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CORPORATE SOCIAL RESPONSIBILITY STRATEGY OF FAMILY BUSINESSES: IDENTITY AND REPUTATION PERSPECTIVES

ABSTRACT

Corporate social responsibility (CSR) strategy represents how a firm addresses issues beyond its economic contributions, such as environmental protection or local community development. Although existing studies have looked at the outcome of a firm's CSR strategy at individual and organizational levels independently, there is a limited understanding about the cross-level mechanisms underlying the heterogeneous outcomes of a similar CSR strategy. This dissertation examines those mechanisms by focusing on family businesses. The involvement of members of a single family in the governance structure and employee interaction in the firm provides the opportunity to have such a cross-level examination. The dissertation is composed of three papers. The first paper proposes a cross-level and dynamic theoretical model discussing the divergent paths of similar CSR strategies leading to firms' heterogeneous CSR performance in the long run. The second paper looks at the mechanisms of a CSR strategy affecting internal stakeholders of employees. The experimental evidence differentiates the effects of various CSR strategic approaches on diverse identifies at the firm-level and individual employee level. The third paper examines the reputation spillover mechanism of a firm's CSR event affecting the other company sharing the affiliation of the same business group. The results of three experiments show the asymmetric spillover mechanisms across companies, depending on the type of the CSR event and inter-organizational connection. Overall, this dissertation provides a more complete and refined understanding regarding the cross-level and -boundary mechanisms underlying the effects of a firm's CSR strategy on its internal and external stakeholders.

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GENERAL INTRODUCTION

Corporate social responsibility (CSR) refers to how a company addresses its social standing by considering issues beyond the traditional economic focus, such as social welfare and environmental pollution, to provide beneficial outcomes for its stakeholder groups, including individuals, communities, and the overall society (Aguilera, Rupp, Williams, & Ganapathi, 2007; Stephan, Patterson, Kelly, & Mair, 2016). CSR can affect a company on various aspects, such as financial performance, human resource management, and strategic interaction with competitors, government, and other stakeholders (Orlitzky, Schmidt, & Rynes, 2003; Roeck & Maon, in press; Wood, 1991). In the past decades, its importance has been increasingly valued by both management scholars (Wang, Tong, Takeuchi, & George, 2016) and governmental institutions such as the United Nations (UNIDO, 2016) to emphasize the role of corporations in addressing societal issues throughout their operations.

To understand the relationship between CSR and corporations, existing studies tend to focus on the outcomes of a firm's CSR strategy, as several review studies suggest. For instance, Aguinis and Glavas (2012) examine nearly 600 articles covering the past 40 years. They find that the most commonly examined aspects are employee outcomes, including perception and job performance, and organizational outcomes, such as financial performance and customers' evaluation. Wang et al. (2016) highlight the trend of CSR studies published in the Academy of Management Journal in the past 50 years and indicate the shift of focus towards not only financial outcomes but also other non-financial outcomes, such as organizational attractiveness or succession. These outcomes tend to be evaluated by a specific stakeholder group, such as the evaluation of investors, the loyalty of customers, and identification of employees (Rupp & Mallory, 2015). However, these review studies report a limited understanding in the existing CSR literature about the underlying mechanisms leading to the observed outcomes (Stephan et al., 2016). Particularly, prior studies are unclear about the psychological processes that may explain how heterogeneous stakeholder groups react to a specific firm's CSR strategy (Mellahi, Frynas, Sun, & Siegel, 2016). The gap in the existing studies regarding the underlying process limits the ability of extant theories to offer a clear and comprehensive examination regarding a firm's CSR strategy and its potentially heterogeneous effects on different stakeholders.

To provide a more comprehensive view of the mechanisms accounting for heterogeneous CSR strategies, this dissertation focuses on the context of family businesses to develop a refined and cross-level examination of such strategies. In a family business, the controlling owners and managers at the strategic level are connected through kinship or marital ties. The individual family members also tend to be involved in the firm land to interact with other stakeholders, such as employees and the local community (Cruz, Larraza-Kintana, Garcés-Galdeano, & Berrone, 2014; Zellweger & Nason, 2008). The context of family businesses provides the opportunity to develop the needed cross-level analysis because the controlling family provides a natural link between firm-level strategic decision making and individual-level stakeholder interactions (Litz, Pearson, & Litchfield, 2012). Through the focus on family businesses, this dissertation examines how the firm-level CSR strategy influences individual stakeholders differently, depending on the controlling family's strategic interests and the relations with those stakeholders.

This dissertation comprises three papers. The first paper, entitled "Opening the black box of a family firm's corporate social responsibility strategies and performances: A cross-level model", provides a theoretical framework to identify the underlying mechanisms behind the divergent paths of the same proactive CSR strategy leading to heterogeneous CSR performance. It describes the cross-level process in which the controlling family's strategic motives and its relationships with individual employees could alter the effect of a CSR strategy on an employee's cognition, psychology, and behavior, which is in turn transformed into the firm's CSR performance. Then, the model incorporates the temporal factor to identify the dynamic mechanisms behind the continuity of a firm's CSR strategy and performance over the long run. This framework provides an integration of multi-theoretical perspectives that allows the identification of the conditions across levels explaining the heterogeneous outcomes of a similar CSR strategy.

The second paper, entitled "Corporate social responsibility and social identities: Managing diverse human resources in family firms", focuses on the process of a firm's CSR strategy on the internal stakeholders – employees. It is an empirical paper looking at the influence of CSR on multiple-level social identities in a firm. Through three experimental studies, the results allow the development of a process model in which a firm adopting a more proactive CSR approach can positively contribute to the management of cross-level identities. A proactive CSR approach can positively develop multiple firm-level identities: one based on the firm's CSR value and one based on the firm's ability in providing quality products or services. The findings show that the former is more effective at improving the perception of employees than the latter is. Particularly, its effect is stronger for non-family employees, who tend to have the identity as out-group members in a family firm (Barnett & Kellermanns, 2006; De Massis, 2012), than for family employees as in-group members. This relation would be further strengthened if those out-group members have the opportunity to participate in determining the firm's new CSR activities. The findings suggest a process model for the cross-level influence of a firm's CSR strategy on both firm and individual employees.

The third paper, entitled "Corporate reputation spillovers: Asymmetric effects on affiliates of a business group", examines the external reputational effect of a firm's CSR event. It looks at the reputation spillover of a focal firm's event to another firm affiliated to the same a business group. The experimental design looks at the factor associated with the reputational event and the inter-organizational connections between the two firms. The findings differentiate the mechanisms underlying the positive and negative spillovers. In positive spillovers, individuals require more informative inputs, such as the information about the governance structure, to transfer the positive evaluation across firms. Instead, negative spillovers require merely a single and explicit information, such as sharing the same corporate name, to transfer the negative perception, particularly when the event is related to product or service quality. The results demonstrate the asymmetric mechanisms of reputation spillover effects, which depend on not only the inter-organizational connection, but also the CSR events.

Through the examination of the mechanisms underlying a firm’s CSR and its effect on both internal and external stakeholders, this dissertation provides a more complete perspective to CSR scholars in understanding the process and implications of CSR strategies. With a fine-grained view regarding the role of individual heterogeneity in stakeholders’ responses to a firm’s CSR activity, the dissertation shows how the cross-level interaction between firm-level strategy and individual-level psychology may lead to unexpected outcomes for a firm, such as achieving the function of human resource management and causing reputation spillover to another inter-connected firm with its CSR. This knowledge can provide practitioners a guideline on how to plan their intended CSR strategy to achieve the desired outcomes. It suggests that managers may need to pay a careful attention to the underlying mechanisms before they benchmark on the best CSR practices of the competitors. A direct adoption of the CSR strategy of other firms may not work if managers do not consider the specific conditions of their firms, such as the controlling owner-managers’ strategic motives, employee group difference, or the degree of inter-organizational connections among affiliate companies of a business group. These conditions may raise unexpected stakeholders’ response to the firm’s

CSR strategy, leading to outcomes that may substantially differ from what the top managers envision, such as a surprising alternative way to integrate out-group employees or uncontrollable spillover effect on other firms' reputation. To accomplish a firm's CSR strategy, a more thorough consideration on the interaction between the decision maker at the strategic level and the individual stakeholders who are engaged in the process is probably required.

PAPER I - OPENING THE BLACK BOX OF CORPORATE SOCIAL RESPONSIBILITY STRATEGY AND PERFORMANCE: A CROSS-LEVEL MODEL

Abstract

Existing studies on corporate social responsibility (CSR) strategy tend to examine the antecedents and outcomes at different levels independently, including organizational and individual levels. However, there is a lacking of a fine-grained understanding about how the difference in the interests of owners, managers (at the strategic level), and employees (at the individual level) interact across levels to explain heterogeneous outcomes of the same CSR strategic direction in the existing studies. To provide a more complete theoretical framework in explicating these cross-level paths in realizing a firm's CSR strategy, this paper uses the family business context to exemplify the cross-level influences of the controlling family in determining the firm's CSR strategy and interacting with individual employees. Adopting a social mechanism approach, the model identifies four mechanisms across levels: (1) situational mechanisms (macro-to-micro transition) premised on firms' social identity; (2) action-formation mechanisms (micro-to-micro transition) focused on individual employees' commitment; (3) transformational mechanisms (micro-to-macro transition) and (4) dynamic mechanisms that emphasize the emergent and temporal processes of corporate social performance. This integrative and cross-level model differentiates the evolving paths of a firm's CSR strategies that lead to potentially divergent outcomes by focusing on the complex interactions of different parties' interests.

Introduction

Corporate social responsibility (CSR) represents how social and environmental concerns are considered in a company's operations and its responses to related stakeholders (Aguilera et al., 2007; Wang et al., 2016). It is an integrative construct that includes the managers' cognitive map about the organizational relationships with stakeholders, the organizational role in relation to common good, and the organizational process and behavior to fulfill these roles and manage these relationships (Basu & Palazzo, 2008). CSR is inherently embedded in a firm's strategy since a firm has to interact with any kind of stakeholder groups on a daily basis, such as employees, shareholders, customers, and suppliers. The main difference across companies' strategies is how responsive a company is to stakeholder demands and what is the resulting performance in terms of actual CSR initiatives (Carroll, 1991; Jawahar & Mclaughlin, 2001; Westermann-Behaylo, Berman, & Buren, 2014).

Existing studies on CSR strategy and performance mainly look at various independent levels. On the one hand, organizational-level research looks at the driving factors of a firm's proactive CSR strategy in addressing broad stakeholder groups and whether its CSR strategy creates economic benefits (Aguilera et al., 2007; Orlitzky et al., 2003; Wood, 2010). Nevertheless, these studies report mixed evidence about whether CSR strategy is positively related to firm performance because they are not able to disclose the individual-level processes that determine this connection. On the other hand, individual-level studies examine the roles of individual stakeholders in determining and receiving a firm's CSR strategy. Most studies focus on what individual managers' characteristics, such as personal value, concern and private goal, drive a firm's CSR strategy. Another focus is on what reactions of individual employees, such as psychological and behavioral reactions, are triggered by the strategy determined by the managers (e.g., Carmeli, Gilat, & Waldman, 2007; Jones, Willness, & Madey, 2014; Rupp, Shao, Thornton, & Skarlicki, 2013). Although a recent article by Roeck and Maon (in press) has looked at the process of individual employees' response to CSR activities, these studies miss the interaction between top managers and employees. All these studies at different levels have no clear understanding about the influences of the managers' interests and strategic decisions on the actual implementation of CSR activities by individual employees. The difference in individual psychology and behavior may be the key to account for the link between CSR strategy and organizational outcomes (Mellahi et al., 2015; Rupp & Mallory, in press), particularly when individual employees tend to be involved in the process of implementing the CSR strategy determined by the top managers. The difference in the interests between employees and owner-managers' may lead to different paths from what existing literature predicts in terms of the realization process of a firm's CSR strategy and the resulting outcomes in a given social context.

This paper differentiates these paths by examining the interactions between the interests of owner-managers and employees in the process of executing a firm's CSR strategy. It adopts the social mechanism approach that stresses the role of individuals in connecting macro-level observations (Coleman, 1986; Hedström & Swedberg, 1998), i.e., CSR strategy and outcomes. The proposed model first traces the link between a firm's CSR strategy and individual employee via the development of the firm-level social identities. Second, it discusses how those firm identities affects different employees' commitment through their cognition, psychology, and behavior. Third, it presents the emergent process in which employee behaviors shape the firm's corporate social performance (CSP) in terms of the implemented activities (Carroll, 1979; Wartick & Cochran, 1985; Wood, 2010). Finally, it traces a temporal connection between a firm's current CSP and future CSR strategy to denote the long-term effects of CSP on the firm (Barnett, 2007). Together, these four moves result in a cross-level model to capture the interaction between the organizational-level CSR strategy determined by owner-managers and the individual-level reactions of employees (Kozlowski & Klein, 2000) in sustaining a firm's CSR outcomes.

To illustrate these cross-level processes vividly, this paper targets a setting in which there are clear differences in private interests of controlling owner-managers, which can strongly influence corporate strategy, and individual employees, whose interests are not necessarily aligned with the former's. These settings include state-owned enterprises, religious groups, community-based organizations, and family businesses (Dodd & Dyck, 2015). Among these contexts, family business provides an appropriate example about these interest differences across levels, when the controlling owner-managers and their family members tend to have their own interests involved in the strategic decision making process and employee relations in a family firm (Litz et al., 2012). It exemplifies how the factors outside the workplace interact with the firm behavior, resulting in heterogeneous links between CSR and organizational outcomes (Jaskiewicz, Combs, Shanine, & Kacmar, 2017; Rupp & Mallory, 2015). The controlling owner-managers' motives behind the firm's CSR strategy can result in different performance (Déniz & Suárez, 2005). For example, S.C. Johnson & Son Inc. and Walmart are both family businesses with proactive CSR strategies but have different outcomes. According to the rating company, CSRHub (2016), S.C. Johnson shows a better CSR performance in addressing multiple stakeholder groups than Walmart, when the latter focuses mostly on environmental performance directly linked to operational costs. This paper argues that the owner-managers' different motives may alter the contribution of a CSR strategy to the development of the firm's social identities and the resulting CSP. A firm motivated by normative values, focusing on a broad range of stakeholders, can develop a more attractive identity to stakeholders by showing a genuine concern about their interests than the one built from instrumental motives, focusing primarily on economic stakeholders, such as shareholders and customers, to improve only the firm's interests.

In addition to motives, a family business setting presents the individual difference of employee groups between in- and out-group employees. Employee group difference is based on the variance in individual attributes, such as work, ethnicity, age, and so on. Family relation is one of the most important attributes to differentiate in-group of family employees and out-group of non-family employees (Triandis, 1989). The integration of out-group employees and their cooperation with in-group employees are critical to the success of a firm's CSR strategy (Schneider & Sachs, in press). This paper argues that the integration of both groups through a more distinctive firm identity, especially with the engagement of out-group employees, is critical to a firm's CSP. For example, Johnson family has always valued its relation with non-family employees (Poza, Alfred, & Maheshwari, 1997), rendering it one of the leading companies in terms of CSP. By building a more attractive firm identity to induce favorable behaviors of different employee groups, such as helping behavior, a firm is argued to be more likely to realize its CSR strategy with the expected CSP that can sustain over time.

The model contributes to CSR studies by integrating multiple theoretical perspectives to describe the underlying process involved in executing a firm's CSR strategy. The identified employee behaviors and the consideration of differences in firm motives and employee relations indicate the potential conditions accounting for the heterogeneity in CSR strategies and their outcomes. The model illustrates that CSR strategy is not merely a one-way process in which the top managers unilaterally determine the strategy, ask employees to implement it, and automatically attain the expected outcomes. It is a dynamic process involving the interaction between the diverse interests of owner-managers and employees that can divert a firm from its initial CSR strategy and further alter the final CSP addressing different stakeholder groups.

Theoretical Background

Existing CSR studies can be divided into different levels, including institutional, organizational, and individual. Aguinis and Glavas (2012) have reviewed 588 CSR articles from 1970 to 2011 and found that the majority of CSR studies (nearly sixty percent) are at organizational level. Existing organizational-level studies primarily focus on the incentives and outcomes of firms' CSR strategy (Aguilera et al., 2007), especially the connection between CSR performance and financial performance (Orlitzky et al., 2003; Wood, 2010). These studies are particularly interested in the outcomes resulting from a CSR strategy, including both financial and non-financial outcomes, such as improving organizational efficiency, product quality, and management system (Mellahi et al., in press). Despite the amount of existing studies dedicated to firm outcomes, there is still inconclusive evidence regarding the relationship between CSR and financial outcomes (Wood, 2010), such as the link between electrical vehicles and the market success (Alfred & Adam, 2009). As these organizational-level studies do not incorporate the individual-level mechanisms, they are not able to identify the potential underlying processes to account for the organizational difference in CSR and outcomes (Aguinis & Glavas, 2012).

