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Multi-foci CSR perceptions, procedural justice and in-role employee performance: the mediating role of commitment and pride

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Running Head: Multi-foci CSR perceptions justice and performance

Key Words: Corporate Social Responsibility; CSR; Procedural Justice; In-role performance; Commitment; Pride

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Multi-foci CSR perceptions, procedural justice and in-role employee performance: the mediating role of commitment and pride

Abstract

This study explores differential employee responses to perceived corporate social responsibility (CSR) treatment of social and non-social stakeholder foci of the community, customers, shareholders and environment along with first-party employee justice perceptions. At a finance-sector multinational, we test the mediating role of commitment and pride in accounting for the relationship between perceptions of stakeholder treatment and in-role performance. We propose and pilot a new multi-foci CSR measure and include this in a mediated model within a separate study. Socially responsible treatment of customers and the environment play a role in predicting performance; these foci are related to either pride or commitment. Community-CSR, first-party justice perceptions and commitment predict performance either directly or indirectly. Our research shows an absence of any positive employee response associated with CSR towards shareholders. The study uncovers new insights into our understanding of complexities in employee responses to CSR activities.

Key Words: CSR; Procedural Justice; In-role performance; Commitment; Pride

Introduction

The last few decades have witnessed considerable interest in research exploring the impact of Corporate Social Responsibility (CSR) activities. However, until recently, CSR has been “virtually absent from journals devoted to micro OB, micro HRM” (Aguinis and Glavas, 2012:943). Whilst some recent studies have begun to rectify this (*e.g.* Farooq *et al*, 2013; Farooq *et al*, 2014; Hofman and Newman, 2014; Newman *et al*, 2015), Wang and colleagues (2016) argue that assessing the impact of CSR is a complex undertaking and research has yet to fully explore the multi-dimensional nature of CSR activities. We address this gap by exploring differential employee responses to perceptions of CSR actions targeted across multiple stakeholders – that is, employees’ “looking-in” and “looking-out” of the organisation (Rupp, 2011:75). Importantly, we examine the role that affective commitment and organisational pride play in mediating the relationship between employees’ CSR perceptions and in-role performance.

Although a limited number of studies have shown links between employees’ non-stakeholder specific CSR perceptions and performance (*e.g.* Jones, 2010; Vlachos *et al*, 2014), and direct relationships between CSR perceptions targeted at different stakeholder foci and performance (Newman *et al*, 2015), research has yet to uncover the potential mediating processes through which employees’ CSR judgments linked to different stakeholders predict in-role employee performance. We contribute to the literature by exploring such mediated processes. Additionally, very little theorising has been presented to explain *why* and *how* one might expect employees to respond differently to CSR actions focused towards different internal and external stakeholder targets. We address this gap whilst taking into account the important role first-party justice perceptions (Rupp, 2011) play in predicting employee outcomes. We also contribute to the literature by including shareholders as a target in investigating employees’ CSR-related perceptions. Shareholders are considered a primary

stakeholder group (Greenwood, 2001). However, CSR studies have yet to explore employee judgments that their employer acts in the interests of this stakeholder group. We contribute to the literature by including shareholders as a key stakeholder group in assessing employee responses. Finally, we address limitations of existing multiple-stakeholder CSR measures and offer a new measure that consists of an equivalent set of items across social stakeholders, thus presenting a *multi-foci* CSR measure.

Theoretical background and hypotheses

CSR from a stakeholder perspective: Looking-in and looking-out

Although there is no agreed definition of CSR at present, it is apparent from reviews of the literature (Carroll, 1999; Aguinis and Glavas, 2012) that CSR can be considered to involve voluntary corporate activities which go beyond purely economic interests or legal obligations and that these actions need to take into account the needs of a range of *stakeholders*.

Considering CSR from a stakeholder perspective “puts names and faces on the societal members or groups who are most important to business and to whom it must be responsive” Carroll (1991:43). Notable CSR definitions that include a specific reference to stakeholders include: “corporate behaviours that aim to affect stakeholders positively and that go beyond [the organisation's] economic interest” (Turker, 2009:413) and “context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance” (Aguinis and Glavas, 2012:933). A number of recent projects exploring employee responses to CSR take a stakeholder perspective (*e.g.* Farooq *et al*, 2014; Hofman and Newman, 2014). We follow this approach and define CSR actions as *voluntary and responsible corporate actions that focus on stakeholders' needs and stretch beyond an organisation's economic interests and legal obligations*.

Although stakeholders can entail "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984:46), Rupp's (2011) "looking-in" and "looking-out" distinction draws a line between responsible and fair organisational actions focused on employees compared to other stakeholders. Rupp argues that employees' first-party organisational justice perceptions can be considered inward-facing treatment, or "looking-in" (2011:77). Complementing this, third-party justice refers to employee judgments of how fairly the organisation treats those outside the organisation. Employee perceptions of an organisation's external facing CSR actions can be regarded as "looking-out" (Rupp, 2011:77). Taking Rupp's (2011) integrative organisational justice perspective, we argue that first-party organisational justice (looking-in) stands for the internal focus of a multi-stakeholder CSR construct and should be investigated alongside third-party justice (CSR; looking-out). This way, the impact of first- and third-party justice perceptions on key outcomes of interest can be accurately examined.

Assessing employee perceptions of organisational treatment of different stakeholders

Recently, scholars highlight the multi-dimensional and complex nature of the CSR construct and urge researchers to assess CSR directed towards different stakeholders (Wang *et al*, 2016). The majority of existing studies do not systematically explicate and evaluate CSR actions towards multiple stakeholders. Research, in the main, tends to use a single aggregate measure (*e.g.* Carmeli *et al*, 2007; Peterson, 2004; Jones, 2010; De Roeck and Delobbe, 2012; Vlachos *et al*, 2014), or measures tapping two particular foci in the form of either stakeholders or particular corporate actions (*e.g.* Ellemers *et al*, 2011; Stites and Michael, 2011; Rupp *et al*, 2013; De Roeck *et al*, 2014). Only a limited number of studies adopt a multiple-stakeholder approach (Turker, 2009; Rupp *et al*, 2013; Farooq *et al*, 2013, 2014; Hofman and Newman, 2014; Newman *et al*, 2015). These studies use either Turker's

(2009) CSR scale or Maignan and Ferrell's (2000) corporate citizenship scale. However, these scales are not without limitations.

