small businesses as profit maximisers (Goffee & Scase 1995; Spence & Rutherford 2001). Based on the contradictory evidence of the benefits of CSR in the literature, Castka et al. (2004) doubt the feasibility of legislation for encouraging SMEs to increase social participation. Even small business managers expressed similar concerns as they find obeying the law can be a problem to begin with (Gerrans and Hutchinson 2000; Petts et al. 1999), particularly, taking into account the resource constraints under which they operate (mentioned in Lepoute & Heene 2006).

Although research studies related to CSR have increased within the past decade (Kim et al., 2010), the potential impact of CSR initiatives on employees' perceptions, attitudes, and behaviors has been largely neglected (Kim et al.). Therefore, this research has attempted to fill this gap. Understanding how CSR impacts employees' perceptions can be of great benefit to an organization because CSR can be used as a tactical tool to develop a more stable and loyal work force. According to Rupp et al. (2006), employees' perceptions of CSR trigger emotional, attitudinal, and behavioral responses that are beneficial to the organization. For instance, Dirks, K. T., & Ferrin, D. L. (2004) suggested that when employees perceive that their employer organization supports social causes that they (i.e., the employees) are involved with, they may tend

to be motivated to improve their work performance. This idea was supported by employees' participating in Bhattacharya et al.'s (2008) qualitative study; participants noted that when their employer supported social causes they care about, they felt more inspired to work harder and felt more satisfied with their jobs. Although the articles written by Bhattacharya et al., Hickman et al., and Rupp et al. proposed or found a positive relationship between CSR and employees' perceptions, more research is needed to identify the factors that affect those perceptions as well as the outcomes that such perceptions generate.

Research Method

The sample was obtained through Multistage Stratified Random Sampling Procedure. To cover the diversity of economic development, the researcher has grouped the population of Small Medium Enterprises of Coimbatore City in Tamil Nadu.

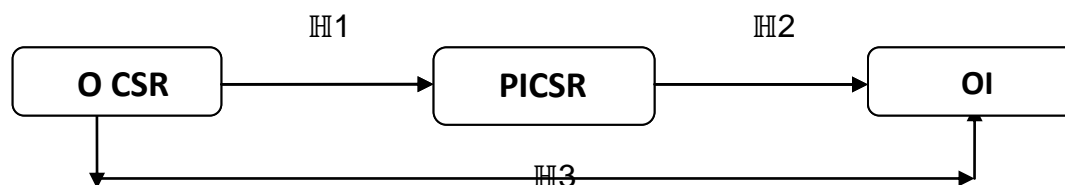
Sampling Frame

The sampling frame is all the MSME that are registered in Udhdyog Aadhar Memorandum in the Coimbatore city, registered under SME Data of Coimbatore District Industries Association with combination of MSME and UAM. Among 61 firms, 369 employees were chosen as target respondents.

Procedure

The sample is stratified depending on number of years of existence of the company and also based on the identity of the company among the public by the way of advertising, participating frequently in the MSME meeting and showing the their presence in the SME elections in Coimbatore City. Small enterprises with 127 number and medium enterprises with 211 in count totaling to 338 companies were further taken for the research. Finally from the Brief District Industrial Profile of Coimbatore District released by the MSME 2016-17 for the Coimbatore city, there were 72 SMEs addressing the importance of CSR in their organization. From the 72 SMEs 61 SMEs were contacted and the research was conducted. Based on the random sampling approach the researcher collected the information from the employees for above mentioned 61 firms which was shortlisted from our Multistage stratified random sampling.

Proposed Model



*O CSR- Overall CSR * PICSR- Perceived Internal CSR * OI – Organizational Identification

Figure 1. Proposed mediation model.

Hypothesis 1: Overall corporate social responsibility is positively related to perceived internal corporate social responsibility.

Hypothesis 2: Perceived internal corporate social responsibility is positively related to organizational identification.

Hypothesis 3: Perceived internal corporate social responsibility mediates the relationship between overall CSR and organizational identification.

Table 1 Measuring study variables

Overall CSR dimension

Environmental Dimension

Employee Dimension

Customer Dimension

Community Dimension

Perceived Internal CSR

My company policies encourage the employees to develop their skills and careers

The management of my company primarily concerns with employees' needs and wants

My company implements flexible policies to provide a good work and life balance for its employees.

My company supports employees who want to acquire additional education.

My company encourages its employees to participate to the voluntary activities.

The managerial decisions related with the employees are usually fair.

Organizational Identification

When someone criticizes my company, it feels like a personal insult.

I am very interested in what others think about my company.

When I talk about my company, I usually say "we" rather than "they".

My company's successes are my successes.

When someone praises my company, it feels like a personal compliment

Tool of Analysis

The Table 1 explains the study variables of the study. In the CSR literature, it was observed that size and sector can change the type and magnitude of CSR and as such are significant factors to be controlled when evaluating the connection between CSR and organizational identification Moore G. and Spence L. (2006). As such both of these variables have been controlled for in this and all subsequent models. The above mentioned measuring variables is a latent constructs with list of items and all items were rated on a 5-point scale (from 1 _ *strongly disagree* to 5 _ *strongly agree*).