Much fine-grained level studies at individual-level, accounting for only four percent of reviewed articles in the study of Aguinis and Glavas (2012), focus on how individuals affect and/or are affected by firms' CSR strategy and performance (Rupp & Mallory, 2015). On the one hand, some studies look at how individual top managers' value and concerns affect a firm's CSR strategy. On the other hand, other scholars look at the effects of CSR strategy on individual employees' attitude, behavior, and performance (Aguinis & Glavas, 2012). However, there is a limited understanding about how individual differences would affect their reactions toward a firm's CSR strategy (Rupp & Mallory, 2015). These individual differences may be the keys to understand the mixed evidence of organizational-level studies regarding the heterogeneity in actual impacts of a CSR strategy, because individual employees are the ones who are involved in the executing process (Rupp, Ganapathi, Aguilera, & Williams, 2006). For example, individual employees are the enactors of the firm's donation, the designers of electrical vehicles, or the volunteers to assist local community development. Therefore, understanding individual differences and how they interact with executing process may provide better explanations for the existing inconclusive evidence on the outcomes and efficacy of a firm's CSR strategy in other-level studies (Aguilera et al., 2007).

This paper develops a theoretical model to identify the critical paths to explain diverse CSR outcomes in a given institutional setting. Specifically, it focuses on the role of difference in the interests between controlling owner-managers and employees to clarify the processes of a firm's CSR strategic orientation turning to corporate outcome. The model is developed through the examination of the family firm context to exemplify these cross-level process when members of the controlling family are involved in both the strategic decision making and interaction process with other employees (Litz et al., 2012). The controlling family's private interests may not necessarily align with the firm's interests, which represents an extra influence on the firm's CSR strategy. This, along with the behavioral dynamic between different employee groups, i.e., family and non-family employees (Zientara, in press), presents a cross-level interaction process.

This paper adopts the social mechanism approach in developing such a cross-level model. Social mechanism approach incorporates individual-level values and behavior to account for the macro-level connections (Coleman, 1986), i.e., firm-level CSR strategy and performance.

This approach allows us to understand how individual actors interact within a social context to explain the firm-level observations (Anderson et al., 2006; Hernes, Hedström, & Swedberg, 1998). The model initially identifies three mechanisms. The first mechanism, *situational mechanism*, accounts for the link of how the firm-level CSR strategy with different motivation influences individual employees' believes and values. It uses social identity theory to discuss how a firm's CSR strategic orientation, shaped by the top managers and embedded in the organizational mission about stakeholder management (Moneva, Rivera-Lirio, & Muñoz-Torres, 2007), influences the firm-level identity and employees' perceptions. The first mechanism also incorporates the difference of employees' individual-level identities, resulting in variations in reactions to the same CSR strategy of a firm.

The second mechanism, *action-formation mechanism*, uses organizational commitment theory to connect individual employees' value, attitude, and behavior. Then, the third mechanism, *transformational mechanism*, uses multi-level theory to present how the identified employees' behavior emerges to the firm-level CSR performance. On top of the traditional three-mechanism approach, this paper adds the fourth social mechanism, *dynamic mechanism*, by incorporating the temporal process of multi-level theory (Kozlowski & Klein, 2000) to accommodate the dynamic connection between a firm's current CSR performance and future CSR strategy. The overall model is presented in Figure 1, which shows the presenting order of the propositions beginning with the first mechanism, *situational mechanism*.

Insert Figure 1 About Here

Situational Mechanism: A Macro-to-Micro Path Between the Orientation of A Firm's CSR Strategy and Individual Employees

The first social mechanism – situational mechanism (Coleman, 1986) – looks at how the macro state would influence micro individual's perception and behavior. This section first focuses on the macro-level of the firm's strategic orientation toward CSR and its influence on the firm-level identities. Then, the section introduces the differences in (1) the controlling family's motive, which would lead a firm's CSR strategic orientation toward different firm-level identities, and (2) individual employees, who would respond to those firm-level identifies differently.

CSR strategic orientation and firm-level social identity

The orientation of a firm's CSR strategy represents the extent to which it incorporate stakeholder interests into its strategic goals, missions, practices and behaviors (Scott & Lane, 2000). It denotes how the firm regards its relationships with different stakeholder groups (Moneva et al., 2007). Among different orientations, such as denial of CSR or regulatory compliance, a proactive approach is to adopt active responsibilities addressing stakeholders' demands (Carroll, 1979; Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Clarkson, 1995). Family businesses are believed to be more likely to adopt such a proactive approach. Berrone, Cruz, Gomez-Mejia, and, Larraza-Kintana (2010) show that family firms are more proactive in reducing toxin emission than non-family firms, which tend to have symbolic compliances with institutional pressure. Bingham, Dyer, Smith, and Adams (2010) then find that family firms are more proactive in addressing the CSR issues of improving employees relations and developing the local community than non-family firms, which passively avoid the problems only. Another study by Dou, Zhang, and Su (2014) similarly shows family-owned firms are more proactive than non-family firms in participating in social events by making more charitable donations. These studies present the positive connection between organizational structure of family ownership and a proactive CSR strategic approach.

The adoption of a proactive approach by family firms can be interpreted as driven by their concerns about their social identities (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Social identity is defined as a bundle of central, distinctive, and enduring attributes to represent an entity’s core value (Ashforth & Mael, 1996). Such an entity can be at different levels, including individual, organization, and the whole society (Brown, 2001). In family firms, there are multiple social identities at the family and the firm levels. The alignments of both identities are critical to the overall operations of a family firm, such as how the controlling owner-managers evaluate entrepreneurial opportunity and get involved in the processes and other decision making (Shepherd & Haynie, 2009). Family firms regard the social identity of the whole family firm as an important issue (Zellweger, Nason, Nordqvist, & Brush, 2013), with an aim to develop an identity that appeals to various stakeholders, such as employees, to sustain its business across generations (Sundaramurthy & Kreiner, 2008).

Setting a proactive CSR strategic orientation may help develop a positive firm-level social identity to achieve such an aim through creating societal benefits, such as economic development, environmental protection, and social equity (Roberts & Dutton, 2009: 437). A positive social identity is defined as an identity of a particular social group, such as the family or firm, with attractive, consistent and distinctive characteristics which resonate with individual’s value and help define such an individual in a positive sense (Ashforth & Kreiner, 1999; Dutton, Dukerich, & Harquail, 1994). It can induce an individual’s moral value, positive emotion, and affirmative behavior that correspond to this positive self-definition (Dutton, Roberts, & Bednar, 2010). In the self-definition process, an individual relates the individual-level identity (as an employee) to the collective identity (of the firm) which has central and enduring characteristics that make the latter salient in this self-definition process (Ashforth & Mael, 1989). Through a CSR approach that proactively solves the societal problems, a firm can use the resulting positive attribution to develop a positive social identity that can endure over time (Roberts & Dutton, 2009: 457).

Although a proactive CSR strategic orientation may help a family firm develop a positive social identity appealing to individual employees (Berrone et al., 2010), some empirical evidence presents the nuances in the actual approaches addressing stakeholder groups. For instance, Block and Wagner (2014) show that family-owned firms consider less community-related issues in U.S. Instead, Cruz, Larraza-Kintana, Garcés-Galdeano, and Berrone (2014) find that family firms pay less attention to employee- and governance-related issues in Europe. In another setting of China, Du (2015) even demonstrates that family firms make more philanthropic donations merely as a way to compensate for a less-responsible environmental strategy. These differences in the actual CSR strategies may be due to the variance in the controlling family's motives (Cennamo et al., 2012), altering the resulting social identity developed from a firm's proactive CSR strategic orientation. The next section looks at two possible motives, instrumental and normative, behind the controlling owner-managers' proactive CSR strategic orientation in a family firm. Then, it discusses how these different motives shape a family firm's social identity and interact with employees sharing different individual-level identities by focusing on family vs. non-family employees.

Firm's identities: difference in motives and employee groups

Different strategic motives. Although family firms may adopt a proactive CSR strategic orientation to develop a positive social identity (Roberts & Dutton, 2009), the controlling family as the leaders in a family firm may have different motives for this proactive strategic orientation (Cennamo et al., 2012). One is instrumental motive focusing on the achievement of conventional business performance, such as financial performance and market growth, by treating CSR strategy as a tool to benefit primarily the firm's interests (Donaldson & Preston, 1995). An instrumental CSR approach is mainly the managerial response toward external stakeholders' pressure when a firm has high visibility (Chiu & Sharfman, 2011), especially when the controlling family's identity is well recognized in the public (Berrone et al., 2010). This approach tends to selectively address only certain stakeholder groups, especially those directly related to short-term and market performance such as customers. However, a proactive CSR strategic approach motivated by instrumental benefits do not necessarily guarantee what top managers aim for, i.e., financial benefits. In the study of Boesso, Kumar, and Michelon (2013), they examine global companies with proactive CSR strategies and find that an instrumental approach does not truly contribute to a firm's long-term performance.

Another motive is normative motive with which the top managers internalize stakeholders' interests and use the moral standards to guide the firm's CSR strategy (Donaldson & Preston, 1995). A firm with a normative approach considers CSR strategy as parts of the firm duty and the right things to do. It focuses on not only the short-term and conventional financial performance, but also the non-financial benefits, such as product quality, management practices, and organizational attractiveness to stakeholders (Aguinis & Glavas, 2012). A proactive CSR strategic orientation driven by normative motives is more likely to achieve its goal of winning stakeholder supports. Cuypers , Koh, and Wang (2016) have a longitudinal analysis on companies' CSR strategy and financial performance and find that a normative CSR strategy, for instance, considering both quantity and quality of the donations, have higher firm values rewarded by stakeholders. Compared with the instrumental approach, a normative approach is more likely to develop a positive social identity shared by stakeholders, especially employees, when they feel their interests are genuinely considered in the firm's strategy (Westermann-Behaylo et al., 2014).

Different motives leading to different firm's identities. These differences in the motives can contribute to the development of different firm-level social identities. As an instrumental approach focuses on the direct business performance, a firm's CSR strategy tends to emphasizes practices directed at improving its business competency, such as productivity and product quality (Aguinis & Glavas, 2012). A positive social identity developed from superior business competency is termed as corporate-ability-based identity, *CA identity.* Instead, a normative approach that truly incorporates stakeholder interests shape a positive social identity termed as *CSR identity* (David, Kline, & Dai, 2005). The latter identity is better at inducing an individual's identification with the whole firm when it focuses on improving the collective interests of stakeholders in society (Basu & Palazzo, 2008). To employees, their organizational identification represents their cognitive processes of evaluating the appeal of the organizational attributes to their personal value (Dutton et al., 1994). If a firm has a more positive firm-level social identity, it is more likely to strengthen an individual's cognitive evaluation of the firm in a positive way (Banks, Kepes, Joshi, & Seers, 2016).

This identification may be more easily induced by a CSR identity than a CA identity. Lii and Lee (2012) has an experiment on individuals responding to a company's CSR strategic approaches with pure philanthropic donations or combining consumer's purchase with donations. They find that individuals have stronger identification with a strategy driven by normative motive than instrumental motive focusing on consumer's purchase. The underlying mechanism, according to the study of Marin & Ruiz (2006) interviewing various individuals associated with a major Spanish bank, is that a CSR identity is more attractive than a CA identity. The former can help differentiate a firm from other competitors, which may have similar extents of expertise in a particular field, i.e., sharing a similar CA identity (Sen & Bhattacharya, 2001). Because of the differences in the attractiveness and distinction, a CSR identity may have a stronger effects at improving employees' organizational identification more than a CA identity (Carmeli et al., 2007).

Different employees respond differently to the firm's identities. The differentiated effects of those firm's identities on employees may become even stronger for different employee groups. According to social identity theory, individuals tend to have social comparisons with others, resulting in a differentiation between in-group and out-group (Ashforth & Mael, 1989). The in/out-group difference can be based on various attributes shared between individuals, such as jobs, ideology, and demography. One of the most important attributes is the family relation (Triandis, 1989), which can create a significant group difference in a family firm. In such a context, family employees tend to become in-group members when their family identities are bond with the firm identity and they have stronger emotional and financial ties to the firm (Carmon, Miller, Raile, & Roers, 2010). In contrast, non-family employees tend to have separate or even conflicting social identities between their private and work lives (Sundaramurthy & Kreiner, 2008), creating their perceptions as out-group members (Barnett & Kellermanns, 2006).

In-group members', i.e. family employees', organizational identification can be induced simply due to the integration of family and firm identity (Deephouse & Jaskiewicz, 2013). A CA identity focusing on the family firm's instrumental interest is expected to be sufficient to induce their identification. It is a positive identity that is directly linked to the family's interests, mainly the financial interests. However, out-group members', i.e., non-family employees', organizational identification requires a more distinctive and positive social identity that addresses a much higher-level interests (Shepherd & Haynie, 2009), such as at the societal level, than those of the controlling owner-managers. A family firm may need a CSR identity that considers non-family stakeholders' normative interests to have out-group members' identification (Zellweger et al., 2013). A CA identity focusing on the family's interest are less likely to create a social identity perceived by non-family employees as a positive one, when non-family stakeholders' interests are not genuinely considered in such an instrumental CSR strategic approach (Zientara, in press). Non-family employees need to perceive that their interests are truly addressed to identify with the firm-level social identity, i.e., a CSR identity built from a normative CSR strategic approach. Considering the differences in motives, identities, and employee groups, it is proposed that:

Proposition 1a: *A firm that has a proactive CSR strategic orientation with normative motives can build a more positive social identity (i.e. CSR identity) than the one (i.e. CA identity) with instrumental motives.*

Proposition 1b: *A firm's positive CSR identity can induce both in-group and out-group employees' organizational identification, while a positive CA identity can induce mainly in-group employees' organizational identification.*

Action-Formation Mechanism: A Micro-to-Micro Path Between Individual Employees' Cognition, Attitude, and Behavior

To study the micro-to-micro path from an individual's cognitive response in terms of organizational identification to behavioral responses, it is necessary to understand an individual's psychological complexity to clarify the causal link (Coleman, 1986). When an individual is exposed to the information about the social environment, such as the firm strategy and identity, he/she first undergoes an elaborative cognitive process to compare him/herself with others in such an environment (Markus & Kitayama, 1991). Then, the evaluation result shapes his/her attitude and behavior in that social context (Fishbein & Ajzen, 1975). This section discusses how an individual’s cognition of organizational identification with the firm’s identity affects his/her attitude and behaviors. Those behavior may be critical to the development of a firm’s actual CSR activities (Aguilera et al., 2007; Aguinis & Glavas, 2012).

The effect of an individual’s organizational identification on attitude and behavior can be captured by the concept of *organizational commitment*. Meyer and Allen (1991) define organizational commitment as an individual’s psychological state characterizing one’s relationship with the organization and one’s intention to continue the organizational membership. When employees identify with the organization’s distinctive and positive identity, they develop a strengthened sense of belonging to the organization (Dutton et al., 1994). This strengthened sense can elicit their commitments toward the organization (Ashforth & Mael, 1989). As a CA identity is proposed to be less distinctive than a CSR identity, its positive effect on employees’ organizational commitment is proposed to be less significant than the one of CSR identity. A CA identity focusing on the firm’s rational expertise is less likely to elicit employees’ strong emotions than a CSR identity focusing on the social connections with multiple stakeholders (Berger, Cunningham, & Drumwright, 2006). Even if a CA identity can raise an employee’s organizational commitment, the commitment is likely to focus on the instrumental benefits of the organizational interest per se (Korschun, 2015). In comparison, a CSR identity focusing on broader stakeholders’ interests is likely to develop individuals’ commitment to behavior with wider benefits beyond the organization, such as providing help not required by the jobs or devoting more time to voluntarily assisting others (Ogunfowora, Stackhouse, & Oh, in press; O’Reilly & Chatman, 1986).

The elevated organizational commitment from employees’ organizational identification with the firm-level social identity can affect various employee behaviors. Meyer and colleagues (2002) meta-analyze 99 empirical studies and find that improved organizational commitment affects the following behaviors: voluntary turnover, in-role job performance, and organizational citizenship behavior (OCB). The first is the reduction of an individual's withdrawal intention and the actual turnover. When an individual holds positive attitude, values his/her organizational membership, and senses the normative obligation to the company, he/she is likely to retain this work relationship (Meyer, Allen, & Smith, 1993). The mechanism is especially critical to retain out-group members, i.e., non-family employees in a family firm, who do not have a family tie that could otherwise limit their withdrawals (Block, 2011).

The second behavioral outcome is the in-role job performance (Meyer et al., 2002). When employees have more commitments toward the organization, they improve their in-role job performance due to the identification and intention to remain in such an organization with the identity they strongly identify (Angle & Perry, 1981; Meyer, Paunonen, Gellatly, Goffin, & Jackson, 1989). The improvement comes from better work efficiency, such as higher production quantity, better work quality and punctuality (Becker, Billings, Eveleth, & Gilbert, 1996). They are willing to seek extra training and learning to improve their skills (Meyer et al., 1993) and to comply with the organizational routine and managers' instructions to streamline the working process (Meyer et al., 1989). These mechanisms apply to both family and non-family employees, as an individual's objective job performance tends to be directly linked to one's own effort.