Despite being a multi-foci measure, the four-factor Turker (2009) scale involves an eight-item factor, which aggregates four different stakeholder foci (society, environment, future generations, and non-governmental organisations), lacking a clean separation across these stakeholders. This limitation is apparent when researchers use this scale. For example, Hofman and Newman use only five items for this factor and label it “CSR to society” (2014:640); they go on to examine three separate stakeholder foci (society, employees, and an aggregate of customers and government). Newman *et al* (2015) identify employees, customers, and government as separate foci, but aggregate social and non-social stakeholders. Another limitation of Turker's scale is that it has a two-item “government” factor, involving paying tax and complying with legal regulations which does not fit with a CSR definition based on voluntary corporate actions. Another widely used multi-foci measure, Maignan and Ferrell's (2000) corporate citizenship scale (consisting of economic, legal, ethical, and discretionary citizenship factors), confounds different targets of socially responsible corporate actions – its two factors include: co-workers, business partners, employees, customers, charities, ecological environment, local businesses, and schools.

Given the need for cleanly separated multiple-stakeholder CSR measures (Wang *et al*, 2016) and considering the limitations of existing scales, we offer a multi-foci CSR scale. As per our definition of the CSR construct, we take a multiple-stakeholder approach and frame the measure by tapping the same set of actions for each social stakeholder. These are the predominant socially responsible organisational actions featuring in existing studies (e.g. Carroll, 1999; Maignan and Ferrell, 2000; Ellemers *et al*, 2011) – namely accountability, respect, consideration, voice, and building sustainable relationships. We argue that CSR

entails these qualities of corporate actions and the targets of these actions should be differentiated. Drawing on Davis (1973) and Carroll (1999), we identify the four primary looking-out CSR foci as customers, communities, shareholders, and the environment. The former three can be considered social foci of CSR, the latter as a non-social focus. For the social stakeholders, we use the same corporate actions across the targets to ensure that the stakeholders, rather than the actions, are the main differentiator accounting for the impact of foci. Thus, our measure enables us to test research questions with precision where we aim to compare differential effects by stakeholder target. For “looking-in” focus, we draw on Rupp's (2011) integrated organisational justice model and posit that CSR towards employees should be represented by the established procedural justice construct to avoid construct redundancy. Accordingly, we propose the following:

Hypothesis 1: Employee perceptions of four different CSR foci (third-party justice; Customer-CSR, Community-CSR, Shareholder-CSR, Environmental-CSR) and first-party organisational justice will separate into a five-factor measurement structure.

***A mediated model of employee responses to first-party justice and CSR perceptions:
Predicting in-role performance through organisational commitment and pride***

Above, we outline our multiple-stakeholder approach to CSR under a “looking-in”/“looking-out” overarching framework. Here, we set out our expectations concerning how these perceptions are likely to influence in-role performance. Drawing on social exchange (Blau, 1964) and social identity theories (Tajfel and Turner, 1979), we posit that employees’ CSR perceptions (looking-out) and first-party justice perceptions (looking-in) will impact their affective commitment to the organisation as well as their pride in the organisation, which, in turn, will lead to enhanced in-role performance.

Whilst many conceptualisations of commitment exist, Meyer and Allen’s (1991) affective commitment construct is widely used in commitment research to represent the bond

between the employee and employer. They define affective commitment as “employee’s emotional attachment to, identification with and involvement in the organisation” (1991:67). Distinct from affective commitment, which rather focuses on the bond between the employee and organisation, organisational pride refers to a member’s favourable evaluation of the group (*i.e.* the organisation) that they belong to (Tyler and Blader, 2003). Pride is defined as “the extent to which individuals experience a sense of pleasure and self-respect arising from their organizational membership” (Jones, 2010:859).

As per social exchange tenets, fair treatment of employees (looking-in), as well as employees' judgments of fair treatment of external facing stakeholders (looking-out) should be reciprocated with commitment to the organisation. By looking out and observing the organisation’s CSR actions, employees make inferences about how the organisation is likely to treat them. CSR reduces some uncertainty involved in the employment relationship and serves as a proxy for trust, thereby fulfilling employees’ need for control (Rupp, 2011). The fulfilment of such needs is expected to trigger a felt obligation to reciprocate on employees' part (Eisenberger *et al*, 2001) and elicit affect-based responses, such as commitment (Meyer *et al*, 2002). Similarly, fair treatment of employees signifies respect, support and investment in employees, and should lead to a felt obligation to reciprocate with affective commitment (Cropanzano *et al*, 2001; Tyler and Blader, 2003). Given this, we expect both third-party justice (CSR) and first-party justice (procedural justice) to foster greater levels of commitment. In addition, according to social identity theory tenets, we expect that working for a procedurally fair (first-party justice) and socially responsible (third-party justice) organisation should provide employees with a sense of moral worth. This should result in a positive sense of self-regard and feelings of self-enhancement (Dutton *et al*, 1994). These psychological states are likely to elicit positive evaluations of the group's status, and hence pride in the organisation (Tyler and Blader, 2003).

CSR research has yet to clarify the psychological processes linking employee perceptions to distal behavioural outcomes, such as in-role performance, through the explanatory roles of proximal attitudes (*e.g.* commitment and pride). Recent research has shown direct linkages between CSR perceptions and organisational commitment (Maignan and Ferrell, 2000; Peterson, 2004; Kim *et al.*, 2010; Ellemers *et al.*, 2011; Hofman and Newman 2014), organisational identification (*e.g.* Farooq *et al.*, 2014; De Roeck *et al.*, 2016), and pride (Jones, 2010; Ellemers *et al.*, 2011). However, extant literature generally focuses on the relationship between CSR perceptions and attitudinal states without then exploring the relationship between these and in-role performance. Amongst the research that does explore CSR perceptions and performance, Newman *et al.*, (2015) tested *direct* relationships between employees' perceptions of CSR actions directed towards four stakeholder groups and both in-role and extra-role performance. These authors found a direct relationship between an aggregated "social and non-social" stakeholder CSR measure (encompassing environment, future generations, non-governmental organisations and society) and both types of performance. Another study showed a relationship between a general measure of "perceived social responsibility and development" and in-role performance mediated by organisational identification (Carmeli *et al.*, 2007:980).