This researcher has applied Structural Equation Modeling to test the direct relationship between CSR and Organizational Identification. The relationship between CSR and CSR perception of employees working in the firm are identified through the Direct Path Analysis.

Table 2 Structural Equation Results: Partially Mediated Model

Hypothesis Number		Standardized Loadings	Error Variance	t-value	R square
4	CSR → Perceived Internal CSR	0.35	0.171	7.044	0.32
5	Perceived Internal CSR → Org. Identification	0.31	0.036	2.799	
Model Fit: Chi Square = 475 (df = 135), RMSEA = .04, NFI = .93, SRMR = .053 and GFI = .94					

Table 3 CSR and Organizational Identification Relationship Results:

Relationship	
CSR ----→ Perceived Internal CSR → Organizational Identity	0.35 *0.31=0.19

Results:

To examine discriminant validity, we conducted a confirmatory factor analysis on the structured scales, for overall corporate social responsibility dimension, perceived internal CSR, organizational identification. Results showed that the factor model provided a good fit to the data. All the factor loadings were statistically significant with standardized loadings ranging from 0.70 to 0.86. All variables have accepted the internal consistency alphas of above 0.70. Among the control variables size of the firm

and age of the respondents were less correlated with the study variables. All predictor variables were standardized before required analysis.

From the table 2, result analysis it is observed that the overall there was very little evidence that industry has any impact on variables measuring the impact of CSR. The result reports the significant relationship between overall CSR dimensions towards perceived internal CSR extended to organizational identification. The impact of overall CSR dimensions was moderate with an R squared of 0.32 reports that there is a significant relationship between perceived internal CSR towards organizational identification. This study discusses the perceptions analysis of CSR among employees in introducing the concept of overall CSR dimension and exploring its link to organizational identification. After executing the path analysis about the environmental aspects, employee aspects, customer dimensional aspects and consumer perspectives, it reports that overall CSR dimension is associated with increased perceived internal CSR, which is in turn related to increase organizational identification. Hypothesis 2 predicted that dimensions of CSR would be positively correlated with perceived internal CSR (PICSR) of employees. This was supported by the result of this study and dimensions of CSR was found to have significant impact on PICSR of employees of SME (Path coefficient $b = 0.35$, $t = 7.04$, $p < .05$) and it supports the H2. This indicates PICSR are stemmed from the employees' perceived treatment from the activities of their organization. This further indicates that involvement of SMEs in CSR related activities positively influence the employees' inclination towards their organization.

Theoretical Implications

Though there are many researchers which signifies the importance of CSR practices, researchers are yet to explore the extensive research with respect to the perception of CSR dimensions among the employees. Earlier the researchers have more focused on micro level CSR perceptions. In extend to this, our results show that perceived internal CSR mediates the relationship between overall CSR dimension and organizational identification. This study reports that the perceived internal CSR is associated with the overall CSR dimensional activities which the company focuses on environmental activities, employee benefits, consumer oriented CSR activities as well customer preferences. Perceived internal CSR associated with CSR activities in the company is a very important mechanism in building up the perceived positive feel towards the company among the SMEs employees. The main purpose of assumption of this hypothesis is to understand the relationship between perception dimensions of CSR and PICSR in the SMEs of Coimbatore City. Social Exchange Theory (SET) provides the theoretical underpinning to this assumption and explain this relationship between various dimensions of CSR and PICSR of the employees. In this context, Newman, A., Nielsen, I., & Miao, Q. (2016) suggested that employees' perceptions concerning with fair, benevolent, and caring behaviour of their organization induce the employees to reciprocate, results in organizational commitment and this relationship is explained by

social exchange theory. This result also established a significant positive relationship of CSR activities with organizational identification. The positive impact of CSR dimensions on Perception of Internal CSR by employees further indicates that CSR initiatives towards development of society including social welfare, and social assistance generate positive responses among employees and perhaps among non-employees too. Therefore, employees are interested not only with the generous support and benevolent actions of the organizations towards employees but they also concerned with discretionary actions of the organization.

Conclusion

This study advances theory and research between overall CSR dimension, and organizational Identification. Thus, findings of this study supports the assumption that perceived internal CSR prompts indirect social exchange and employees reciprocate good and other focused actions by their organization. The impact of employees' perception of CSR on employees' outcomes including overall dimensions of the CSR also implies that these activities reflect the organization's character that how it is generous and concerned with the welfare and support of its employees. This result of this study also contributes towards social exchange theory which provided theoretical underpinning to explain the predicted relationship between employees' perception of CSR and its impact on employees' level of understanding the dimensions of CSR particularly in SMEs are concerned. Moreover, in some of previous studies positive correlation was found between PICSR and PECSR and dimensions of CSR. The literature reports the significance of perceived external CSR towards organizational identification with respect to consumer, customer and government perspectives; therefore this study gives the scope for future research.

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