The third behavior is an employee's organizational citizenship behavior (OCB), which is an employee's discretional behavior not required by the job (Organ, 1988: 4). Organizational commitment can elicit employees' devotion of extra time and effort to pro-social behaviors, such as cooperation, altruism, and spontaneous behavior, on behalf of the organization (Smith, Organ, & Near, 1983). They are willing to spend extra time, effort, and money for organization and other members to which they have positive affect (O'Reilly & Chatman, 1986) and deem these efforts as salient for the maintenance of their organizational membership (Johnson & Chang, 2006). OCBs can even become a workplace norm to induce an individual's citizenship behavior (Williams & Anderson, 1991). This mechanism is particularly important to elicit out-group members' OCB. In-group members' OCB can be induced when they already have strong bonds with others, such as the family relations (Paine & Organ, 2000; Redding, Norman, & Schlander, 1994). However, out-group members, such as non-family employees in family firms, do not have such family relations as the trigger for their OCB for other members of the firm. The firm-level CSR identity is here proposed to be a more critical mechanism to induce their OCBs than for in-group family employees, whose family relation serves as an alternative trigger.

> **Proposition 2**: *The organizational commitment of individual employees, induced by a firm's CSR identity, (1) reduces out-group employees' turnover to a greater extent than in-group employees; (2) induces both in- and out-group employees' efforts at improving working efficiency to have better in-role job performance; (3) induces out-group employees' organizational citizenship behavior to a greater extent than in-group employees.*

Transformational Mechanism: A Micro-to-Macro Path Between Employees' Behaviors and Corporate Social Performance

The third mechanism, transformational mechanism, translates the aforementioned individual behavior to the CSR outcome: corporate social performance. CSP represents the extent to which a firm's CSR activities address multiple stakeholder groups. A firm can limit its activities addressing only its economic responsibility to shareholders, such as profitable production, or extend to its discretional responsibility to overall society, such as philanthropic activities (Carroll, 1991; Wartick & Cochran, 1985). This section applies multi-level theory to connect the identified employees' behavior in the previous section to a firm's CSP. It focuses on how individual-level behaviors interact to form the firm-level phenomenon (Kozlowski & Klein, 2000). Multi-level theory considers the interactive process of different individuals, temporal, and contextual factors to account for the emergence of the macro-level observations (Kozlowski, Chao, Grand, Braun, & Kuljanin, 2013). Thus, this section discusses the behavioral dynamics of in- and out-group employees, i.e., family and non-family employees in a family firm, for the emergence of CSP, and the next section incorporates the temporal factor related to CSP.

First, reducing employees' voluntary turnover allows an organization to better utilize employees' skills and knowledge to realize its strategies (Batt, 2002). The retention of competent employees with the firm-specific knowledge can improve a firm's resources. In family firms, it is especially important to retain non-family employees, who do not have the family relation to bind their employment. Non-family employees' heterogeneous knowledge can complement what family employees have, further strengthening a family firm's competitive advantage (Sirmon & Hitt, 2003), such as better ability to address various non-family stakeholder groups. Additionally, reducing turnover can improve the firm's financial performance by saving recruitment, selection and training costs for the otherwise lost workforce (Riordan, Gatewood, & Bill, 1997). Particularly, these costs tend to be higher for out-group non-family employees when there is no family tie to bind their retentions (Block, Millán, Román, & Zhou, 2015). These mechanisms are likely to be stronger for a CSR identity than a CA identity when the instrumental benefits alone is not sufficient to improve an individual's job intention (Rupp et al., 2013). It requires a normative meaning for employees to increase their willingness to stay in the organization and to get involved in the firm's activities addressing broad stakeholders' interests (Bode, Singh, & Rogan, 2015; Rupp et al., 2006). Through reducing voluntary turnover of employees, especially out-group employees such as non-family employees, with a CSR identity, a firm can have more resources (in terms of human and financial resources) to implement its CSR activities for more stakeholder groups.

Second, employees' extra efforts at improving in-role job performance directly impact the firm's financial performance as well (Rowley & Berman, 2000). Improving job performance implies better economic outcomes, lowering the firm's concerns about its profitability and survival. Without these concerns, a firm can devote additional recourses to develop extra capability in addressing social activities (Campbell, 2007). It allows a firm to have freedom to implement and refine its CSR strategies and performances (Waddock & Graves, 1997). Additionally, the improvement of employees' working efficiency, such as better work quality and learning, can facilitate the implementation of CSR activities. When employees have better in-role skills and knowledge, they give the firm greater capabilities to enact its CSR activities (Bhattacharya, Sen, & Korschun, 2008). For example, employees have better abilities to accurately identify the demands of different stakeholders and provide the corresponding services to meet those demands.

These mechanisms are more likely to take effect under the behaviors elicited by CSR identity than CA identity. Paulraj, Chen, and Blome (in press) examine German companies with CSR activities in supply chain management, and show that the normative motive, rather than the instrumental motive, is likely to result in better financial and environmental performance. Schons and Steinmeier (2016) also examine the difference between normative and instrumental CSR. When employees perceive the company's CSR strategy as symbolic one pursuing instrumental benefits, they are likely to punish the companies by disengaging from works, diminishing the company's financial performance. Ogunfowora, Stackhouse and Oh (in press) use an experiment to examine individuals' support to a company's CSR strategy and find that a company has less financial supports when it is attributed with instrumental motives. Likewise, to a family firm, it is critical to use CSR identity focusing on normative motives to induce all family and non-family employees' involvement in the works and their willingness to use their capabilities to improve its financial performance (Niehm, Swinney, & Miller, 2008). By improving all employees' in-role job performance, a firm can have additional and better capabilities to enact its CSR activities to meet the demands of different stakeholders.

Third, when employees devote extra time for OCBs, they encourage other people to collaborate and to perform similar activities by helping each other to contribute to the collective performance (Graham, 1991). This is a critical mechanism for the implementation of a firm's CSR strategy when it needs employees to follow the strategic orientation with their involvement and cooperation (Orlitzky et al., 2003; Rupp et al., 2006). In a family firm, it especially needs to pay attention to procuring non-family employees' involvement and cooperation, because they do not have the family relation to elicit their extra efforts, as family members have. To induce out-group non-family employees' cooperation, in-group family employees first need to develop a supportive and cooperative environment so that the former would develop senses of belongingness. Once they feel belonging to the firm, they are more likely to demonstrate the reciprocity with similar behavior as the one of in-group family members, such as OCB (Barnett & Kellermanns, 2006; Zellweger, Eddleston, & Kellermanns, 2010), facilitating the implementation of CSR activities.

The mechanism is likely to differ between a CA and a CSR identity. A CA identity focusing on the controlling family's instrumental interests is less likely to develop such cooperative environment as effectively as a CSR identity with normative motives. When out-group non-family employees perceive in-group family employees' behaviors as being centered on the family's own interest, they have less interactions and devotions to the family firm's CSR activities (Zientara, in press). Korschun (2015) further discusses the potentially negative effects of an identity with instrumental motives. A CA identity focusing on the organization's own interests can direct employees to develop adversarial views on external stakeholders, limiting their OCBs to those with benefits to themselves rather than to external stakeholders. In contrast, a CSR identity considering broader stakeholder interests can broaden employees' views and become more willing to demonstrate collaborative behaviors toward external stakeholders. Therefore, a firm is proposed to rely more on a CSR identity than a CA identity through in-group employees' OCB to create a cooperative organizational context to effectively have most employees implement its CSR activities targeting at a broader range of stakeholders.

Proposition 3a*: Reducing out-group employees' turnover gives a firm with a positive CSR identity more organizational resources to improve its CSP than one with a CA identity.*

Proposition 3b*: Improving both in- and out- group employees' in-role job performance gives a firm with a positive CSR identity more and better capabilities to improve its CSP than one with a CA identity.*

Proposition 3c*: Increasing in-group employees' organizational citizenship behavior gives a firm with a CSR identity a more cooperative environment to improve its CSP than one with a CA identity.*

Dynamic Mechanisms: Linking A Firm's Current CSP and Subsequent CSR Strategy

The construct of CSP represents a firm's CSR activities on a broad range of stakeholders, including the firm itself, over time (Wood, 2010). However, existing definitions denote only the extent to which a firm's activities address multiple stakeholders at a particular moment (Carroll, 1991; Ullmann, 1985; Wartick & Cochran, 1985). This directs previous studies to focus on only the extensiveness of CSR activities in terms of number of stakeholders and social issues addressed at a specific time shot. They miss the consideration that a firm's CSR activity should also capture the firm itself and its long-term approach in managing social issues. According to multi-level theory, a higher-order construct, such as CSP, requires time to manifest (Kozlowski et al., 2013). When discussing CSP, we should also consider the persistency and evolution of a firm's CSR activities over time (Barnett, 2007). Thus, this section discusses this missing link, the dynamic mechanisms of CSP, by using the temporal interaction of multi-level theory (Kozlowski & Klein, 2000) to look at the influence of a firm's current CSP on its next CSR strategic orientation.

The first dynamic mechanism lies in individual managers' learning that would affect how they refine the CSR strategic approach in the next period. The current CSP can provide feedback to managers from the inputs shared by employees who are involved in the firm's CSR activities. Employees' first-hand experience and timely perspectives of the social issues can help decision makers to detect any potential inconsistency between the expectations of the top managers and external stakeholders so that the managers can make adjustments accordingly (Vlachos, Panagopoulos, & Rapp, 2014). If the decision maker is receptive and truly cares about the normative value of CSR, a positive feedback loop for his/her learning process is created, reinforcing a firm's future CSR strategies (Swanson, 1999).

Additionally, in the learning process of coordinating and processing various sources of information, managers can also improve their own skills and abilities to deal with CSR issues. The improved cognitive power allows them to have better predictions about uncertain events and have better abilities to make more accurate CSR strategies in responding to the future uncertainty (Orlitzky et al., 2003). These mechanisms are likely to help a family firm to sustain its CSR approach in maintaining its existing social identity (Zellweger et al., 2013), and are more effective for a firm with normative motives. When a family firm is genuinely interested in broad stakeholders' interests, its members, including employees and managers, are more likely to constantly bear stakeholders in mind to sustain its CSR strategy over time (Basu & Palazzo, 2008).

The other dynamic mechanisms are at the organizational level: organizational culture and organizational resources. The second dynamic mechanism of the organizational culture is an assumed guideline directing the way through which individuals should fulfill a firm's social responsibilities (Wood, 1991). It is likely to be influenced by the process in which employees and managers are engaged in a firm's CSR activities. Organizational culture represents the expected approach about how organizational members should respond to future social issues (Swanson, 1995). When organizational members become accustomed to their existing CSR activities in supporting different stakeholder groups, such a behavioral pattern starts to be embedded in the organizational value (Wood, 1991). This would then shape how organizational members react to the firm's CSR in the future, including the top managers' strategic orientation and employees' commitment (Maon, Lindgreen, & Swaen, 2010). A culture oriented to different stakeholders is more likely to emerge if a family firm uses CSR for normative motives and collective interests, rather than the family's private interests which would otherwise result in a shareholder-oriented culture. With this stakeholder-oriented culture, a family firm is more likely to continue its proactive CSR strategic approach in addressing upcoming issues in the future (Sharma & Sharma, 2011).

The third mechanism comes from the procurement of additional organizational resources. When a firm is doing CSR for normative motives, it is more likely to be rewarded by stakeholders than a firm with instrumental motives (Boesso et al., 2013; Cuypers et al., 2016; Ogunfowora et al., in press; Paulraj et al., in press). When stakeholders realize that the firm's CSR activities are not merely for the firm's private interests, they develop appreciation and reciprocity to the firm which heeds their demands. A firm's normative CSR approach truly considering stakeholders interests can elicit stakeholders' rewards beyond the short-term benefits, such as suppliers' long-termed exchanges, customers' purchase, local community cooperation, and recruitment of competent employees for future operations (Jones et al., 2014; Russo & Fouts, 1997). These long-termed stakeholders' supports can be transformed into firm-specific resources to improve a firm's competitive advantages (Russo & Fouts, 1997). The accumulated resources from the past and current periods will affect the organizational ability and scope for subsequent CSR strategies, especially when the firm is considering to expand its current approach to consider a wider range of stakeholders on a greater scale (Rowley & Berman, 2000). For instance, if a company wants to expand its employee benefits beyond profit-sharing to have family supports such as day-care centers, it needs more resources to continue these benefits, including capitals, human resources, and locations. If a family firm can acquires additional resources with its current CSR activities, it can afford to deal with more social issues afterward to further improve its competitive advantage (Déniz & Suárez, 2005).

Proposition 4*: The current CSP of a firm with normative motives will (1) improve managers' knowledge and learning process, (2) form a stakeholder-oriented organizational culture, and (3) attract resources from multiple stakeholders, enabling the continuity of its proactive CSR strategic orientation.*

Discussion

CSR scholars have long examined antecedents and outcomes of a firm's CSR strategy at different levels (Aguinis & Glavas, 2012). However, there is a limited understanding about the connection across levels, undermining our ability to clearly examine whether a firm's CSR strategy leads to the predicted outcomes. This paper provides a cross-level model to identify the critical individual-level connections accounting for the potential divergent paths from the firm-level CSR strategy to performance. By adopting the social mechanism approach (Coleman, 1986; Hedström & Swedberg, 1998) and using the family business context, it identifies four critical mechanisms. These mechanisms represent different paths of implementing a firm's CSR strategy after considering the difference in firm motives and employee groups, affected by the controlling family's interest and relation. The first mechanism addresses the macro-to-micro relations between a firm's CSR strategic orientation with different motives and organization identification of different employee groups via the development of the firm's social identities. The second mechanism denotes the process in which those firm-level identities affect employees' identification, commitment, and behaviors differently. The third mechanism presents the emergence of CSP from the identified behaviors of different employee groups. The fourth mechanism discusses the temporal process of a firm's current CSP in shaping the future CSR strategy under different strategic motives. These mechanisms present the possibility in explaining the divergence in CSP resulted from the same CSR strategic approach.

Theoretical contributions

The paper first contributes to CSR literature with a more refined understanding about the cross-level and divergent processes of CSR strategy leading to CSP. Existing studies tend to focus on the analysis at independent levels. On the one hand, organizational-level studies examine the connection between CSR and organizational outcomes, but have inconclusive evidence on such relations (Wood, 2010). On the other hand, individual-level research emphasizes the effect of CSR strategy on individual employees, but lacks a understanding of how individuals' ex ante difference and ex post behavior contribute to a firm's CSR strategy and CSP (Rupp & Mallory, 2015). These studies lack the understanding about the cross-level mechanisms to explain their findings of mixed and heterogeneous CSR outcomes in a given context. A recent cross-level model proposed by Roeck and Maon (in press) addresses the individual-level process of employee responses. However, it does not consider the cross-level interaction between the strategic motives at the firm level and employee diversity at the individual level, thus failing to propose a clear explanation of the connection between behavior of diverse employees and organizational outcomes, including CSP. These issues limit CSR scholars' ability to determine the true effect of a firm's CSR strategy on the firm itself and on society.

Determinants of CSR strategy outcomes across levels

The cross-level model proposed in this paper explores these interactions in the context of family businesses. The controlling owner-managers' motives – which may either focus on the family's own interests or extend beyond them - determine if the firm's CSR strategy will address specific or broad stakeholder groups, such as only the family members or including non-family stakeholders as well. In particular, as these motives direct a firm's CSR strategy to target different stakeholder groups, a CSR strategy may result in different positive firm-level identities, one focusing on the firm's instrumental benefits or one on normative stakeholders' interests. In addition to differences in strategic motives, the model incorporates the differences in employee groups between in- and out-group employees by looking at the employee's family relation to the controlling owner-managers (Carmon et al., 2010) to explore the interactions of these differences in firm motives and employee groups. A positive CSR identity driven by normative motives is more effective at integrating out-group non-family employees and at inducing pro-organizational behavior of all employees than an identity focusing on corporate ability for the instrumental motive. The differentiation of firm motives and employee groups may account for the heterogeneous effectiveness and outcomes of a given CSR strategy, which existing studies are not able to explain (Mellahi et al., 2016).

Second, the paper contributes to CSP studies with the transformational mechanisms proposed in the model. Existing studies tend to focus on either the macro-level contributors to

CSP, such as industry norms, organizational policy, and the firm's governance structures, or the impact of CSP on individual stakeholders, including employees, customers, and suppliers (Wood, 2010). However, they lack a clear understanding of the individual-level behaviors that are critical to the actual implementation of a firm's CSR strategy (Aguilera et al., 2007). A CSR strategy does not directly and readily translate into visible outcomes, but is enacted by individual employees into various CSR activities. The difference in individual-level behavior and the dynamics between employee groups provide potential answers to the existing mixed evidence about how CSP is linked to organizational outcomes, such as financial performance and corporate capability (Aguinis & Glavas, 2012). The individual-level behavioral dynamic explored in this paper sheds light on whether and how a firm's CSR strategy is actually implemented by employees to have true societal benefits for other stakeholders in terms of CSP (Aguilera et al., 2007; Rupp & Mallory, 2015).