Although these studies demonstrate relationships between CSR perceptions and performance, and evidence that social identity processes may play a mediating role in these relationships, some questions remain unanswered in terms of the mediating processes that may occur in the context of a multi-stakeholder CSR framework. We explore the mediating role of commitment and pride in relationships between CSR perceptions from a multiple-stakeholder perspective. Importantly, we set out a multiple-stakeholder mediated model within an overarching "looking-in" (first-party justice) and "looking-out" (third-party justice) framework. We argue that perceptions of fair organisational treatment (first-party justice) and

socially responsible actions (third-party justice) trigger both social exchange and social identity processes; organisational commitment and organisational pride represent expected responses to these perceptions in accordance with social exchange and social identity theory arguments (Aguilera *et al*, 2007; Rupp, 2011). Furthermore, as per social identity and social exchange claims, a sense of organisational commitment and organisational pride should result in employees' willingness to contribute to the success of *their* organisation. They will be motivated to put themselves out for the good of the organisation, and hence exhibit greater in-role performance (Meyer *et al*, 2002; Blader and Tyler, 2009). Thus, within the context of a multiple-stakeholder looking-in and looking-out framework, in light of the above theoretical rationales and existing evidence, we set out the following hypotheses (presented in Figure 1):

Hypotheses 2: Affective commitment will mediate the positive relationship between (a) procedural justice, (b) customer-CSR, (c) community-CSR, (d) shareholder-CSR, (e) environmental-CSR and in-role performance.

Hypotheses 3: Organisational pride will mediate the positive relationship between (a) procedural justice, (b) customer-CSR, (c) community-CSR, (d) shareholder-CSR, (e) environmental-CSR and in-role performance.

Figure 1

The context of our study involves an organisation that actively promotes its CSR reputation with a range of external visibility advertising campaigns. Such initiatives are likely to have an impact on employees' psychological reactions to the organisation (Fuller *et al*, 2006; Edwards, 2015). March and Simon (1958) argued that the greater visibility of the

organisation and its position in society, then the more likely employees will bond psychologically with the organisation due to the positive prestige that this affords. As Figure 1 shows, we control for the impact of employee exposure to the organisation's external visibility campaigns in our model. Since some of the trigger mechanisms of employee responses to CSR rest on employees' favourable perceptions of organisational image, it is important to distinguish the effects of visibility campaigns from the effects of employees' CSR perceptions.

Differential employee responses to first-party justice and CSR perceptions

The mediated model presented above sets out a general argument that we expect employees' looking-in and looking-out perceptions to predict their subsequent performance through organisational commitment and pride. Expanding on this model, we further posit that employee responses to socially responsible organisational actions will vary depending on particular stakeholder foci. We expect different theoretical mechanisms to be triggered at various strengths depending on the target of socially responsible actions, leading to differential employee responses.

The first prediction we make in this capacity relates to the looking-in (first-party justice) and looking-out (third-party justice) demarcation (Rupp *et al*, 2013). We argue that first-party justice will have a stronger impact on employee attitudes (organisational commitment and pride) than will third-party justice. Being on the receiving end of just treatment (or lack thereof) will have a greater bearing on employee attitudes than observing third parties being treated justly (or otherwise) by the organisation, since first-party justice perceptions should trigger both the social exchange (Rupp *et al*, 2013) and social identity mechanisms (Tyler and Blader, 2003). Employee judgments of socially responsible treatment of other stakeholders, however, should primarily trigger social identity mechanisms due to self-enhancement and reflected prestige of the organisational membership. We also draw on

existing evidence in the field to make predictions concerning the likely variation of the magnitude in relationships between employee responses to first-party compared to third-party justice. Rego *et al* (2010), Farooq *et al* (2013), Farooq *et al* (2014) and Hofman and Newman (2014), demonstrated that employee-focused socially responsible actions show stronger relationships with organisational commitment than employees' CSR perceptions of third-party stakeholder treatment.

Given the theoretical and empirical evidence, we expect employees' procedural justice perceptions (looking-in) to have greater influence on their sense of pride and commitment as compared to the influence of their third-party CSR judgments (looking-out) on these attitudes:

Hypotheses 4: The relationship between procedural justice perceptions and (a) affective commitment and (b) pride will be stronger than the relationships between other stakeholder focused treatment and these two outcomes.

Our second prediction regarding differential employee responses relates to the varied relationships between the four looking-out CSR foci and the proximal attitudinal outcomes (commitment and pride). Adopting a multiple-stakeholder approach to CSR implicitly assumes that one would expect differential employee responses to CSR perceptions associated with these foci. A number of recent studies (Rego *et al*, 2010; Ellemers *et al*, 2011; Stites and Michael 2011; Farooq *et al*, 2013, 2014; Hofman and Newman, 2014; Newman *et al*, 2015) adopt a multi-foci approach, without fully presenting a theoretical explanation as to why employee responses should vary across different third-party CSR treatment and what these differential effects will be; nor do they test the significance of differential effects found.

In our study, we focus on four looking-out stakeholder targets, three of which were also considered by other authors in the field: communities, customers, and the environment. However, unique to our study is a focus on shareholders as a distinct stakeholder. Despite being considered a primary stakeholder (Greenwood, 2001; Freeman *et al*, 2010), existing

multiple-stakeholder CSR research has largely ignored this group. Above, we invoke social exchange and social identity based explanations in explaining the positive responses to employees' looking-in and looking-out perceptions. However, with shareholders as a CSR focus, we expect these mechanisms to be significantly less pronounced in eliciting organisational commitment and pride.

We posit that when employees perceive the organisation acting in the interests of shareholders, this may signal economic self-interest (Clarkson, 1995), which may be at odds with employees' and other stakeholders' interests (Froud *et al*, 2000; Belloc, 2013). Working for an organisation with a strong shareholder focus could possibly trigger a positive image linked to the organisation's financial performance, however, organisations with such a strategic, and inevitably profit-seeking, focus are unlikely to trigger a sense of respect and support in employees. Therefore, we expect the magnitude of the exchange and social identity based mechanisms to be less pronounced in case of a shareholder CSR focus, as compared to socially responsible actions directed towards other CSR targets. Thus, we propose the following regarding differential employee responses to looking-out CSR foci:

Hypotheses 5: The relationship between the shareholder-CSR and (a) affective commitment and (b) pride will be weaker as compared to the relationships between other foci of organisational CSR treatment and these two outcomes.

Empirical Approach

Organisational context: Study 1 and Study 2

This research is conducted in a multinational organisation in the finance sector. This sector was considered ideal due the CSR challenges faced by financial organisations in the wake of the global financial crises. The organisation was chosen as it employed a deliberate strategy of committing to long-term relationships with stakeholders and making sustainable

contributions to local economies and societies. These credentials were consistently communicated through the organisation's intranet and various artefacts, such as banners and visuals displayed in the office spaces, which should have played an important role in creating employee awareness of organisational CSR activities. We carried out two studies across two countries of this multinational. In Study 1 (Malaysia), we distributed a survey to assess the psychometric properties of the measures to be used in the main Study 2 (Singapore). These countries were particularly suitable, as the business language is English in both locations and this geographical region is the international hub of the organisation. The studies were separated by three months.