Specifically, the model identifies three important employee behaviors of the transformational mechanisms— turnover, in-role job performance and OCB – that would influence a firm's CSP. Additional organizational resource, capability, and cooperative environment can emerge from these behaviors and assist a firm to executing its CSR strategy in terms of CSP. The organizational resources, especially the financial resources, provide the link between corporate financial and social performance, which has been the focus of a long debate among CSP scholars (Wood, 2010). Furthermore, the proposed role of OCB in shaping a firm's CSP challenges the existing perspective that regards OCBs as merely the outcomes of CSP (e.g., Rupp et al., 2013; Zhang, Fan, & Zhu, 2013). Instead, this paper argues a possibly reverse direction. In particular, OCBs can improve a firm's CSP when employees spend more time and efforts on extra-role tasks in helping other employees and in responding to external stakeholders. It suggests a different perspective from the traditional view in examining the relation between individual employees' behavior and a firm's CSP. Moreover, through the family business context, this paper presents different ways to induce those behaviors, depending on whether an employee is an in- or out-group employee. These individual-level differences in behavior and status determine how effectively a firm's CSR strategy can be realized in terms of CSP (Rupp & Mallory, 2015). The proposed transformational mechanisms help CSP scholars to identify the potentially critical employee behaviors and the group dynamic in predicting CSP and its connection with a firm's financial performance.

Dynamic temporal mechanisms

Another contribution to CSP studies comes from the proposed dynamic mechanisms. The initial construct of CSP captures the principle, process and outcomes of a firm's CSR strategy in addressing stakeholder issues (Wood, 1991). Existing studies tend to examine only the activities and process at a particular point in time (Barnett, 2007; Wood, 2010), but miss the long-term effect on the firm itself, including its CSR strategy in the future. In addition to the snapshot initiatives, CSP should further capture the temporal process and effects of CSR activities in long run (Waddock & Graves, 1997). A partial examination on CSP at a particular moment fails to consider its long-term effects on both the firm itself and stakeholders to have a holistic view on its evolving nature.

The model includes three potential dynamic mechanisms to capture this missing temporal nature of CSP in the existing studies. First, it identifies the critical role of individual managers' learning, organizational culture, and reciprocal supports from stakeholder to sustain a firm's CSR strategy over time. Through the family business context, it further argues that the controlling owner-manager's motives and interests have an important role in the relations between these dynamic mechanisms and the long-term CSR strategy of a firm. If owners and managers do not truly care about stakeholders' interests, they are less likely to genuinely reflect on the current CSP and change the long-held organizational value to improve the firm's CSR strategy in the next period. Additionally, when stakeholders feel the firm's CSR strategic approach is merely a tool to improve the firm's short-term performance, they are less likely to support the firm to continue its current practice in a long run (Boesso et al., 2013). These temporal processes and the interaction with different firm motives present additional factors that CSP scholars should consider when examining the evolution of a firm's CSR strategy and CSP.

Managerial implications

The model has implications for managers in implementing their intended CSR strategies. It indicates that managers probably need to pay a close attention to how stakeholders perceive the firm motives behind its CSR strategies and to the difference of employee groups. Taking family businesses as examples, the controlling family needs to beware whether it is perceived by other members as being pursuing only its own private interests at the expense of other non-family stakeholders. Particularly, it should consider the perception of out-group members, such as non-family employees, whose status may bias their interpretation of the firm strategy. These issues may apply to other non-family businesses when the managers have increasing ownership that affects the way they view other stakeholders (Calza, Profumo, & Tutore, 2016). There can also be the in- and out-group difference based on other attributes such as race, age, position, or department (Triandis, 1989), subjecting a non-family firm to a similar situation.

Although a firm can first begin with CSR focusing on the improvement of its own benefits, it is suggested to progress CSR toward the inclusion of broader stakeholders' interests to have long-term benefits rewarded by multiple stakeholder groups (Boesso et al., 2013; Cuypers et al., 2016; Paulraj et al., in press). If a firm limits its CSR only to the protection of the controlling owner-managers' interests, it may be hard to induce employees' genuine cooperation and engagement in the implementation of the firm's CSR strategy, which are critical to sustain a firm's CSR strategy in long run. If controlling owner-managers truly care about stakeholder interests, they may better demonstrate their goodwill for a CSR strategy, for instance specifying the firm policies in addressing what stakeholder issues and being receptive of stakeholder inputs, to elicit employee engagement in realizing its CSR strategy and long-termed benefits.

Employee relations are especially important to the realization of a firm's CSR strategy. Managers may need to heed different types of employee behaviors, depending on the employee groups. When facing out-group members, such as non-family employees in a family firm, managers probably need to pay more attention to their retention and integration when they may possess invaluable and complementary knowledge and capability to in-group members such as family employees (Sirmon & Hitt, 2003). One of ways to integrate out-group employees is through managers' relations to in-group employees, such as family tie, to encourage in-group members to first demonstrate extra helping behavior to the out-group members. This may result in the reciprocal behavior of out-group employees, create a cooperative environment, and build a stakeholder-oriented culture that can facilitate the firm's CSR activities in the future. Meanwhile, managers can also learn from the social dynamic of different employee groups to improve the firm's strategic planning process by incorporating different views on diverse stakeholder issues.

Future research

Although this paper provides a cross-level model of CSR strategy and performance through the family business context, there are additional factors future studies could consider to extend the model. First, this paper focuses on the proactive CSR strategic orientation, which has stronger influence on the shaping of a positive social identity than other approaches, such as a reactive approach without CSR actions (Roberts & Dutton, 2009). Although previous studies generally find that family businesses have more proactive CSR approach and extensive CSP (e.g. Berrone et al., 2010; Bingham et al., 2010), other CSR strategic approaches may become relevant in different conditions. For instance, the organizational lifecycle can affect a firm's strategic choice at different stages, such as in the growth, mature, and decline phase (Jawahar & Mclaughlin, 2001). Future scholars can use the generation of the family business to examine the lifecycle effect on the model. The lifecycle effect may alter the proposed path of the dynamic mechanisms between current CSP and next CSR strategic orientation. Future research can examine if the proposed dynamic mechanisms are moderated or start to have direct cross-level effects on other proposed paths in different stages of a firm's lifecycle.

Second, this paper looks at the firm motives held by the controlling owner-managers – whether they view CSR strategies instrumentally or normatively (Cennamo et al., 2012). This paper looks at family businesses in which firm motives are assumed to converge with the individuals' motives since individual family members infuse their value to the firm strategy through their involvement in the firm ownership and management structure (Sharma & Sharma, 2011). Therefore, even though the paper does not discuss the motives at the individual level, such as extrinsic or intrinsic motives (Pieper, 2010), such differences in a family firm are assumed to be manifested in the firm motives. However, future studies can expand the research boundary to examine how individuals' intrinsic/extrinsic motives interact with the firm's instrumental/normative motives and alter the proposed mechanisms.

Regarding individual-level studies, this paper examines the inter-group relations by focusing on the in- and out-group difference between family and non-family employees in family businesses. It assumes that there is more variance between different groups with minimal overlapping social identities than intra-group difference (Tajfel, 1982), especially when family employees tend to have binding and integrated social identities that unify them as a social group (Deephouse & Jaskiewicz, 2013). The inter-group difference is more likely to trigger different or even competing individuals' reactions (Dutton et al., 1994), resulting in more obvious effects on the group dynamics and emergence of CSP. Future studies can expand the model to consider a potential intra-group difference and its interaction with other inter-group differences. For instance, in family businesses, family employees may have different educational and functional background, being of different genders, generations, or locations. Beyond the demographic diversity, the relational quality of in-group employees can also differ on the dyadic level (Cabrera-Suárez, Déniz-Déniz, & Martín-Santana, 2015). Future studies on social identity theory can examine the interactions of multiple individual-level identities of an employee, based on other attributes, and their effects on the proposed paths.

This paper provides a comprehensive theoretical model of CSR strategy and performance across levels and the temporal span. For empirical research, it indicates the critical role of multi-level and multi-wave data to understand the evolving paths of organizational-level CSR strategy and outcome in long run. In addition to collecting cross-level and longitudinal data as suggested by Aguinis and Glavas (2012), the empirical examination of this model may require a mixed-method research approach (Greene, Caracelli, & Graham, 1989). The quantitative approach can apply to both organizational- (e.g., CSR strategic orientation and CSP) and individual-levels (e.g., organizational identification and behaviors) with primary survey or secondary database. The qualitative approach can help us understand the latent factors, such as the social identity and the firm motives of CSR strategy, by using observation or interviews. The combination of the firm archives (e.g., internal and external communication) and field observation across time enables the examination of the feedback mechanism in terms of the change in managerial thinking, organizational culture, and stakeholder interaction. A mixed method may be a better method to have a fully empirical examination on the proposed theoretical model.

Concluding Remarks

The theoretical model in this paper covers the cross-level and long-term process of a firm's CSR strategy and CSP. It incorporates the differences of the firm's strategic motive and individual employee groups to present the divergent paths of the same proactive CSR strategy leading to different CSP. Those differences alter the firm's social identity, employee's organizational commitment, and their behavioral interactions, contributing to the emergence of various CSP and temporal outcomes in terms of the firm's next CSR strategy. The family business context provides a vivid illustration for CSR scholars to understand these evolving paths. This dynamic model presents a more refined understanding regarding the role of cross-level interactions in the progress of a firm's CSR strategy.

PAPER II - CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL IDENTITIES: MANAGING DIVERSE HUMAN RESOURCES IN FAMILY FIRMS

Abstract

Existing studies have shown the positive effects of a firm's corporate social responsibility (CSR) on its employees. Yet, there is limited understanding of how this relation changes due to the difference in CSR strategic approaches and individual employees. This study uses social identity theory to develop a cross-level process model to describe the effects of adopting a more proactive approach on the development of firm-level identities and evaluation of employees with different sub-group identities. It uses the context of family firms to explain how a firm may use its firm-level identity to address inter-group problems, i.e., family vs. non-family employees. The experimental evidence shows the positive effects of a more proactive approach on employees' evaluation of the firm, indirectly through the development of two types of firm-level identity—one based on CSR values and one on corporate competency in providing products and services. Both can improve the employees' perception of the company, though the former has stronger effects. These indirect effects are stronger for out-group non-family employees, especially when they have the opportunity to participate in decision-making processes. The findings show the potential value of using CSR strategy in human resource management without threatening a particular employee group.

Introduction

Corporate social responsibility (CSR) strategy denotes how a company considers and responds to the expectations of various stakeholder groups (Aguilera et al., 2007). It can improve a firm's internal identity and external reputation, and thus attract stakeholders' support (Crane & Glozer, 2016). As the success of a firm's CSR strategy and the resulting reputational benefits to external stakeholders depend on the extent to which employees – the firm's internal stakeholders – are involved in the executing process (Maon, Lindgreen, & Swaen, 2009; Morrow & Mowatt, 2015), this paper focuses on the relations between CSR strategy, social identity, and employee stakeholders.

Previous studies have found various positive effects of a CSR strategy on employees (Brammer, Millington, & Rayton, 2007; Carmeli et al., 2007; Jones, 2010; Shen & Benson, 2016), including their identification, commitment, and organizational citizenship behavior. Despite these positive findings, there is limited understanding of whether these relations differ as a result of different CSR approaches, for instance, the firm's tendency toward mere compliance with regulations or voluntary engagement in activities beyond the industry norm (Henriques & Sadorsky, 1999). Additionally, these studies tend to take a top-down approach, in which managers single-handedly determine CSR activities. Only a few studies incorporate the role of employees in the decision making process of a firm's CSR strategy (Aguilera et al., 2007; Aguinis & Glavas, 2012) and the influence of employees' heterogeneity (Rupp & Mallory, 2015) in terms of individual-level identities, such as those based on personality or position. These issues limit our understanding of the mechanisms underlying the effect of a firm's CSR strategy in terms of its dynamic with diverse employees, leading to only a partial view on the influence of CSR strategy.

This paper looks at the role of multi-level social identities – firm and individual employees – in the relation of a firm's CSR strategic approach and employee reactions. It uses the context of family firms to exemplify this cross-level process of various social identities because family firms are characterized by the intrinsic in-/out-group difference between family and non-family employees due to the closely connected identity between the family and the firm (Barnett & Kellermanns, 2006; Sundaramurthy & Kreiner, 2008). The context vividly illustrates how different CSR strategic approaches affect the firm-level identity to address a clear inter-group division within a firm.

The results of three experiments support the indirect role of the firm-level identity in the positive relations between a more proactive CSR strategic approach and employees' evaluation. A proactive CSR approach can contribute to two firm-level identities, one based on CSR values and one on corporate ability (CA) in product/service delivery; the former is more effective at improving employees' perception than the latter (Marin & Ruiz, 2006). These indirect relations are conditional on the inter-group difference such that they are more effective at improving out-group members' perceptions. Furthermore, the bottom-up approach in which employees can determine the new CSR activities even further strengthens these conditional indirect relations.

The paper contributes to the social identity and CSR literature by proposing a cross-level process model. It looks at different CSR strategic approaches to illustrate how a company can address its inter-group problems as previous studies tend to only identify the existence of the problem without explicit solutions (Brown 2000). A CSR strategy can contribute to two different firm-level identities: CSR- and CA-based identities. Instead of arguing for a competing relation in the formation of a single identity (Brown and Dacin 1997; Marin and Ruiz 2006; Sen and Bhattacharya 2001), they both have positive and independent effects on employees, though with differential effects at integrating out-group members. The paper looks at the individual-level social identity based on the family relation, one of the most important differentiating mechanisms of social groups (Triandis, 1989). Accompanied by the incorporation of the bottom-up CSR approach, the findings show the value of adapting a firm's CSR strategic approach in human resource management of diverse employees without intervening in the traditional decision-making process, such as the governance structures. This paper provides a more complete and refined view of the interaction process between different CSR strategic approaches and cross-level social identities within a company.

Theory and Hypothesis

Corporate social responsibility

Corporate social responsibility (CSR) is a firm's response to issues beyond the economic, technical, and legal requirements. It aims to accomplish social and environmental benefits along with economic gains (Davis 1973). CSR involves activities that address both internal and external stakeholders' pressure to meet their expectations regarding a firm's social responsibility (Aguilera et al., 2007). Based on how top managers respond to social pressure, a firm can develop four types of CSR strategic approaches (Carroll, 1979; Clarkson, 1995; Wartick & Cochran, 1985). First, a *reactive approach* denies a firm's social responsibility and withdraws from taking actions to address social issues. For instance, Donald Trump, the chairman of The Trump Organization, publicly refuses efforts in addressing climate change without direct financial benefits to his construction company (Krauss 2016). Second, a *defensive approach* admits the firm's responsibility to the extent of what is legally required to avoid jurisdictional penalty (Jawahar & Mclaughlin, 2001). Third, an *accommodative approach* accepts the responsibility and progressively carries out all the requirements with bargaining. For example, Southwest Airlines and labor unions reached a labor agreement to improve employee benefits only after years of negotiations (Ungureanu, 2016). Fourth, a *proactive approach* anticipates the responsibility and does more than is required to solve the problems (Carroll, 1979). An example can be the merger of Tesla and SolarCity through which the founder, Elon Musk, aims to change the existing business paradigm from fossil fuel to renewable energy with less environmental footprint (Hull & Martin, 2016).

Among these approaches, a firm with a proactive approach values a broader range of stakeholders than firms with other approaches. Reactive firms are concerned only with the exposure to negative events while defensive and accommodative firms do not show much difference in their valuations of stakeholders (Henriques & Sadorsky, 1999). A proactive CSR approach is more likely to satisfy stakeholders' demands as the firm will anticipate its responsibility to various stakeholders and try to enhance their interests. Conversely, a reactive or defensive approach is less likely to satisfy stakeholders as the firm averts its responsibility to stakeholders (Jawahar & Mclaughlin, 2001). As a result, stakeholders tend to perceive proactive firms as sincere and they are more willing to interact with such firms. As for responsibility-averting firms, the stakeholders would question the sincerity of these firms' CSR activities and reduce their engagement with such firms (Marín, Rubio, & Maya, 2012).

Although prior theoretical papers have listed these four approaches (Carroll, 1979; Wartick & Cochran, 1985), most empirical studies focus on only three of them: proactive, defensive, and reactive. The results of Henriques and Sadorsky's (1999) study on CEOs showed that proactive and reactive approaches have the most significant differences in terms of the evaluation of stakeholder importance. In contrast, accommodative and defensive approaches showed no significant differences. Similarly, Aguinis and Glavas (2012) reviewed 271 empirical articles to categorize CSR activities and identified only proactive, defensive, and reactive approaches. Following this literature, this paper excludes the accommodative CSR strategic approach.

Social identity and employee reactions

A key influence of a firm's CSR is on its social identity and the resulting impacts on stakeholders' attitude and behavior (Aguinis & Glavas, 2012; Brammer et al., 2007; Jones, 2010; Jones et al., 2014; Sen, Bhattacharya, & Korschun, 2006). A social identity is a self-concept from which an individual uses a membership of a social group to derive his/her value and emotional significance (Tajfel, 1978: 63). An individual compares his/her memberships among different groups and chooses the characteristics of a reference group to define his/her own identity (Tajfel, 1981: 140). This process is called identification, indicating the extent to which an individual perceives one's belongingness to a particular group (Ashforth & Mael, 1989). It alters an individual's perception and behavioral propensities toward the organization, such as pride, endorsement, and intention to stay (Brammer et al., 2007; Jones, 2010). To induce such identification, a firm needs to develop a distinctive, central, and enduring identity to be considered as an individuals' salient social group (Ashforth & Mael, 1989). This distinctive identity can be developed through a firm's CSR initiatives addressing different stakeholders (Scott & Lane, 2000).

A social identity built from CSR initiatives tends to be more distinctive than an identity built on a firm's other attributes, such as a particular corporate ability in production or service quality (Marin & Ruiz, 2006). CSR activities help a firm create a more idiosyncratic profile from competitors that can also develop a similar extent of competency in product or service quality (Sen & Bhattacharya, 2001). When a firm shows genuine interests with proactive CSR initiatives beyond economic activities, stakeholders perceive a congruence between their personal and the organizational values when their wellbeing is treated as a firm's core value (Carmeli et al., 2007). A more proactive CSR strategic approach not only helps a firm build a distinctive identity but also aligns with stakeholders' values to improve their identification with the firm (Marin & Ruiz, 2006; Sen et al., 2006). On the opposite, if a firm chooses a less proactive approach, such as merely complying with regulations, or almost disregarding its social responsibility, the firm is likely to experience a problem with the development of a distinctive identity. Employees find it difficult to align their value with the firm's when the latter does not consider the social issues that employees shared (Glavas & Godwin, 2013). Compared to less proactive CSR strategic approaches, stakeholders tend to perceive a firm's social identity as more positive when their interests are addressed by a more comprehensive CSR approach (Maignan & Ferrell, 2004).

When a firm develops a more distinctive social identity from a more proactive CSR strategic approach, it is likely to induce its employees' more favorable reactions (Zellweger et al., 2013). Brammer et al. (2007) survey employees in U.K. and find that when employees perceive a positive social identity associated with their company's CSR, they are more likely to have higher identification, commitment, and inclination to stay with their organizations. Similarly, Sen et al. (2006) experiment with student samples who are exposed to an announcement of a firm's CSR activity. They find that once an individual is aware of a firm's CSR initiative, he/she develops stronger identification with the firm's identity, resulting in a more positive attitude and a higher intention to purchase, seek employment, and invest in the announcing firm. By adopting a more proactive CSR strategic approach, a firm can develop a more positive social identity that can better align with the ethical concerns of employees, especially when employees in a society subject to shared ethical values (Rupp et al., 2013). Thus, employees are likely to develop more favorable reactions to the firm when it has a more positive identity developed from a more proactive CSR approach (Roeck & Maon, in press).

Hypothesis 1a (H1a): *A firm's proactive CSR strategic approach has a greater positive effect on the firm's social identity than a defensive CSR strategic approach.*

Hypothesis 1b (H1b): *A firm's defensive CSR strategic approach has a greater positive effect on the firm's social identity than a reactive CSR strategic approach.*

Hypothesis 2 (H2): *A more positive social identity of a firm has a greater positive effect on an employee's reaction to the firm.*

Group difference: Family and non-family employees

Although a positive social identity of the whole firm may improve its employees' reactions, group of employees sharing different individual identities may significantly change such relations (Ashforth & Mael, 1989; Dutton et al., 2010). These individual identities can be based on work role, religion, political value, or family relation. The family relation is one of the most important social attributes that can trigger a strong inter-group difference (Triandis, 1989). The influence of the family relation on employees' perception of self can be vividly captured in a family firm (Barnett & Kellermanns, 2006). In a family firm, there can be two types of employee group: family and non-family employees, based on an employee's kin or marital relationship to the controlling owner-managers. This group difference tends to influence an employee's upfront perception of a firm (De Massis, 2012).

In a closely-held family firm, family members tend to be deeply involved due to owning the majority of the shares and taking on the top managerial positions (Chua, Chrisman, & Sharma, 1999). Their involvement in the firm infuses their family identity to the firm identity (Dyer & Whetten, 2006). As a result, family members tend to develop an integrated identity between their family and working lives, which can easily induce family employees' favorable reactions toward the firm as there are fewer role conflicts between their family and working lives (Sundaramurthy & Kreiner, 2008). In contrast, non-family employees do not belong to the controlling family, which could create identity conflicts and trigger their feeling as out-group members in a family firm (Barnett & Kellermanns, 2006). As a result, they may develop a less favorable evaluation of the whole family firm than family employees (Deephouse & Jaskiewicz, 2013).

However, a proactive use of CSR may allow the family firm to develop a more distinctive identity of the whole firm by improve the perception of out-group non-family employees. Such an approach can help the firm develop a positive firm identity (Besharov, 2014), which can further induce the convergence of identities of sub-groups and the whole company through the positive attribute of the latter (Sluss & Ashforth, 2008). By extending the positive firm identity to non-family employees, a family firm can elicit their favorable reaction to the whole family firm. In comparison, the effect of a positive identity developed from a proactive CSR approach on in-group family employees may not be as effective as that on non-family employees, when the former may already have favorable reaction to the family firm due to the integrated family and firm identities (Zellweger et al., 2010).

Hypothesis 3 (H3): *The relation between a firm's CSR strategic approach and an employee's reaction to the firm is stronger for out-group employees (non-family employees) than in-group employees (family employees) in a family firm.*

Work design: Employee participation

The effect of CSR strategic approach on employees may also be influenced by how a firm executes its CSR activities. A CSR strategy can be designed in two opposite ways: a top-down approach, in which top managers determine everything and give orders to employees; a bottom-up approach, in which employees are involved in a group decision-making structure (Marrewijk et al., 2004; Sharp & Zaidman, 2010). Previous papers tend to focus on the top-down approach only (Aguilera et al., 2007; Wood, 1991). This paper investigates the impacts of both a top-down approach, and a bottom-up work design that gives employees opportunities to participate in the CSR decision-making process.

A participative design may strengthen an employee's reaction to the firm's identity. Through participating in the decision making process, an employee tends to develop a stronger connection between his/her identity and the firm identity through solving the firm's social issue that he/she also personally cares, such as disaster relief (Chong, 2009). Additionally, in the participation process, an employee is personally engaged with other members of the organization, including managers and other employees, to implement a CSR project. This interaction process can further improve their evaluation of the firm’s identity and develop closer emotional bonds (Berger et al., 2006). These personal connections with the organizational value and other members can result in participating employees’ stronger reaction to the improved firm’s identity than non-participating employees (Mozes, Josman, & Yaniv, 2011).

This mechanism may be more effective for non-family employees than family employees in a family firm where the traditional decision making, such as operational planning or capital investment, is normally performed by family members (Martin, McKelvie, & Lumpkin, 2016). This tends to create a feeling of exclusion of non-family employees (Lubatkin, Ling, & Schulze, 2007). Such feelings would reduce their integration or even form an opposing alliance against family employees, undermining the group process and outcomes (Davis 1983). However, an opportunity to participate in other decision-making process of a family firm, such as CSR activities, may address this issue by engaging out-group non-family employees and in-group family members to align their value in the process (Zellweger et al., 2010). By advancing their value alignment, a family firm can improve the attractiveness of its identity to have non-family employees’ more favorable reaction (Hauswald, Hack, Kellermanns, & Patzelt, 2016). In particular, if this participative approach does not directly threaten the family employees’ control, such as ownership, a family firm is more willing to adopt this work design (Martin et al., 2016). Therefore, if a family firm adopts a participative approach to CSR activities, which does not directly threaten the family’s interests such as ownership and financial wealth, it can improve its identity to elicit more favorable reaction from non-family employees than family employees, whose reaction is already induced by their integrated identity (Deephouse & Jaskiewicz, 2013).

Hypothesis 4 (H4): *Out-group* (*non-family) employees' participation in a family firm's CSR decision-making process determines a more positive relation between the firm's CSR approach and their reactions than that of in-group (family) employees.*

Methods

Insert Figure 2 About Here.

This paper uses three experiments to examine the hypothesized relations in Figure 2. The experimental design allows a systematic examination of the hypothesized effects by controlling other potential confounding effects (Oll, Hahn, Reimsbach, & Kotzian, in press), such as contextual differences. All the experiments recruited employees currently working in family businesses and used a between-subject design to examine differences in their reaction across randomized conditions (which on average have more than 25 participants per condition). The experiments further adopted the pre-and-post design by evaluating employees' reaction to their companies before and after the manipulation. This design along with the randomization (Judd, Smith, & Kidder, 1991; List, Sadoff, & Wagner, 2011) can control the ex ante individual heterogeneity to clearly identify the effect of the experimental variables, for instance, focusing on the effect of family relationship while controlling other traits, such as ages, tenure, and positions.

In all experiments, participants were ensured of their anonymities and were presented with a general introduction about the study on employees' perception of their current companies to avoid potential common method variance (Podsakoff, MacKenzie, & Podsakoff, 2012). They were not informed about the research purpose regarding firms' CSR and were not able to discern the research goal in the open question at the end of each experiment. There were other open questions asking participants' knowledge about their existing companies' CSR strategy and most employees did not have a clear view about the overall strategy, except for a few specific initiatives, such as product re-design or volunteer program. Participants' limited knowledge about the research purpose and their firm's CSR strategy diminished the concern of their potential cognitive bias in responding to the experimental manipulation on CSR strategic approach (Chang, Witteloostuijn, & Eden, 2010).

Experiment 1

Experiment 1 examined the main effect of CSR strategic approach on reaction difference between family and non-family employees. It included another experimental variable, i.e., type of CSR issue (social/environmental). Although it may be relevant to the development of firm identity, but there are no conclusive findings in existing studies yet (Jong & Meer, in press; Marin & Ruiz, 2006; Sen & Bhattacharya, 2001). Therefore, in this paper, it is not hypothesized with a specific effect but serves as an exploratory variable. Experiment 1 is a between-subject experiment with 3 (CSR strategic approach – proactive/defensive/reactive) x 2 (CSR issue – social/environmental) x 2 (family/non-family employees) conditions.

Participants were recruited from an online crowd-sourced platform on which a call for study participants was posted for individuals working in family businesses in North America. Once they agreed to participate, they were given the link to an online questionnaire with a randomized experimental condition. At the beginning of the questionnaire, participants were asked about their current organizations, including the nature of the organization (family ownership, management, and board structure), and their family relationship with the controlling owners (to identify if they are family or non-family employees). These served as a screening mechanism to ensure a representative sample (DeSimone, Harms, & DeSimone, 2015). Similar questions were asked throughout the whole questionnaire. If a participant failed to provide consistent answers about the family business in which they worked, their responses were considered invalid. The initial sample included 694 responses. After excluding duplicate, inconsistent, and non-attentive responses, the final sample had 407 valid responses,

Measures. Independent variables were a family firm's *CSR strategic approach* (categorical variable with three levels - reactive, defensive, and proactive), *CSR issues* (dummy variable if the new strategy targets environmental issues, or otherwise social issues), and *family employee* (dummy variable if the participant has a family relationship with the controlling family of his/her firm) as the conditional factor. Dependent variables of employee reactions included *organizational identification, affect,* and *intention to stay*, commonly examined employee outcome in previous identity studies (Roeck & Maon, in press; Rupp et al., 2006). *Organizational identification* used four items of Mael and Ashforth's (1992) scale, for instance, "I am very interested in what others think about my organization.". The Cronbach's α is 0.90. *Affect* measured an employee's mood state toward his/her organization, adapted from the PANAS scale of Watson, Clark, and Tellegen (1988). It included five items for positive affect (enthusiastic, interested, determined, inspired, and proud) with Cronbach's α of 0.94 and five items for negative affect (afraid, upset, distressed, ashamed, and hostile) with Cronbach's α of 0.91. A participant's *intention to stay* was measured by three items from the scale of Cropanzano, James, and Konovsky (1993), for instance, "The chances of me quitting my job in the next year are low". Its Cronbach's α is 0.70. All the items were measured on seven-point Likert scales. Control variable was the dependent variable evaluated by the same participant *before* the manipulation to control for the upfront individual heterogeneity. For example, when the analysis is based on participants' identification after the manipulation, their identification before the manipulation serves as the control variable. All the items are presented in Appendix A.

Procedure. As seen in the questionnaire in Appendix A, a participant first answered the screening questions about the family firm in which he/she worked and his/her relations to the controlling family (as the identification of a family/non-family employee). Then, he/she evaluated his/her ex ante feeling about the firm with dependent variables (including identification, affect, and intention to stay, which serve as control variables in the analysis). Next, he/she was randomly assigned to one of the experimental conditions, in which there were quota for each condition to ensure sufficiently effective responses. A participant read a description that his/her firm is going through a change about its CSR strategy to one of the following approaches, adapted from previous studies (Alniacik, Alniacik, & Genc, 2011; Evans & Davis, 2011; Jones et al., 2014; Rupp et al., 2013). The reactive approach stated that "Your organization decides it will not initiate a new social or environmental activity in the future," similar to the situation of Donald Trump's refusal of addressing climate change. The defensive approach stated: "Your organization decides it will initiate a social or environmental activity only to an extent required by the regulations." The proactive approach was: "Your organization decides to take social or environmental issues as part of its core mission to proactively initiate relevant activities addressing the issues," such as the case of the business model of SolarCity built on renewable energy. Regarding the CSR issues, social activities focused on philanthropic donations, local community development, and labor rights of the supply chain. Environmental activities targeted at controlling production waste, reducing greenhouse gas emission, and improving energy efficiency. Then, the participant was asked questions for the manipulation check, as well as their reaction to the firm with the dependent variables, which are the outcome variables in the analysis.

Results. Analysis of variance (ANOVA) first indicate that there is a significant difference in the responses to the manipulation check when asked to identify the new CSR strategic approach ($F(2, 407) = 65.08$, $p < 0.001$), showing the effectiveness of manipulation. Analyses are based on responses that have passed all the manipulation check questions. Multivariate analysis of covariance (MANCOVA)[1] then examines the difference in multiple post-condition dependent variables of employee reaction to control experiment-wide errors (Hair, Black, Babin, & Anderson, 2013: 354), while holding pre-condition dependent variables as covariates. The results show significant effect of CSR strategic approaches (Pillai's trace value= 0.269, p <0.001), moderate effect of CSR issue (Pillai's trace value= 0.016, $p = 0.07$), and a marginal interaction between CSR strategic approach and non-family employee (Pillai's trace=0.024, p =0.10). Along with Figure 3 which shows the mean value of each post-condition dependent variable divided by the CSR strategic approach and family employee, this provides support to the hypothesized direct effects and conditional effect of employee difference in Figure 2.

Insert Figure 3 About Here.

Insert Table 1 About Here.

Factorial analyses of covariance (ANCOVAs) are performed on each post-condition dependent variable to identify the source of the effects, while controlling the pre-condition dependent variable to adjust the ex ante individual difference (Huitema, 2011). In Table 1, the

[1] Pillai's trace statistics is reported due to its higher robustness than other test statistics if there are violations of assumptions (Hair, Black, Babin, & Anderson, 2013: 366–367). Other test indices have similar results as Pillai's trace.

F-test statistics show significant effects of CSR strategic approach on all dependent variables ($p < 0.001$). The post-hoc ANCOVA analysis with pairwise comparison[2] on any two CSR approaches show significant differences between most post-condition dependent variables, except the difference between reactive and defensive approaches for organizational identification. Accompanied with Figure 3, these results support the direct effects behind H1a, H1b, and H2 that the more proactive CSR strategic approach is, the more positive reaction employees have for their firms. Additionally, there is a moderately significant interaction between CSR strategic approach and non-family employees on their identification ($F(2,393) = 2.67$, $p = 0.07$). Along with the MANCOVA result, this partially supports H3 that the positive influence of proactive CSR approach is stronger on the reaction of out-group (non-family) employees than the one of in-group (family) employees, especially when it comes to their identification with the firm.