Study 1 Method: Testing psychometric properties of new and adjusted measures

Sample and procedures

An online link to a survey in English was sent to work e-mails (provided by HR) of all 1,066 employees based in Malaysia. In total, 547 employees responded, reducing to 472 after list-wise deletion (44.3% effective return rate). Sixty percent of the sample was female and 40% male. The average age and tenure were 34.6 years ($SD=8.07$) and 7.03 years ($SD=9.24$) respectively.

Measures

The items measuring CSR perceptions, procedural justice, and employee exposure to external visibility campaigns are shown in Table 1.

CSR activities: Eighteen questions measuring employee perceptions of CSR activities were tested in Study 1. The CSR actions directed to social stakeholders were introduced with the phrase “When taking decisions that affect [stakeholder group]”, and continued with particular CSR actions measured by each item, *e.g.*: “[organisation] considers their point of

view". For (non-social) environmental-CSR focus, three items tapped responsible treatment of the environment. Responses were made on a five-point scale ranging between 1=strongly disagree and 5=strongly agree.

Procedural justice: We used a four-item procedural justice measure based on Colquitt (2001). We drew on three items from this scale that demonstrated high factor loadings and added an item directly tapping the fairness of the procedures (featuring in Colquitt's scale as "ethical and moral standards", 2001:389). Other researchers have taken a similar approach in the past (e.g. Rupp and Cropanzano, 2002), where they include items related to the fairness of procedures. There are slight variations between the original Colquitt (2001) scale and later versions used by Colquitt and colleagues depending on context. For example, the items in the original version make reference to procedures of coursework outcomes in an educational context, whereas the Colquitt *et al* (2012) version involves items referring to procedures used by supervisors to make decisions about evaluations and promotions. We adjusted the framing of these items to refer to procedures applied in the current context. Due to adjustments, we included the procedural justice scale in Study 1 to check its psychometric properties. Response anchors were 1=strongly disagree to 5=strongly agree.

Employee exposure to external visibility campaigns: A three-item scale was developed to tap the extent to which employees' are exposed to these activities, with responses ranging from 1=never to 5=very frequently.

Exploratory Factor Analysis

Table 1 outlines primary factor loadings obtained by principal components EFA (varimax rotation). The analysis with all 25 items produced six factors associated with the four CSR foci, the procedural justice measure and exposure to external visibility campaigns measure. All items loaded onto expected factors with loadings generally between 0.70-0.85, with some exceptions (one exposure item loaded 0.69, one customer-CSR item loaded 0.68, and one

community-CSR item loaded 0.64). An environmental-CSR item showed a loading of 0.52; though low, it loaded with the other two environment items as a primary loading (with no cross-loading onto any other factor above 0.28). Therefore, this item was retained for the main study. All measures showed Cronbach Alpha values above 0.7. These results support Hypothesis 1; respondents perceive CSR targeted at different stakeholders as separate constructs.

Table 1

Method: Study 2

Sample and procedures

For the main study, an online survey in English was distributed to a random sample of 1,800 employees based in the Singapore offices of the organisation (employing 4,864 employees).

Each survey link included an identifier enabling us to link responses with performance appraisal ratings given by line managers (four months hence). In total, 726 employees responded, which reduced to 657 through list-wise deletion (36.5% effective return rate).

Fifty-seven percent of the main sample was female (43% male). Average age and tenure were 35.37 years (SD=8.48) and 5.80 years (SD=7.83) respectively.

Measures

Control and independent variables

The scale items that were tested in Study 1 (Table 1) were used again in the main survey. The four foci of CSR as perceived by employees (18 items) and procedural justice (4 items) were

included as independent variables. Employees' exposure to external visibility campaigns (3 items) was used as a control variable as previously set out.

Dependent and mediator variables

Affective commitment: A five-item version of the Allen and Meyer's (1990) affective commitment scale was used. An example item is: "[organisation] has a great deal of personal meaning for me".

Organisational pride: A four-item scale was used to measure organisational pride. Two items were drawn from Ellemers *et al's* (2011) "pride in organization" measure, *e.g.*: "I feel proud to work at [organisation]". Other items were drawn from Tyler and Blader's (2002) autonomous pride measure, *e.g.*: "I am proud to tell my friends that I work for [organisation]".

In-role performance: A formal, single-item in-role performance rating (given four months after the main study's survey collection) was obtained from the organisation for each employee in the Study 2 sample. As per organisational guidelines, employees' main line manager rated each employee against "the extent to which an employee has delivered on their performance objectives". The nature of the objectives varied by job; further instructions indicated that managers needed to consider "all the agreed performance objectives". Ratings were: 1="demonstrated consistently exceptional performance" to 5="demonstrated unacceptable performance". This scale was reversed before analysis.

Analysis Approach

The measurement model (Hypothesis 1) was tested with CFA (Mplus V7; Muthén and Muthén, 2012). Mean composites were compiled for descriptive statistics and correlations (Table 2). Full Structural Equation Modelling (SEM) was used and items were loaded onto latent constructs with the proposed model (Figure 1). In-role performance was set as the

dependent variable with commitment and pride as mediators. A fully mediated latent-variable model (Figure 1) was tested and as per statistical practice, we also tested a competing theoretical model (Shrout and Bolger, 2002). A partially mediated model was checked for any effects of CSR perceptions on performance outside a full-mediation processes. With both models, bias-corrected bootstrapped indirect effect parameters were produced (testing Hypotheses 2-3). To test for significant differences between particular coefficients (Hypotheses 4 and 5), chi-square difference tests were used by fixing particular structural paths to be equal versus free to differ (Wald, 1943).

Results

Descriptive statistics

Descriptives and zero-order correlations are presented in Table 2 along with the reliability statistics. All scales show good levels of reliability with Cronbach Alpha values above 0.70.

Table 2

Measurement Model

CFA was conducted on the CSR measures in Study 2 along with the procedural justice measure. This involved testing the 18 CSR items linked to customers, communities, shareholders, and the environment (separated into four factors) and the four items tapping procedural justice as a fifth factor. The fit statistics with this five-factor model ($\chi^2=1429.106$, $df=199$) ranged from good (SRMR=0.048), to approaching acceptability ($\chi^2/df=7.18$, RMSEA=0.097) and some indicating a bad fit (CFI=0.891, TLI=0.873). The model, however,

was significantly better (χ^2 difference $p < 0.001$) than a 22-item single-factor model ($\chi^2 = 5259.829$, $df = 209$, $\chi^2/df = 25.167$, $SRMR = 0.123$, $RMSEA = 0.192$, $CFI = 0.552$, $TLI = 0.504$). Because the CFI and TLI fit indices were below 0.90 (indicating unacceptable fit; Bentler, 1990), we explored ways of improving the fit by interrogating the CSR items that did not have factor loadings above 0.70. It was apparent that the last two items on the CSR-shareholder measure were below 0.70 in the initial CFA. We revisited the EFA results from Study 1 (Table 1) and noticed that the same two items (fourth and fifth items) loaded onto their factor below 0.70 with communities as a referent. This indicated that these two items might be unstable across foci and contexts. We removed these two unstable items (Hinkin, 1998) from the five-item CSR scales with each focus, thus creating a three-item CSR scale for social stakeholders, and ran the CFA analysis again.