Regarding the exploratory variable, *CSR issue* (social vs. environmental), it has a moderately significant direct effect on employees' identification ($F(1,394) = 3.63$, $p=0.06$) and a significant effect on positive affect ($F(1,394) = 5.22$, $p = 0.02$). It further has a marginally significant interaction with CSR strategic approach on positive affect ($F(2,393) = 2.42$, $p = 0.09$). These results suggest that employees may demonstrate more favorable reaction if the firm proactively addresses environmental issues. A possible explanation may due to the high visibility and public risk of environmental activities that render an employee more sensitive to such issues (Matten & Moon, 2008). Another potential explanation may be the better fit between environmental issues and organizational or personal values, which is examined in Experiment 2.

[2] The post-hoc ANOVA was performed with both Tukey-Kramer and Fisher-Hayter tests, and the results were similar.

Experiment 2

Experiment 2 examined the indirect effect of firm-level identities. It had 2 (proactive CSR approach in social or environmental issues) x 2 (family/non-family employee) + 1 (reactive CSR approach) conditions. Participants were recruited by Qualtrics, a professional research company, which sought employees working in the top 100 largest American family businesses identified by University of St. Gallen and Ernst & Young in 2015. Qualtrics invited the employees of these companies with a general introduction about the study on employees' perception of their companies. Once an employee agreed to participate, Qualtrics sent the individualized link to an online questionnaire with a randomized experimental condition. The initial sample had 467 responses. After excluding responses that failed any attention or manipulation check, the final sample had 352 valid responses

Procedures and measures. The procedures were similar to Experiment 1, including the screening questions about the participants' relationships to the controlling family and manipulation for the experimental conditions, as seen in Appendix A. However, there was no defensive strategic approach in the experimental condition when the post-hoc ANCOVA results in Experiment 1 did not show significant difference between reactive and defensive approaches for organizational identification. The exclusion aims to examine if the most starkly contrasting approaches, i.e., reactive and proactive ones, could lead to the hypothesized effects while minimizing the complexity of the experimental design. The proactive approach conditions had the same descriptions as in Experiment 1 and also varied depending on the CSR issues to explore the related effects. In the reactive condition, the firm had no new CSR activity in the future. (There was quota for each condition to ensure sufficient responses). After reading the material, participants were asked the manipulation check questions regarding the new CSR strategic approach and issue, similar to the procedure in Experiment 1.

Most measures were the same as in Experiment 1, except for the additional measures of the firm's *social identity* and the *value fits* of CSR. Following previous studies (Brown and Dacin 1997; David et al. 2005; Sen and Bhattacharya 2001), the measure of *social identity* contained two categories: Corporate Ability (CA) and Corporate Social Responsibility (CSR), to capture the multi-dimensions of a firm's identity. A CA-based identity focused on the corporate traits associated with its rational expertise in products and services, while a CSR-based identity focused on traits associated with relationship quality with stakeholders. A participant was asked whether his/her firm was associated with these traits: experienced, skilled, expert, innovative, sincere, trustworthy, compassionate, and activist. The first four traits represent a *CA-based identity (CA identity),* and the last four traits denote a *CSR-based identity (CSR identity)* (David et al., 2005). Cronbach's α of these post-condition measures are 0.95 for the former and 0.93 for the latter.

Experiment 2 further included the value fit of the CSR issue with participants' organizational and personal values to explore if value fits can explain the effects of CSR issue in Experiment 1. *Organizational fit* was captured by three items from Ellen, Webb, and Mohr (2006) and Deng and Xu (in press), which asked participants if they think the new CSR activities fit, relate, and are appropriate to their organizations. *Personal fit* had four items on how participants think the new CSR activities are relevant, similar, and important to their values, and if these activities were worth their thinking (Lee, Park, Rapert, & Newman, 2012). As seen in Appendix A, these were evaluated right after the participants read the material, and their Cronbach's α are both 0.96. All the items, presented in Appendix A, were measured on seven-point Likert scales.

Insert Figure 4 About Here.

Results. MANCOVA, controlling all pre-condition dependent variables, first demonstrates significant main effects of CSR strategic approach (Pillai's trace value= 0.09, p <0.001) and its interaction with non-family employees (Pillai's trace value= 0.07, p = 0.01) for all post-condition dependent variables. Figure 4 shows the mean value of post-condition dependent variables in different conditions. Post-hoc ANCOVA results show significant differences in all post-condition firm identities and dependent variables between reactive and proactive approaches. These results are consistent with the ones in Experiment 1 to support the main effects behind H1a, H1b, and H2 and H3 about the strengthening effect on out-group employees. A further hypothesis testing is performed with a bootstrapping approach through the SPSS Macro developed by Preacher, Rucker, and Hayes (2007), using Model 7 to test the effect of CSR strategic approach on employee reactions through the indirect factor of social identity and the conditional effect of the employees' family relationships on such indirect effects. This approach estimates the effect size of the hypothesized relationships without making any assumption on the sampling distribution (Preacher & Hayes, 2004). The post-condition dependent variables and firm's social identities do not have significant multicollinearity issues when all the variance inflation factors (VIFs) are below 10 (Kutner, Nachtsheim, & Neter, 2005).

Insert Table 2 About Here.

Table 2 presents the bootstrapping results of conditional indirect effects on each post-condition dependent variable, after controlling the pre-condition one. The results show that a firm's CSR strategic approach no longer has significantly direct effect on eliciting an employee's favorable reaction, except reducing the negative affect as its 95% of confidence interval does not include zero. Instead, a firm's CSR strategic approach is found to improve employees' reaction indirectly through the improvement on the firm's social identities. These bootstrapping results support H1a and H1b that a more proactive CSR approach can improve two types of the firm's social identities – CSR- and CA-based identity. They can both improve employees' reaction (in all the dependent variables), supporting H2, but the difference in their effect sizes shows that the CSR value is more important than the CA value in building a distinctive identity to improve employees' reaction. Regarding H3, the indirect effect size of both CSR-based and CA-based identities becomes significantly larger for out-group non-family employees than in-group family employees. This supports H3 that the effect of firm's social identity is stronger for employees with out-group identity than those with in-group identity.

Experiment 2 also explored the effects of CSR issues. Although MANCOVA result shows its moderately significant effect on employees' reaction (Pillai's trace value= 0.05, p =0.07), post-hoc ANCOVA on post-condition dependent variables does not show significant difference between proactive environmental and social strategies. After running bootstrapping on the condition of proactive CSR strategies, the results show no significant effects of CSR issues on firm's social identity or employee reaction, except a significantly direct effect on improving positive affect (effect size = 0.32 with 95% of confidence interval between 0.03 and 0.60). To understand the potential explanation to the results in Experiment 1, this paper has further one-tailed t-tests to examine the relevancy of the issue to personal or organizational value, and finds no significant difference between the issues (t(1,199) = -0.65 and -0.83 for organizational fit and personal fit, respectively). This rules out the explanation of a high appeal of environmental issues to organizational or personal values. Therefore, a possible explanation for the effects of CSR issue in Experiment 1 and 2 may be the reputation effect of the highly visible environmental strategy (Berrone et al., 2010). However, as this paper focuses on the mechanism on internal identity, rather than the external reputation, Experiment 3 excludes the factor of CSR issues.

Experiment 3

Experiment 3 examined the full model by further adding the variable of employee participation. It had 2 (proactive/defensive CSR strategic approach) x 2 (family/non-family employee) x 2 (employee participation) + 2 (reactive CSR strategic approach x family/non-family employee) conditions. A call for study participants was posted on an online crowd-sourced platform for employees working in family firms in North America. If a participant had not participated in the previous experiments and agreed to participate in this one, he/she would be invited to join the study with a link to the online questionnaire with a randomized scenario about the change of his/her firm's CSR strategic approach. The initial sample had 590 responses. The final sample included 355 valid responses after excluding inconsistent responses to similar factual questions about the family business in which participants work, those failing manipulation or attention check, and duplicate responses to ensure sample representativeness.

Procedure and measures. Experiment 3 had a similar procedure as in previous experiments, as seen in Appendix A, beginning with the screening questions about family firms, participants' relationships to the controlling family, pre-condition indirect factors, and pre-condition dependent variables. The manipulations about CSR strategic approach were similar to the ones in Experiment 1, except for the exclusion of CSR issue factor. Following the description of CSR strategic approach, there were additional conditions in which participants may have the opportunity to participate in the new CSR strategic approach. For participants in the conditions of proactive and defensive approaches (not in the condition of a reactive approach), they were randomly given the opportunity to participate in the decision making process of the firm's future CSR activities. Participants in the conditions without the opportunity read a description that they were asked to follow the instruction assigned from managers. As the reactive approach did not have new CSR activities, there was no opportunity for employees to participate. (Each condition had a pre-defined quota to ensure minimal amounts of responses for meaningful statistical analyses.) The manipulation checks asked participants about the new CSR approach and if they had the opportunity to participate in the new strategy decision-making process.

Most measures were the same as in previous experiments, but Experiment 3 had two additional alternative measures for robustness tests regarding the indirect effect of firm identities. One was the *organizational attractiveness*, which may be an alternative explanation for an employee's favorable reaction to the firm's CSR strategy due to the firm's attractiveness as an employer (Jones et al., 2014; Turban & Greening, 1997). Adapted from the scale of Highhouse, Lievens, and Sinar (2003), this measure used a seven-point Likert scale with four items applicable to existing employees, for instance, "This organization is attractive to me as a place for employment." Another variable, *psychological empowerment*, was measured on the scale adapted from Spreitzer (1995). The CSR strategic approach and employee participation may affect participants' perception regarding their empowerment and further their attitude toward the organization (Bansal et al., 2014; Lamm, Tosti-Kharas, & King, 2014). The Cronbach's α for the post-condition measures of these two variables are 0.97 and 0.95, respectively. All the items are presented in Appendix A.

Insert Figure 5 About Here.

Results. The results of MANCOVA show significant effects of all the experimental variables – CSR strategic approach (Pillai's trace value= 0.26, p <0.0001), employee's relation (Pillai's trace value= 0.03, p =0.03), and a marginal effect of work design (Pillai's trace value= 0.02, p =0.09) – on all the post-condition dependent variables, after controlling pre-condition ones. This indicates the effectiveness of the manipulation. Figure 5 presents the mean value of each post-condition dependent variable, which varied by the CSR strategic approach, employee group, and work design. The results of post-ANCOVA on each post-condition firm identity and dependent variable, while controlling the pre-condition one, demonstrate significant differences in firm identities and employees' reaction by different CSR strategic approaches, supporting the main effect in the hypothesized model.

Insert Table 3 About Here.

Table 3 includes the results of the bootstrapping analysis. The analysis is based on Model 11 to examine the effects of CSR strategic approach on post-condition dependent variables through firm identities, and the conditional factors of employee' relation to the controlling family and the work design for such relationships. All the post-condition dependent variables and firm's social identities have no significant multicollinearity issues when their VIF are below 10. The results find that CSR strategic approaches have no significant direct effects on employees' reaction, except for the intention to stay. Instead, they have significant and positive indirect effect through the improvement on both CSR- and CA-based identities. Accompanied with the results of post-hoc ANCOVA, these results support H1a and H1b that the more proactive a firm's CSR strategy is, the better its social identities are perceived by employees. The improvement on perceived social identities further improves their evaluation and behavioral intention to the firm (i.e., all the dependent variables), supporting H2. Additionally, all the effect sizes are significantly higher for a CSR-based identity than for a CA-based identity, which is consistent with the results of Experiment 2.

Regarding the conditional effect of employee's relation, the indirect effect of CSR-based identity is always significantly higher for non-family employees than for family employees in all situations. For the CA-based identity, the effect sizes are higher for non-family employees only when they have the chance to participate in the decision-making process. The findings support H3 that when the firm has a more proactive CSR strategy, the resulting identity can improve the evaluation of out-group non-family employees to a greater extent than for in-group family employees.

When looking at the additional conditional effect of employee participation, the differences between family and non-family employees are even stronger for the effect sizes of both CSR- and CA-based identities. The results support H4 that by giving employees, particularly out-group members, an opportunity to participate in the decision-making process, the firm identity becomes more distinctive and central for them with greater responsiveness. It shows the effectiveness of a bottom-up CSR strategic approach in facilitating the integration of diverse employees.

Robustness checks include the additional indirect effects of *organizational attractiveness* and *psychological empowerment* to examine if they can substitute for the effect of the firm's identity on employees' reactions. These additional variables do not change the results. There are still significant indirect effects of the CSR-based identity on all employees' reactions, which are consistent with the main findings. However, all the effects of the CA-based identity become non-significant. Although psychological empowerment does not have significant effects for most of the conditions, organizational attractiveness has significant indirect effects in all conditions. The results of the robustness checks indicate that CSR attributes are more distinctive and attractive than attributes of corporate competency in the employees' evaluation process of their organization.

Discussion

This paper examines different effects of a company's various CSR strategic approaches on different employee groups. By focusing on the social identities at the firm and individual levels, it examines the indirect role of the firm-level identity for the relations between a firm's CSR strategic approach and employee groups with different identities. It uses family firms as the exemplary context with a considerable in-/out-group difference between family and non-family employees. The results of three experiments show the role of identity in the mechanism of the relation between a firm's CSR strategy and integration of diverse employee groups.

First, the findings show the main effect that the more proactive a firm's CSR approach is, the more favorable reactions it can elicit from employees. By actively anticipating and addressing stakeholders' demands, a company can strengthen its competitiveness against other companies that deny their social responsibilities or adhere only to the regulations (Marín et al., 2012). Experiment 2 and 3 further find that these positive effects occur indirectly through the improvement in the company's identity. A firm's CSR strategy results in not only a more positive firm identity based on CSR values, but also the identity related to corporate ability (CA) in delivering high-quality products and service. These two firm identities accounts for the positive effects of a more proactive CSR approach on employees, though the effects of the CSR-based identity are stronger than those of the CA-based identity.

The results further support the conditional roles of the sub-group identities and employee participation in the CSR decision-making process. They show that the indirect effects of the firm identities are stronger for out-group non-family employees than in-group family employees. The results show the effectiveness of using a firm's different CSR approaches to integrate its out-group members, especially non-family employees in a family firm where the separated identities between work and family lives tend to create their disengagement from the company (Sundaramurthy & Kreiner, 2008). Furthermore, the evidence shows that the conditional indirect relations can be even strengthened when the out-group members have the opportunity to participate in the CSR decision-making process. It supports the values of a bottom-up CSR approach with employee engagement (Berger et al., 2006). A participative CSR strategy is particularly valuable for its integration effect on diverse employee groups when in-group members tend to exclude out-group members from traditional decision-making processes, such as strategic planning in business transactions or in board meetings in a family business (Minichilli, Corbetta, & MacMillan, 2010).

Theoretical contributions

This paper contributes to social identity theory by developing a cross-level process model in which the improved firm-level identity addresses the identity conflicts of the individual employees. Previous studies tend to focus on the identification of the problems with the inter-group differences in an organization (e.g., Carmon et al., 2010; Mikulincer & Shaver, 2001), but they lack an understanding of how to address such differences (Brown 2000). Although social identity theorists suggest that the development of a more distinctive and salient identity at the firm level may help the integration of diverse sub-groups (Dutton et al., 2010), only few of them provide clear suggestions on how a company can achieve that. The findings suggest that a firm's CSR values can help it develop a more positive higher-order identity, which can be further used to integrate out-group members, such as non-family employees in family firms (Dutton et al., 2010; Zellweger et al., 2010).

The differentiation between CSR- and CA-based identities further shows the multi-dimensionality of the firm's identity and their different extents of importance. Previous studies tend to argue the opposite and/or competing relations between both identities (Sen & Bhattacharya, 2001), or present them as parts of the same identity (David et al., 2005; Marin & Ruiz, 2006). In contrast, this paper differentiates them as different types of firm identities with their own independent and positive effects on employees to different extents. A CSR-based identity has stronger effects than a CA-based identity, probably because the latter represents only the firm's basic value from which it is hard to develop significant distinctions from competitors. It demonstrates the contribution of a firm's CSR to its different identities with different effectiveness at integrating employee groups.

At the lower-level social identities, this paper considers one of the most important attributes that differentiate social groups, the family relation (Triandis, 1989). Previous studies tend to consider only the traditional demographic attributes, such as gender and age (Brammer et al., 2007), and treat them as merely control variables (e.g. Akremi, Gond, Swaen, Roeck, & Igalens, in press; Jones, 2010; Rupp et al., 2013). These attributes are easier to be controlled with the convenient student samples. Instead, this paper looks at the family relation between actual employees of family firms to examine if different employee groups react differently to the firm-level identity. The findings show that the improved firm-level identity from adopting a more proactive CSR strategic approach is particularly effective at integrating non-family employees who could otherwise easily disengage from the company due to their out-group status (Galvin, Lange, & Ashforth, 2015; Zellweger et al., 2010). This suggests that the benefits of a CSR strategy are not limited to corporate reputation, but can also have an alternative function in human resource management by addressing diverse employee groups with different sub-group identities.

Furthermore, this paper considers the related human resource management practice within the CSR strategy, i.e., employee participation in the decision-making process. Previous CSR studies tend to focus on the top-down approach (Aguilera et al., 2007; Wood, 1991), without a clear understanding of the effect of the bottom-up approach with employees' direct participation and its interaction with the heterogeneity of employee groups (Rupp & Mallory, 2015). This paper examines both approaches and finds that a bottom-up approach can further strengthen the integration of out-group members. Their participation in the CSR strategic decision-making process can facilitate their social interactions with in-group members, attaining an overall social cohesion (Mitchell, 1973). For in-group members, this can be an alternative integration strategy without threatening their status. In the situation of the family firms, in-group family members tend to avoid involving non-family employees in the traditional managerial decision-making process, fearing that non-family employees might threaten their control and powers (Cruz et al., 2014; Kotey & Folker, 2007). A participative CSR strategy may represent a viable option for a company to realize its heterogeneous human resources without introducing inter-group threats.

Managerial implications

The practical implication for managers is the potential benefits of adopting a proactive CSR strategic approach. It enables a company to develop a distinctive social identity to procure stakeholders' support (Scott & Lane, 2000). Such an approach may not only help the company elicit external stakeholders' support, but also manage the diverse human resources of internal stakeholders. The inter-group differences within a company tend to undermine the group process and the collective performance (Minichilli et al., 2010). This paper suggests that changing the firm's CSR strategic approach may help mitigate such issues.

Additionally, managers may consider allowing out-group members, such as non-family employees in family firms, to participate in the new CSR decision-making process. On the one hand, a participative approach can satisfy employees' non-economic needs (Lubatkin et al., 2007), such as meaningful works and a sense of belonging. Through employees' participation in a firm's CSR activity to increase their bonds with the firm, this can control the costs of retaining valuable employees, who may otherwise require higher compensation when their status is limited in a firm (Chrisman, Memili, & Misra, 2014). On the other hand, integrating out-group employees into the strategic decision-making process may help the firm to combine the heterogeneous knowledge of diverse employees, thus improving its competitive advantage (Sirmon & Hitt, 2003). A participative CSR approach may help the firm to better utilize its diverse human resource without incurring extra costs.

Future research

There are several suggested directions for future research. First, this paper focuses on the social identity shared by the internal stakeholders only. It does not incorporate corporate reputation, which is defined as the external stakeholders' perception of the company (Whetten & Mackey, 2002). Although the significant effects of environmental issues and organizational attractiveness do not change the main findings, they may suggest the potential influence of external perception. How employees think about the way external stakeholders view the company and its employees can partly determine their self-definition and evaluation processes (Dutton et al., 1994). Future research can explore the potential interaction between internal social identities and external reputation to examine if they moderate the effects of each other.

Second, the paper focuses on the cross-level process between identities at the firm level and the employee level based on the family relations. It assumes that the inter-group difference between family and non-family employees are stronger than the intra-group difference

(Deephouse & Jaskiewicz, 2013) by controlling the latter through the randomized experimental design. Future studies can consider more differences by extending the level to the relational identity at the dyadic level between individuals and the collective identity at other sub-group levels, such as department or team (Banks et al., 2016). At the individual level, the attributes can go beyond the demographic attributes to consider the role or task differences. Future research can further explore the negative effects of identity conflicts in family firms. Although this paper finds that identity conflict is less of an issue for family employees than for non-family employees, family employees can also suffer conflict due to their different roles inside and outside the firm (Shepherd & Haynie, 2009). The multitude of social identities presents many potential extensions, but it is likely to limit the research method to qualitative studies to explore these complex interactions.

Third, future studies can use a more refined differentiation regarding CSR strategic approaches and employee participation. This paper excludes the accommodative approach, which is less distinct than the others (Henriques & Sadorsky, 1999) that would probably render the differences in employees' evaluation non-significant. However, future research can still incorporate it to have a comprehensive analysis. Additionally, the experiments consider only one type of decision-making structure at a time. It does not consider the coexistence of both structures. For example, a firm may adopt a top-down approach for initiatives on product safety, but employs a bottom-up approach for local community development programs. Future studies can examine how these different designs would interact in the same firm.

Concluding Remarks

This paper provides a cross-level process model of the effects of different CSR strategic approaches on diverse employee groups. It demonstrates the benefits of a proactive approach in improving the firm's identity to integrate employees with different sub-group identities. It identifies the CSR strategy as the way through which a company can utilize its higher-order identity to address the inter-group division between employees through the context of family firms. This paper presents an interactive model for future studies to examine the interplay between different social identities across levels and their heterogeneous effects on different individuals.

PAPER III – CORPORATE REPUTATION SPILLOVERS: ASYMMETRIC EFFECTS ON AFFILIATES OF A BUSINESS GROUP

Abstract

Business groups often share their positive reputation, which benefits affiliate companies. However, affiliate companies may also suffer shared costs in the case of negative reputation. Existing studies do not have a clear understanding of the difference between positive and negative reputation spillovers across group affiliates. This paper uses negative bias and stigma theory to examine how differences in corporate events and inter-organizational connections determine such spillovers. Findings of three experiments show that the effects of positive and negative spillovers are determined by different mechanisms. Positive spillovers require several factors to determine their beneficial effects on affiliates, such as the type of event, similar corporate names, and sharing the same ownership structure through the same controlling family. Contrary to the prediction, the family ownership connection is the main mechanism of positive spillovers. In contrast, a single factor – such as common controlling owners or similar corporate names – is sufficient for negative reputation spillovers to affect group affiliates, especially if the event is related to corporate ability in providing products or services. Additionally, the name connection unexpectedly provides more prevalent negative spillovers than the family connection. This paper shows the asymmetric reputation spillover effects between positive and negative corporate events. The spillover mechanisms are contingent on not only the focal firm's reputation, but also the types of inter-organizational connections.

Introduction

Corporate reputation is an organizational asset that affects various business phenomena, such as employment decisions, investments, and inter-firm cooperation (Lange, Lee, & Dai, 2011). It affects a company's future prospects by influencing how people view the company through a comparison with competitors (Fombrun, 1996: 72). It results not only from an organization's own past actions but also from the contagion of other organizations' actions – a phenomenon known as reputation spillover (Barnett & Hoffman, 2008). Reputation spillover is defined as the transfer of the evaluation of a social object to another (Rindova, Williamson, Petkova, & Sever, 2005). It refers to the extensive reputational effect of a focal organization's act beyond its own boundary and on other organizations in their current and future mutual interactions (Mayer, 2006).

Existing corporate reputation studies have examined the spillover effect on various social evaluations, such as market evaluation, media coverage, and pricing strategy (e.g., Barnett & King, 2008; Kahuni, Rowley, & Binsardi, 2009; Kang, 2008; Rindova et al., 2005; Zavyalova, Pfarrer, Reger, & Shapiro, 2012). Most studies focus on the negative spillover associated with a reputation crisis in the focal organization. Although Haack, Pfarrer and Scherer (2014) argue that positive and negative spillover effects differ in their magnitude, the mechanisms through which the two types of spillover are triggered have received little scholarly attention (Barnett & Hoffman, 2008). Additionally, most studies in this field look at the competing relations between organizations within the same industry as the primary inter-organizational link, which misses the role of other inter-organizational connections in affecting spillovers, such as partnership or affiliation to the same business group. These links may not only facilitate reputation spillover, but may also limit an organization's ability to distance itself from the focal organization to prevent harmful spillover effects (Khanna & Rivkin, 2006). For instance, an organization's networking strategy aimed at strengthening inter-firm collaboration may have negative reputation consequences due to the unknown difference between positive and negative reputation spillovers.

Here, this paper examines the differences between the mechanisms of positive and negative reputation spillovers by focusing on spillovers within a business group, which is a gathering of companies controlled by a parent company (Chang & Hong, 2000). The affiliated companies of a business group are more likely to be subject to a reputation spillover effect through the connections they share with the parent company (Lensink, Van Der Molen, & Gangopadhyay, 2003). Being part of a group is a stronger inter-organization connection than the competitive relationship between organizations within an industry because a group has collective resources and actions that link and discipline individual affiliate companies (Chacar & Vissa, 2005; Ferguson, Deephouse, & Ferguson, 2000). Its reputation effect can have a more wide-spread consequence beyond a single industry due to the combined power of affiliate companies across diverse markets (Carney, Gedajlovic, Heugens, Van Essen, & Van Oosterhout, 2011), such as the fuel economy scandal of Mitsubishi Motor in 2016 and the resulting effects on other affiliate companies of Mitsubishi Group in the heavy metal and financial industries.

This paper examines the reputation spillover mechanisms and effects on the general public's evaluation of the inter-connected organizations through the psychological perspective. It first looks at the focal organization's event that triggers reputation spillovers. Following negative bias theory, it is assumed that a negative event provides more determining information for individuals to evaluate a company than a positive event (Folkes & Kamins, 1999; Wang, 2008). Such negative spillover is hypothesized to be strengthened when the event is associated with corporate ability in providing quality products or services, as it provides directly diagnostic information (Biehal & Sheinin, 2007) that can reinforce individuals' bias to apply similar evaluation across inter-related companies. Secondly, this paper examines the nature of inter-organizational connections from business group studies to argue that the more information about the connections between affiliate companies of a business group, the stronger the reputation spillover effects (Bitektine, 2011; Tirole, 1996). Thirdly, based on stigma literature (Goffman, 1963; Jonsson, Greve, & Fujiwara-Greve, 2009), a negative reputation spillover is said to be triggered more easily than a positive reputation spillover, regardless of the type of inter-organizational connection. This paper compares different spillover effects in the presence of an explicit connection between firms sharing similar corporate names, and a less explicit connection where family ownership is shared through the companies.

The findings from three experiments demonstrate that positive and negative reputation spillovers have different mechanisms. The positive reputation spillover requires multiple factors to induce people to apply the same favorable judgment to another affiliate company, while negative spillover spreads more readily with any connection factor, especially when the event is related to products or services. Although a strong connection between affiliate companies strengthens both positive and negative spillovers, the mechanisms differ according to the types of inter-organizational connections in a way that is significantly different from the predictions based on the existing literature. In positive spillovers, the non-explicit connection given by ownership structure, i.e., sharing the same family ownership, induces more of an effect than an explicit connection based on appearance, i.e., sharing similar corporate names. In contrast, the visible name connection facilitates negative spillovers more easily than the less explicit ownership connection.

The paper first contributes to the corporate reputation literature by demonstrating the asymmetric spillover effects of positive and negative events. Different events have different mechanisms, challenging the symmetrical view of previous studies (Barnett & Hoffman, 2008; Tirole, 1996). It differentiates the influence of different types of corporate event in positive and negative spillovers when prior reputation studies have mixed views on such influences (Berens, van Riel, & van Bruggen, 2005; Biehal & Sheinin, 2007; Brown & Dacin, 1997; Marin & Ruiz, 2006). Then, the paper goes beyond the research boundary of previous studies, which tend to focus on competing inter-organizational relations (e.g., Barnett & King, 2008; Zavyalova et al., 2012). Rather, it studies different inter-organizational connections in the setting of business groups in which companies are more vulnerable to reputation spillover effects and have few options for defending themselves. It provides a more refined understanding to business group studies regarding the heterogeneous effects of more or less explicit inter-organizational connections. In summary, this paper suggests that corporate reputation spillover mechanisms and effects may be more complex than currently thought.

Theory and Hypotheses

Corporate reputation of business groups

Corporate reputation is based on the perception of observers, their knowledge, expectations, and judgment of an organization (Lange et al., 2011). It represents feedback from observers concerning the credibility of an organization's behaviors, such as its provision of products and services, leadership and, financial and social performance (Whetten & Mackey, 2002). For a business group, the general public tends to extend the perception of a focal company to the other affiliated companies through a shared group reputation (Chang & Hong, 2000).

A business group is a gathering of formally independent firms connected by overlapping ownership, indirect equity holding, director interlocking, or the family relation between owners and managers (Khanna & Rivkin, 2006). The affiliates of a business group share common resources, including financial resources, business networks, and reputation. Shared reputation can affect the performance of each company within the group (Carney et al., 2011). For instance, the bankruptcy or credibility risk of one of the group's affiliates can be transferred to another affiliate, resulting in reduced access to loans, investments and credit ratings (Chang & Hong, 2000).

Shared group reputation is a key determinant of spillover effects within business groups. Tirole (1996) stresses the importance of group reputation when observers cannot evaluate an individual member of a group due to imperfect observation of its past behavior. Observers rely on the overall group reputation to predict the behavior of that individual member, whereas the group reputation is determined by the past and current behavior of other individual members (Carney et al., 2011). In line with this prediction, Lamin's (2013) study of Indian business groups finds that the overall group reputation provides signals about the trustworthiness and reliability of each affiliate. Therefore, affiliation to the same group is also likely to extend one affiliate's reputation to another (Chang & Hong, 2000; Lensink et al., 2003).

Most existing studies assume that both positive and negative corporate reputations determine their spillover effects across affiliates of a business group by acting through the same mechanisms. Only a few studies have challenged this assumption. Barnett and Hoffman (2008) suggest that there can be a potential difference between positive and negative spillovers when the trigger and the extent of inter-organizational connections are different. Haack et al. (2014) also argue that positive and negative events may create spillover effects of a different magnitude. However, they only address vertical spillover from an affiliate company to a loosely connected network that each affiliate can voluntarily leave. They do not differentiate the mechanisms, and their arguments may not apply to business groups in which affiliate companies have limited discretion to exit (Chacar & Vissa, 2005). Here, this paper differentiates reputation spillover mechanisms by considering the factors associated with the triggering event of a focal company and the connection factors between the affiliate companies of a business group.

The triggering event – Nature and Type

The positive or negative nature of an event is critical to a company's own social evaluation. A positive event is one that shows a firm's behavior as socially desirable, while a negative event reflects socially undesirable behavior. A focal company's negative event tends to have a stronger reputational effect on itself than a positive event, due to individuals' *negative bias.* It is an individual's tendency to be more responsive to negative information than to positive or neutral information (Cacioppo & Berntson, 1994) in the social evaluation process. According to negative bias theory, individuals tends to mobilize a greater extent of physiological and cognitive resources to respond to negative information (such as a dead animal or a mutilated face) than to a positive or neutral one (for instance, a Ferrari car or an ice cream). (Ito, Larsen, Smith, & Cacioppo, 1998; Taylor, 1991). This bias may even raise individuals' skepticism regarding the credibility of the positive information. They may question the credibility of the positive information, such as corporate actions in environmental conservation or campaigns for consumers' health, limiting the contribution of positive events to corporate reputation (Kim & Lee, 2015; Yoon, Gürhan-Canli, & Schwarz, 2006).

As prior corporate reputation studies have shown that the focal company's reputation is more likely to be shaped by its negative event than a positive one due to the negative bias (e.g., Brown & Dacin, 1997; Kim, 2014; Zou, Zeng, Zeng, & Shi, 2015), it is expected that the focal company's negative event has a stronger reputation spillover effect on another affiliate company of the same business group than a positive event does. An individual's negative bias would induce an individual's more cognitive processing of negative information, which would increase the likelihood that individuals would proactively connect the negative reputation of the focal company with that of the affiliated company (Kostova & Zaheer, 1999). In comparison, individuals' suspicion of the validity of positive information has limited contribution to the focal company's reputation, let alone to that of another affiliate company.

This negative bias may also affect how individuals process the information from different types of triggering event. According to previous studies (e.g. Berens et al., 2005; Brown & Dacin, 1997; Kim, 2011), a corporate event can be divided into two categories: corporate-ability related (CA) or corporate social responsibility-related (CSR), depending on its direct relatedness to the focal company's product/service. A CA event is directly linked to corporate ability and competency in producing and delivering processes of products and services, such as the latest innovation in Apple's iPhone, the lean manufacturing process of Toyota's cars, and the lifetime warranty services of North Face's products. A CSR event, instead, is related to broader social issues (Brown & Dacin, 1997): for instance, Samsung's giving to charity to support the victims of the Japanese Fukushima earthquake, or TNT's partnership with United Nations in supporting a local community. Although CSR events are not usually directly related to the firm's product/service, they also provide information that affects a company's reputation (Agarwal, Osiyevskyy, & Feldman, 2014).

Although previous studies have mixed evidence on which type of corporate event would be the main contributor to individuals' evaluation of corporate reputation (e.g., Berens et al., 2005; Brown & Dacin, 1997; Kim, 2011, 2014), it is expected that a CA event may have a stronger reputation spillover effect than a CSR event due to individuals' negative bias. Such a bias tends to be strengthened when negative information provides strong diagnostic signal about the evaluated subjects (Rozin & Royzman, 2001), including companies. When individuals judge the information as diagnostic, they are more likely to apply this information in their evaluation process and judge the subjects with the same negative evaluation (Skowronski & Carlston, 1989). CA events, which signal the firm's most fundamental responsibility – providing desirable and good-quality products and services (Carroll, 1979), provide the essential diagnostic information in terms of a company's ability to meet the most basic societal expectation (Kim, 2014). In the experimental study of Biehal and Sheinin (2007) on an individual's evaluation of the products and services offered by affiliates of the same parent company, they find that CA information is more salient than CSR information when an individual evaluates other affiliates. Additionally, a product- or service-related event provides more concrete information about corporate competency in production processes than the abstract information about its CSR values, such as environmental footprint (Schmeltz, 2014). As CA events provide the diagnostic and concrete information about corporate basic responsibility, this information may strengthen the negative reputation spillover across companies when this information reinforces individuals' negative bias to judge affiliate companies altogether with the same negative evaluation.