This slightly trimmed 12-item CSR foci measure was tested along with the four-item procedural justice scale in thirteen different combinations to ensure that the four CSR foci and the procedural justice separated from each other (Table 3). The five-factor model separating the four CSR factors and procedural justice showed good ($SRMR = 0.040$) to acceptable levels of fit ($\chi^2/df = 6.59$, $RMSEA = 0.092$, $CFI = 0.93$, $TLI = 0.92$). All the remaining twelve combinations showed significantly worse fit than this five-factor model. Importantly, complementing the EFA findings, these results again support Hypothesis 1; the items reflecting five stakeholder targets of responsible treatment separate into five unique constructs.

We further tested a two-factor, nine-item model separating five commitment items from the four pride items. This model showed an acceptable fit ($\chi^2 = 183.80$, $df = 26$, $\chi^2/df = 7.07$, $SRMR = 0.027$, $RMSEA = 0.096$, $CFI = 0.97$, $TLI = 0.96$), significantly better ($p < 0.001$) than a single-factor nine-item model ($\chi^2 = 1034.75$, $df = 27$, $\chi^2/df = 38.32$, $SRMR = 0.059$, $RMSEA = 0.238$, $CFI = 0.83$, $TLI = 0.78$).

Finally, to ensure that the study's 29 items loaded onto their respective nine factors, a Harman (1976) test was conducted comparing a one-factor model with all 29 items as a conglomerated construct ($\chi^2=7404.01$, $df=377$, $\chi^2/df=19.64$, SRMR=0.132, RMSEA=0.175, CFI=0.50, TLI=0.46) versus a hypothesised nine-factor model ($\chi^2=1222.72$, $df=342$, $\chi^2/df=3.58$, SRMR=0.047, RMSEA=0.065, CFI=0.94, TLI=0.93). The nine-factor model, which included setting the single-item performance measure to correlate with the remaining eight latent factors, fitted the data significantly better than the single-factor model (χ^2 difference $p<0.001$) and showed good to acceptable fit.

Table 3

Structural model testing

Fully mediated model: We tested a full-SEM predicting in-role performance by six independent variables (three social and one non-social CSR stakeholder measures, procedural justice, and the exposure to the external visibility campaigns) fully mediated by commitment and pride. This model fitted the data well ($\chi^2=1230.62$, $df=348$, $\chi^2/df=3.54$, SRMR=0.047, RMSEA=0.064, CFI=0.94, TLI=0.93) and showed a number of significant structural paths. The path between commitment and performance was positive and significant (Beta=0.161, $p<0.05$), however, pride did not significantly predict performance (Beta=-0.11, NS).

Procedural justice significantly predicted commitment and pride in a positive direction (Beta=0.504, $p<0.001$ and Beta=0.360, $p<0.001$ respectively). Customer-CSR showed a significant path onto pride (Beta=0.275, $p<0.001$), but not onto commitment (Beta=0.015, NS). Community-CSR showed no significant paths onto commitment or pride (Beta=0.082, NS and Beta=0.006, NS), neither did shareholder-CSR (Beta=-0.020, NS and Beta=-

0.041,NS). Environmental-CSR significantly predicted both commitment and pride in a positive direction (Beta=0.137, $p<0.05$ and Beta=0.144, $p<0.05$). Finally, the exposure to visibility campaigns control predicted commitment and pride (Beta=0.093, $p<0.05$ and Beta=0.180, $p<0.05$).

Partially mediated model: A partially-mediated model was tested, which set direct paths between in-role performance and the independent variables, as well as through affective commitment and pride. This model showed good to acceptable fit statistics ($\chi^2=1222.7$, $df=342$, $\chi^2/df=3.58$, SRMR=0.047, RMSEA=0.065, CFI=0.94, TLI=0.93). Only two variables predicted performance directly (these were in a positive direction): affective commitment (Beta=0.196, $p<0.05$) and community-CSR (Beta=0.180, $p<0.05$). All other paths to performance were non-significant (justice Beta=-0.094,NS; Customer-CSR Beta=-0.056,NS; shareholder-CSR Beta=-0.042,NS; environmental-CSR Beta=-0.043,NS; exposure to visibility campaigns Beta=-0.019,NS; and pride Beta=-0.112,NS). As with the fully-mediated model, justice significantly predicted commitment and pride in a positive direction (Beta=0.505, $p<0.001$, Beta=0.359, $p<0.001$ respectively); customer-CSR showed a significant path onto pride (Beta=0.275, $p<0.001$), but not onto commitment (Beta=0.015,NS). Community-CSR showed no significant paths onto commitment or pride (Beta=0.080,NS, Beta=0.007,NS); neither did shareholder-CSR (Beta=-0.020,NS, Beta=-0.042,NS). Environmental-CSR significantly predicted both commitment and pride in a positive direction (Beta=0.138, $p<0.05$, Beta=0.144, $p<0.05$). Finally, the external exposure measure predicted both commitment and pride (Beta=0.093, $p<0.05$, Beta=0.180, $p<0.05$ respectively). The partial-mediation model showed no significant difference in fit statistics compared to the fully mediated model (χ^2 difference=7.92, df difference=6, $p>0.05$). However, as mentioned, this model produced a significant direct path between community-CSR and performance. See Figure 2 for significant results.

Figure 2

Indirect effects: To test our mediating Hypotheses 2a-2e and 3a-3e, we ran bias-corrected bootstrapped indirect effects analysis of the independent variables onto performance through commitment and pride. The only significant indirect effect found was between procedural justice and performance through affective commitment, supporting Hypothesis 2a. With the fully mediated model, these standardised indirect effects were significant (standardised Beta=0.081; 95% CI: 0.018:0.144) as were those in the partially mediated model (Beta=0.099; 95% CI: 0.010:0.188). We did not find support for Hypotheses 2b-2e and 3a-3e, commitment can however be considered to mediate the impact of procedural justice onto performance.

Testing differential effects of CSR foci

To test the significance of different paths (Hypotheses 4 and 5), we set equality constraints across the relevant paths and compared the χ^2 values of these models with those of the unconstrained models. We adjusted a target $p < 0.05$ cut-off by the number of equality tests being conducted with each regression in the SEM equation.

Using the partially mediated SEM (Figure 2) to test Hypothesis 4a, models were compared setting the following paths to be equal in predicting commitment: justice and community-CSR (χ^2 difference=10.71, $df=1$, adjusted $p < 0.05$); justice and customer-CSR (χ^2 difference=25.75, adjusted $p < 0.01$); justice and shareholder-CSR (χ^2 difference=45.57, $df=1$, adjusted $p < 0.001$); justice and environmental-CSR (χ^2 difference=8.24, $df=1$, adjusted $p < 0.05$). In all cases, the procedural justice path predicting commitment was significantly stronger than CSR foci's relationship with commitment, corroborating Hypothesis 4a.

To test Hypothesis 4b, models were compared setting the following paths to be equal in predicting pride: justice and community-CSR (χ^2 difference=9.93, df=1, adjusted $p < 0.05$); justice and customer-CSR (χ^2 difference=0.064, df=1, NS); justice and shareholder-CSR (χ^2 difference=31.40, df=1, adjusted $p < 0.001$); justice and environmental-CSR (χ^2 difference=2.01, df=1, NS). Thus, the procedural justice path is significantly stronger than community- and shareholder-CSR's relationship with pride, lending partial support to Hypothesis 4b.

To test Hypothesis 5a, models were compared that set the following paths to be equal in predicting commitment: shareholder- and community-CSR (χ^2 difference=0.90, df=1, NS); shareholder- and customer-CSR (χ^2 difference=0.22, df=1, NS); shareholder- and environmental-CSR (χ^2 difference=5.59, df=1, adjusted $p = \text{NS}$). Thus, Hypothesis 5a does not find empirical support.

To test Hypothesis 5b, models were compared that set the following paths to be equal in predicting pride: shareholder- and community-CSR (χ^2 difference=0.18, NS); shareholder- and customer-CSR (χ^2 difference=17.60, df=1, adjusted $p < 0.05$) and shareholder- and environmental-CSR (χ^2 difference=8.15, df=1, adjusted $p < 0.05$). Environmental- and customer-CSR show significantly stronger relationships with pride, compared to a shareholder focus, lending partial support to Hypothesis 5b.

Discussion

In the current study, we examine whether employees are able to differentiate CSR actions targeted across different stakeholders and test whether they responded differently, in terms of commitment, pride and performance, depending upon the CSR target. With regard to employee responses to “looking-out” (third-party justice; CSR) our findings show that

environmental-CSR, customer-CSR and community-CSR are related to pride, commitment or performance, highlighting the importance of CSR perceptions. These relationships are observed even when the integral and well-documented effect of first-party justice, as well as the effect of corporate visibility campaigns on these outcomes are taken into account. As suggested by Aguinis and Glavas (2012) and Rupp *et al* (2013), outward facing CSR activities have a positive influence on employee responses.

Socially responsible actions focusing towards the environment clearly feature in our results. Employee perceptions that their employer acts with sustainability towards the environment are related to higher commitment and pride. This supports previous claims that employees will respond positively to such a concern (Morgeson *et al*, 2013). In addition, employees also respond with pride when their employer is seen to treat customers with social responsibility, although neither environmental concerns nor customer-CSR predict performance directly or indirectly.

Our results indicate that community-CSR potentially plays a direct role in increasing performance, bypassing commitment and pride. This finding indicates that a social exchange or social identity process does not necessarily occur with employee responses to community-CSR, or that a process exists outside a social exchange or social identity process. As a possible theoretical explanation, we can draw on the deontic motive posed by Rupp who suggests that employee responses to justice “may lie beyond the self” and indicate a deontic motive behind employee behaviour (2011:74). Our results suggest that if employees feel that their organisation is doing the *right thing* in its treatment of the community, they may respond with a willingness to work harder – without necessarily requiring an increased commitment or pride-based response. Such findings provide important insights that may go some way to help us begin to answer Morgeson *et al*'s (2013) unanswered question of how CSR is related to employee performance.

Responses to shareholder focused treatment

A particularly interesting finding in the current study is the absence of any direct impact that a shareholder focused treatment has on employee responses. Although shareholder-CSR perceptions are positively correlated to commitment and pride, when taking into account perceptions linked to the other recipients of socially responsible treatment, a shareholder focus plays no significant role in predicting commitment, pride or performance. One of the unique features of the current study is that it explicitly measures employee perceptions of how the organisation treats this key stakeholder. We posited that a shareholder focus might lead to complex responses, mainly due to the idea that an emphasis on shareholder treatment could be a competing force in relation to other stakeholder treatment (Froud *et al*, 2000; Belloc, 2013). A shareholder emphasis is unlikely to activate either a social exchange or a social identity process since this would not be expected to convey organisational support towards employees, nor will it trigger respect and self-enhancement in employees. Hence, a shareholder focus is less likely to lead to positive responses. Our findings support this prediction and, to our knowledge, no other study has shown this.

The primary importance of “looking-in” first-party justice perceptions

In the current study, we clearly show that when taking into account the organisation’s responsible treatment of external (third-party) stakeholders, as well as employees’ exposure to corporate external visibility campaigns, internal (first-party) justice perceptions are the dominant predictor of positive psychological employee responses, particularly commitment and pride, but also performance. Here, *looking-in* justice perceptions should have fully activated the psychological triggers that engage both social exchange and social identity processes, by evoking support, instrumentality, feeling respected, and self-enhancement, which should oblige employees to reciprocate with higher commitment and to evaluate the organisation favourably with an increased sense of pride. We expected that both of these

psychological states (commitment and pride) to further evoke the behavioural in-role performance response. However, our findings that commitment is related to performance, but pride is not, as well as the significant indirect effects found between justice perceptions through commitment, provide theoretical insights into the complexity of employee responses to first-party justice, when third-party justice is simultaneously taken into account. These findings may suggest that first-party justice impacts performance primarily through a social exchange process (Cropanzano *et al*, 2001). On its own, the first-party justice aspect of our findings corroborates previous research exploring relationships between justice, commitment and performance (*e.g.* Colquitt *et al*, 2013). From another perspective, since we find this by simultaneously taking into account third-party justice (multi-foci CSR) and comparing the relative strength of their effects, we also build on recently emerging evidence that the first-party justice leads to more pronounced responses than a full range of third-party focused CSR activities (*e.g.* Rego *et al*, 2010; Farooq *et al*, 2014; Hoffman and Newman, 2014).

Limitations and directions for future research

The current study has some limitations that should be taken into consideration. First, as the study's independent and mediator variables were collected in a cross-sectional study, the findings could be prone to Common Method Variance (CMV; Podsakoff *et al*, 2003).

Nevertheless, as our performance measure was collected four months after the self-report survey, relationships pertaining to performance should not be susceptible to CMV issues, rendering the overall model a strong design.

Second, some might consider acting in shareholder interests to be outside a CSR framework, as this could form part of a profit maximisation strategy, and hence not a socially responsible behaviour (Davis, 1973). However, since we follow a conceptualisation that considers the socially responsible treatment of multiple stakeholders (Freeman *et al*, 2010), shareholders can be regarded as a primary stakeholder.

Third, whilst we find a direct relationship between community-CSR and performance in the current study, we acknowledge that other mediating processes may be occurring that we do not take into account. Future research could aim to measure different potential intervening factors to enable a better exploration of other possible mediating processes. We also recognise that the chi-square test comparing a fully-versus partially-mediated model does not reach significance, which supports the more parsimonious fully mediated model. However, the path found between community-CSR and in-role performance is significant and thus cannot be ignored.

Fourth, although our study utilises two samples in two different countries, both are from the same organisation, which could limit our ability to generalise from the findings. In further research, this study could be replicated in different organisations and across different countries so as to explore the role of culture in influencing employee responses to different stakeholder treatment.

One final limitation worth mentioning is the degree of uncertainty around who was involved in the appraisal process leading to performance ratings. The same manager may have finalised ratings for more than one employee, this information was not supplied by the organisation. This limitation has also been raised by researchers who obtain performance measures of individual employees (*e.g.* Newman *et al*, 2015). However, many researchers who specifically explored the potential lack of independence in performance ratings find this problem to be immaterial (*e.g.* Kuvaas *et al*, 2014). In our study, this limitation is partially mitigated by the fact that the organisation operated a matrix structure of line reporting. In such systems, appraisals involve the collection of judgments from a range of potential sources; this should reduce potential problems regarding a lack of independence with appraisal ratings. However, in future research, every effort should be made to identify the raters for an accurate assessment of these issues.

Summary, conclusions and implications for HR

Our study offers four main contributions to the HR-related micro CSR field. First, we show that employees respond positively to their employer's socially responsible treatment of customers, communities, and environmentally sustainable actions. This highlights that CSR matters to employees. Second, we show that employees demonstrate differential responses depending on the particular target of organisational CSR actions. As such, we conclude that the dynamics of employee reactions to CSR can be best understood by exploring the targeted range of stakeholders separately. Third, in linking CSR to employee performance, we show that first-party procedural justice remains particularly important in explaining higher levels of employee performance, via an increase in commitment. However, our study also shows that when controlling for this effect, CSR activities focused on the community appears distinct in explaining increases in employee performance. Fourth, as a unique finding, we demonstrate that acting in the interests of shareholders is unlikely to elicit positive responses from employees, unlike CSR actions targeted at various social and non-social stakeholders. Taken together, these key findings add to our understanding of the complexities involved in employee responses to an organisation's CSR credentials.

From an HR perspective, a key finding is that how the organisation treats its full range of stakeholders, beyond its shareholders, is important to employees. This has important implications when deciding upon a particular strategic approach to business and managing people. Where the organisation consistently acts in a fair and socially responsible way towards employees as well as other social and non-social stakeholders across the board, this will elicit increased levels of employee commitment, pride and performance. Additionally, given our finding that a shareholder-oriented CSR focus is not conducive to triggering positive employee responses, this indicates that should organisations have an overly strong profit-orientation (communicating a predominantly shareholder focus) this is unlikely to

encourage employee commitment, pride and performance. Thus, given the essential role that employees play in influencing organisational performance, a key conclusion for practice is that “doing good is good for business”. This conclusion suggests that “doing good” will help ensure that the workforce is committed, proud and willing to exert the effort required to achieve higher in-role performance. From an HR perspective, this finding is important, as it provides evidence that will help the function's efforts to argue a case for investment in employees, as well as in CSR initiatives. The evidence presented in our study will also help CSR champions put forward strong arguments against a strategic approach that only focuses on bottom-line profits.

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Table 1: Study 1 - Exploratory Factor Analysis (EFA) results with new and adjusted scales.

Scale	Items	F1	F2	F3	F4	F5	F6
CSR - Shareholders	Sh1: [Org] builds long term relationships with these groups- Shareholders	.796					
	Sh2: [Org] treats these groups with respect – Shareholders	.836					
	Sh3: [Org] acts in the interests of these groups - Shareholders	.780					
	Sh4: [Org] considers their point of view – Shareholders †	.782					
	Sh5: [Org] takes accountability – Shareholders †	.751					
CSR - Customers	Cu1: [Org] builds long term relationships with these groups- Customers		.697				
	Cu2: [Org] treats these groups with respect – Customers		.769				
	Cu3: [Org] acts in the interests of these groups – Customers		.781				
	Cu4: [Org] considers their point of view – Customers †		.709				
	Cu5: [Org] takes accountability – Customers †		.683				
CSR- Communities	Co1: [Org] builds long term relationships with these groups- Community			.759			
	Co2: [Org] treats these groups with respect - Community			.731			
	Co3: [Org] acts in the interests of these groups - Community			.766			
	Co4: [Org] considers their point of view – Communities †			.643			
	Co5: [Org] takes accountability – Communities †			.696			
CSR - Environment	En1: [Org] discourages the use of environmentally unfriendly transportation (e.g. air travel)				.825		
	En2: [Org] reduces the environmental impact of its buildings (e.g. energy consumption)				.819		
	En3: [Org] considers the environment when carrying out its business				.521		
Procedural Justice	Pj1: Policies and procedures are applied consistently across the [Org]					.817	
	Pj2: [Org] policies procedures are applied fairly					.848	
	Pj3: I'm able to express my views on policies & procedures that affect me					.739	
	Pj4: Decisions are made at the [Org] in an unbiased way					.774	
Exposure to visibility campaigns	EE1: News of [org] in the media						.694
	EE2: Outdoor branding of [Org] (e.g. billboards, posters)						.874
	EE3: Updates on the [Org's] sponsorships [with examples]						.814
	Eigen values	9.708	2.552	1.720	1.033	1.534	1.245
	Cronbach Alphas	0.905	0.894	0.898	0.714	0.844	0.781

Note: † Items not used in the main study analysis; †† The table presents the primary loadings of all items. Note, no cross-loadings occurred with a secondary cross-loading above 0.373 and all loadings range between a difference of 0.24 and 0.758 of the second highest on a secondary factor.

Table 2: Study 2 - Descriptive Statistics

Correlations between all variables, reliability statistics, means and standard deviations

	1.	2.	3.	4.	5.	6.	7.	8.	9.	\bar{x}	S.D.
1. Procedural Justice	.88									3.514	.810
2. CSR Customer	.455***	.91								4.060	.716
3. CSR Community	.382***	.651***	.92							4.052	.626
4. CSR Shareholders	.222***	.460***	.632***	.92						4.136	.656
5. CSR Environment	.383***	.374***	.513***	.334***	.81					3.785	.677
6. External Exposure	.227***	.193***	.340***	.274***	.347***	.74				3.594	.720
7. Affective Commitment	.611***	.376***	.373***	.231***	.378***	.306***	.94			3.509	.837
8. Organisational Pride	.600***	.514***	.438***	.269***	.421***	.337***	.770***	.93		3.870	.743
9. In-Role Performance	-.003	.009	.073†	.032	.016	.045	.068††	.007	-	3.430	.692

*p<0.05, **p<0.01, ***p<0.001, †p<0.07, ††p<0.10, Cronbach Alpha Coefficients on the Diagonal

Table 3: Study 2 - Fit statistics for measurement models tested.

Measurement models	df	χ^2	χ^2/df	SRMR	RMSEA	RMSEA 90% CI (;	CFI	TLI
<i>CSR & Procedural Justice (PJ) measures</i>								
Null model	120	8026.95						
1-factor model	48	3671.48	76.49	0.133	0.228	0.222; 0.235	0.55	0.48
2-factor model: PJ & all CSR items combined	49	2573.91	52.53	0.101	0.191	0.185; 0.198	0.69	0.64
4-factor model: PJ & CSR Customer as 1 factor	98	1688.74	17.23	0.094	0.157	0.151; 0.164	0.80	0.75
4-factor model: PJ & CSR Community as 1 factor	98	1829.54	18.67	0.107	0.164	0.157; 0.171	0.78	0.73
4-factor model: PJ & CSR Shareholder as 1 factor	98	2242.17	22.88	0.166	0.182	0.176; 0.189	0.73	0.67
4-factor model: PJ & CSR Environment as 1 factor	98	1262.44	12.88	0.104	0.134	0.128; 0.141	0.85	0.82
4-factor model: CSR Customer & CSR Community as 1 factor	98	1329.32	13.56	0.062	0.138	0.132; 0.145	0.84	0.81
4-factor model: CSR Customer & CSR Shareholder as 1 factor	98	1790.63	18.27	0.087	0.162	0.156; 0.169	0.79	0.74
4-factor model: CSR Customer & CSR Environ as 1 factor	98	1228.26	12.53	0.085	0.132	0.126; 0.139	0.86	0.83
4-factor model: CSR Community & CSR Shareholder as 1 factor	98	1388.17	14.17	0.064	0.142	0.135; 0.148	0.84	0.80
4-factor model: CSR Community & CSR Environment as 1 factor	98	1055.78	10.77	0.067	0.122	0.115; 0.129	0.88	0.85
4-factor model: CSR Shareholder & CSR Environment as 1 factor	98	1307.09	13.34	0.108	0.137	0.130; 0.144	0.85	0.81
5-factor model: Justice and all CSR factors as separate constructs	94	619.456	6.59	0.040	0.092	0.085; 0.099	0.93	0.92
<i>AC and Pride</i>								
Null model	36	6021.74						
One-factor model	27	1034.75	38.32	0.059	0.238	0.226; 0.251	0.83	0.78
Two-factor model	26	183.80	7.07	0.027	0.096	0.083; 0.109	0.97	0.96
<i>Justice, CSR, Pride, AC, External Exposure and Performance</i>								
Null model	406	14518.43						
One-factor model	377	7404.01	19.64	0.132	0.175	0.171; 0.178	0.50	0.46
9-factor model	342	1222.72	3.58	0.047	0.065	0.061; 0.069	0.94	0.93

Figure 1: Proposed research model exploring the impact of CSR on in-role performance

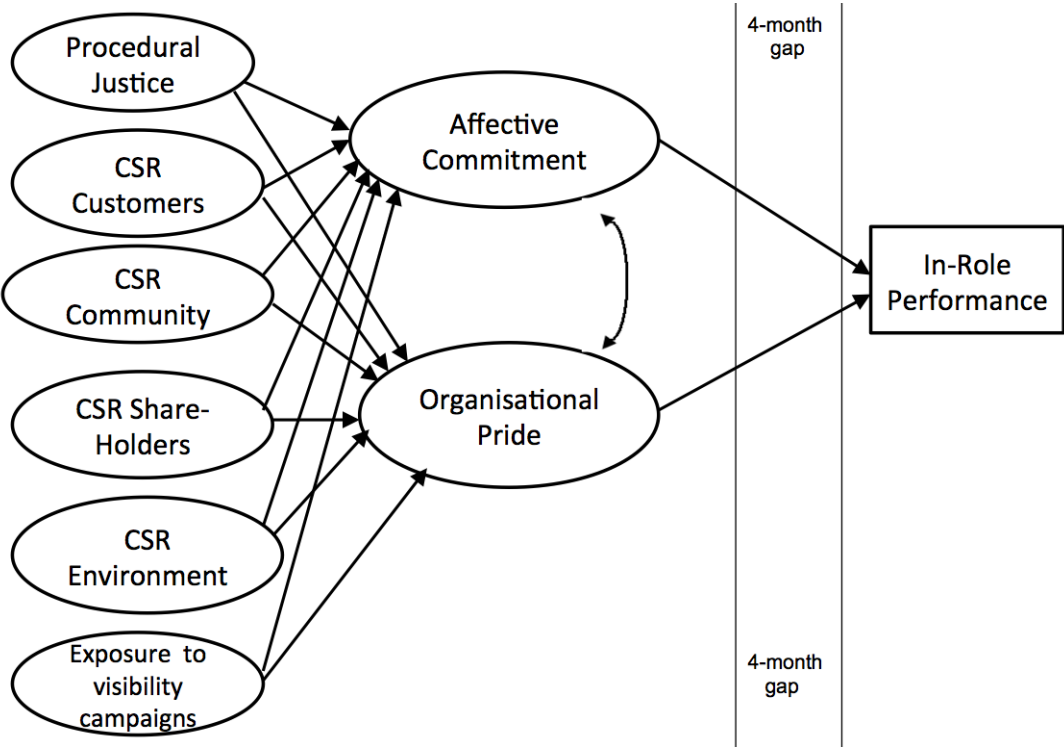


Figure 2: Full SEM results exploring the impact of CSR on in-role performance