In comparison, a CSR event offers supplementary information for observers to evaluate other affiliates. Individuals do not necessarily use the information about a company's CSR activities as the solely diagnostic source for evaluating a company. Barone and colleagues (2000) study CSR marketing actions and find that CSR information alone, such as the company supporting a social cause with donations, is unlikely to change individuals' evaluation drastically, unless such actions include CA information as well. Kim (2014) also find a greater change of social evaluation when both CA and CSR information is triggered by an event, implying the insufficiency of CSR information alone to feed into an individual's evaluation process. Individuals tend to use various sources of information to form their judgment (Folkes & Kamins, 1999) but usually rely on the most diagnostic information, i.e., CA information, as a more salient component in evaluating other affiliates of the same corporation (Biehal & Sheinin, 2007). As individuals' cognitive bias tends to lead them to rely on the most diagnostic information to apply the same evaluation across different subjects (Skowronski & Carlston, 1987), it is expected that the focal company's CA event induces stronger spillover effects, especially the negative ones, on the affiliate company of the same business group than a CSR event does.

Hypothesis 1 (H1)*: A negative corporate event directly related to the focal organization's competency (CA) has a greater effect on the reputation of another affiliate of the same business group than a CSR event, which is not directly related to corporate competency.*

Inter-organizational connections of business groups – family ownership and corporate names

In conjunction with the triggering event, this paper considers the effect of two inter-organizational connection factors from business group literature (Chang & Hong, 2000; Lensink et al., 2003): ownership and company names. The first factor looks at the underlying controlling mechanism of the business group. A business group is a network of affiliates connected by certain mechanisms, which can be equity, governance or common owners (Khanna & Rivkin, 2006). Among these mechanisms, family ownership provides one of the strongest connections between affiliates (Ito & Rose, 1994). The endowment of the family reputation serves as one of the most important intangible assets of the business group, which can be used by individuals as a reference for predicting affiliates' behaviors. The entwinement of family reputation with business group reputation may greatly increase the likelihood that individuals will similarly categorize the affiliates with the same family/group reputation (Sundaramurthy & Kreiner, 2008).

Additionally, through the genetic linkage between the owners and managers of different companies, the family connection provides an alternative governance mechanism to fill in the institutional void (Boyd & Solarino, 2016). Especially in the developing countries, such as

Taiwan and India, where market-based governance on business group is not well established yet (Chacar & Vissa, 2005; Mahmood, Zhu, & Zaheer, in press), the family link is the critical mechanism to transfer the resources, such as human and financial capitals, across companies to maintain their operations. Thus, though the family ownership is a non-explicit connection between affiliate companies sharing the same governance structure, it represents a critical spillover mechanism through the controlling's family's integrated reputation and resource channel.

Compared to the underlying governance connection through family ownership, the second factor looks at a more explicit connection between affiliates, sharing similar corporate names. Corporate name embodies a company's value and reputation in the eyes of observers and can help differentiate it from other companies with different names (Muzellec, 2006). If the affiliates of a business group share the same corporate name, they are likely to share the same reputation as perceived by observers. For instance, Samsung Group emphasizes the name of Samsung in its advertisements and sport sponsorships, which results in business gains for affiliates with Samsung in their names (Chang & Hong, 2000). Using the same name is another common mechanism to connect affiliate companies by signaling a consistent quality of product and service among the business group (Dacin & Smith, 1994). Through the explicit name connection, a business group can induce the reputation spillover through signaling the reliability and trustworthiness of the affiliates, affecting individuals' willingness to interact with those affiliates (Lensink et al., 2003).

Combining the two factors – ownership and names – reputation spillover, either positive or negative, is likely to be strongest among affiliates with similar corporate names in a family business group, and weakest among affiliates with different corporate names in a non-family business group. According to previous studies looking at individual's cognitive bias, when individuals have more informational cues, i.e., more information about the inter-organizational connections between affiliates, they are more likely to diagnose the entity with their wired evaluation criteria (Skowronski & Carlston, 1987), i.e., using the same reputational evaluation of the focal company for another affiliate of the same business group. When affiliates have both similar names and family ownership, observers have more information, prompting them to judge the affiliates as having the same value and reputation of the focal company (Bitektine, 2011).

More information about the commonality between two organizations presents stronger evidence to observers that the two are likely to share common attributes and similar behavioral patterns (Tirole, 1996). Conversely, the fewer the characteristics shared by affiliates, the less likely it is that observers will apply the same judgments to them, due to limited diagnostic information to induce their cognitive bias in evaluating the affiliates with the same reputational evaluation (Skowronski & Carlston, 1989). For an affiliate, though fewer shared characteristics limit its ability to enjoy potential reputation gains from the focal company's positive reputation, the separation can also provide it protection if the focal company has a negative reputation (Forman & Argenti, 2005). Therefore, it is expected that the strongest reputation spillover will occur among same-name affiliates of a family business group with the maximum extent of inter-organizational connections subjecting to the similar cognitive bias. The least reputation spillover will occur among different-name affiliates of a non-family business group with the minimum of shared characteristics.

Hypothesis 2 (H2): *The more connections shared – i.e., name and family ownership – between the affiliates of a business group, the stronger the relation between a focal organization's event, positive or negative, and the reputation of another affiliate.*

Although the strengthening effects of more inter-organizational connections are similar for both positive and negative reputation spillovers, the individual effects may differ. In positive spillovers between affiliates sharing only one characteristic (i.e., the same name or family ownership), the name effect is expected to be stronger than the family business effect. The positive effect of a firm's efforts at improving its reputation, such as sponsorship or community involvement, can be directly accrued to the corporate name and be transferred across companies sharing the same name (Chang & Hong, 2000; Lensink et al., 2003). Lai and colleagues (2010) study the relation between corporate social activities, corporate reputation, and performance. They find that using the same name for different affiliated products could easily carry over the reputation gain from positive events, such as protecting the environment or customer rights, resulting in better performance.

Instead, the positive reputation spillover through the family connection requires more time to take effect. The positive reputation of the controlling family derives from its past behavior in the family domain, such as the community where the family lives (Ito & Rose, 1994). Its spillover from the family domain to the corporate domain requires more time for individuals to judge them altogether (Sundaramurthy & Kreiner, 2008), if there is no name connection between the affiliates controlled by the same family. Gallucci et al. (2015) show that if a family business does not use its family name as a corporation name, it is less likely to enjoy higher returns on sales from the competitive advantage resulting from the long-term family reputation. If the family does not put its name in the corporate names of the affiliates, individuals are less likely to directly associate the companies with the family that has a positive reputation.

Compared to the negative information for which individuals would seek more information inputs in their elevated cognitive evaluation process, they do not search for more inputs for positive information (Peeters & Czapinski, 1990). As a result, they are more likely to merely

rely on the visible and direct connection, such as the name, to make positive judgement, rather than the less explicit connection, such as sharing the family ownership, which requires more time to cognitively process the information and proactively make the connection. Therefore, in positive spillovers, the visible name connection is probably to be the main mechanism rather than the less explicit family connection due to the requirement of the latter for more time for individual's cognitive evaluation to make the connection.

Hypothesis 3 (H3): *The name connection between the affiliates of a business group strengthens the relation between a focal company's positive event and the reputation of another affiliate more than the family ownership connection.*

For negative spillovers, name and family ownership connections may subject affiliates to a similar reputation loss. Previous studies on negative reputation spillovers use stigma theory to account for the transfer of social negative perception across entities when the society discredits their shared attributes and values, such as family ties or strategic missions (Goffman, 1963). If there is any connection between an entity with the stigmatized party that suffers from negative social perception, the negative spillover occurs due to the guilt by association in which individuals transfer such perception to any connected entity (Pontikes, Negro, & Rao, 2010), regardless of the latter's actual state, such as product quality (Barlow, Verhaal, & Hoskins, in press). Influenced by the negative bias, individuals tend to use more cognitive resources to collect all possible information (Peeters & Czapinski, 1990), which would subject them to evaluating an affiliate company as guilt if they find any type of association, either the name or family connection, with the stigmatized focal company.

In previous studies on non-family business group, the same corporate name is the main mechanism to induce reputation spillovers when it serves as the signal of consistency in corporate value across affiliates (Chang & Hong, 2000; Lensink et al., 2003). When the focal company's name is stigmatized, it is likely to transfer the resulting negative social perception to another affiliate with the same name, limiting the interaction of individuals in the society with those companies subject to the same stigmatized perception (Devers, Dewett, Mishina, & Belsito, 2009). Even without the family connection, a name similar to that of the stigmatized focal company could raise the societal questioning whether these same-name affiliates of a non-family business group are subject to the same questionable organizational value and practices that determine their reputation altogether (Muzellec, 2006).

For a family business group without the visible connection by giving different names to affiliates, the stigmatization can still transfer across affiliates due to sharing the same governance structure, such as the same owners and directors (Kang, 2008). Particularly, the overlapping controls of a single family allow individuals to predict affiliates' behaviors based on the behavioral pattern of the controlling family (Ito & Rose, 1994). If a family's reputation is stigmatized through evidence of self-interest and disregard for others, observers are less likely to think positively about all the companies affiliated with the same family business (Zellweger et al., 2013). The stigmatization of the family reputation can further affect social interactions with anything related to the family, including business relations and even family members' private lives in the community (Goffman, 1963: 14 & 164), resulting in negative reputation spillovers across the affiliates of a family business group, despite different names among affiliates.

Compared to the positive reputation spillover processes in which the controlling family's reputation needs time to transfer to the corporate reputation (Sundaramurthy & Kreiner, 2008), the family connection may not need such time in negative spillovers. As individuals' negative bias can raise their sensitiveness to and cognitive processing of negative information, they could process such information at a quicker pace than the positive one (Ito et al., 1998). This could accelerate the negative spillover processes from the family's stigmatized reputation to the corporate reputation when individuals are more likely to identify the family connection in this elevated cognitive process. In the combination with the stigma theory regarding negative spillovers from any type of connection (Jonsson et al., 2009), the family connection is likely to induce negative spillovers as strong as the one of name connection when individuals may employ similar extents of cognitive processing of negative information.

Hypothesis 4 (H4): *The name connection between the affiliates of a business group strengthens the relation between a focal company's negative event and the reputation of another affiliate as much as the family ownership connection.*

Experimental Studies

There are three experiments examining the reputation effect on the general public, including their perceptions and behavioral intentions (Agarwal et al., 2014). The experimental design allows the control of other potential confounders to clearly identify the mechanisms and effects of the interested variables (Judd et al., 1991: 89–90), i.e., the trigger event and the inter-organizational connections. Experiment 1 is a between-subject experiment which tests Hypotheses 1 by focusing on the triggering event. Experiment 2 is also a between-subject experiment which tests all hypotheses by adding the business group factors. Experiment 3 replicates Experiment 2 by replacing fictitious companies with real companies in the materials. In each experiment, the events are adapted on true events associated with a particular business group in the real world to improve the external validity (King, Hebl, Morgan, & Ahmad, 2013). All the event information is described in an objective way, excluding subjective terms, information on locations, and timing, to control participants' perceived severity and personal relevancy, which may influence their reaction (Haas-Kotzegger & Schlegelmilch, 2013).

Experiment 1: Effects of triggering events

Sample. Experiment 1 examines Hypotheses 1 regarding the factor of a corporate event. This is a between-subject experiment with five conditions (positive/negative event x CA/CSR event + one control condition without any corporate event). It is an in-class experiment recruiting undergraduate and graduate students of the business administration and management programs in a major European business school. Participants were first briefed on the research topic and ensured that participation was voluntary and anonymous. Afterwards, they were handed the paper-based materials and questionnaire to fill in independently. Participants spent around five to ten minutes finishing the questionnaire. The initial sample included 198 students. After excluding participants who failed any manipulation or attention check question by not following the instruction, for instance explicitly asking them to select one out of a seven-point scale, there were 159 valid responses in the final sample.

Measures. Independent variables included event nature, a categorical variable for positive and negative event, and event type, also a categorical variable for CSR and CA event. The base condition was the control condition. The manipulation checks examined if participants differentiated between the event factors. They were asked to evaluate the company on a seven-point scale for both CA and CSR attributes (Berens et al., 2005; Brown & Dacin, 1997; Kim, 2011). *CA association* included attributes of high-quality of product/service, innovativeness and efficiency. *CSR association* focused on general CSR attributes, including supporting social causes and behaving responsibly regarding the environment. The difference in the values of CA and CSR associations indicated whether participants differentiated between a positive/negative CA/CSR-related event.

Dependent variables had different measures for the reputational effect on the general public (Agarwal et al., 2014). Firstly, a participant gave an *overall evaluation* of each affiliate in terms of reliability, trustworthiness, attractiveness, likeability, and overall impression (Brown & Dacin, 1997; Kim, 2014; Yoon et al., 2006). Then, a participant indicated his/her *behavioral intentions as a potential consumer* (to purchase or try the new product/service offered by the company), as an *employee* (to seek employment information or accept the job offer from the company), and as an *investor* (to invest his/her money in the company) (Alniacik et al., 2011; Sen et al., 2006). Participants were asked to evaluate both the focal and the affiliate companies using these measures through a seven-point scale. Their evaluation of the focal company served as the control variables for the direct reputation effect on the focal company itself. All the items are presented in Appendix B.

Materials and Procedures. The case material was adapted from real events of a business group in Taiwan. It is involved in various products and services, including food production, telecommunication, and real estate management. In 2013, one of its affiliate companies was found to be producing and selling non-edible oil products to the consumer food market (Kuo, Ching-fang, Han, & Wu, 2013). As the incident was directly related to the quality of the affiliate's main product, it was treated as a negative CA event. The same affiliate had another problem with the local community, which had protested about the health and environmental issues associated with the air quality around the factory since 2012. As the incident was associated with an environmental problem related to the local community, it was considered as a negative CSR event.

The example of a positive CA event comes from another Taiwanese business group in the same type of business but has higher consumer trust about its oil quality due to strict outsourcing and control standards (Hsieh, 2011). Its investment in building a quality control laboratory and obtaining international accreditations represent a positive event of product quality. For a positive CSR event, the first business group provided donations to educational institutions at local communities, which are parts of general CSR issues not directly related to corporate ability (Kim, 2011, 2014).

Regarding the procedures, as seen in Appendix B, all the information was presented with fictitious names to control ex ante reputational heterogeneity of the companies and to clearly identify the reputational effect of the experimental variables. A business group was first portrayed with a wide-distributed ownership without any single major shareholder (as a non-family business group). In the focal company scenario, participants read a description of the corporate event associated with an oil company which does not share the same name as the business group. The description was randomly selected from the aforementioned four events or from a company profile (as the control condition) with only the basic information about the company's products. (Each condition had a specific quota to ensure sufficient responses). Afterwards, participants were asked with the manipulation checks about the corporate event and evaluated the dependent variables about the oil company, which serve as control variables in the analysis. In the second scenario of another different-name affiliate company, they read a short description about the services of a telecoms company. Participants were asked to evaluate this company with the same variables, which are the dependent variables in the analysis to examine spillover effects of the event. Experiment 1 focused on a business group with widely distributed ownership and different-name affiliates to see if the reputation spillover effect existed even for affiliated firms with the least shared characteristics.

Results. The manipulation check is first conducted with the *t*-test to see if there were significant differences between the means of the CA and CSR association under different conditions. The result for types of event indicates a significant lower value of CA association when the participants read a CSR event ($t(126)= 2.05$, $p=0.02$). The *t*-tests on the nature of event show significant higher values of CA association ($t(60) = 2.22$, $p = 0.02$) and CSR association ($t(63) = 3.80$, $p<0.001$) for participants in a positive CA condition and positive CSR condition, respectively. These results indicate the effectiveness of the manipulation in Experiment 1.

Hypothesis testing is first performed with the multivariate analysis of covariance (MANCOVA)[3] to examine the difference of the multiple dependent variables for the affiliate company (the telecom company) across conditions to control experiment-wide errors (Hair et al., 2013: 354). MANCOVA looks at the spillover effect of the trigger event on the affiliate company while controlling the reputation effect on the focal company. It shows moderately significant effects from the nature of the event (Pillai's trace value= 0.045, p =0.08) and its interaction with type of event (Pillai's trace=0.047, p =0.07). It provides a preliminary support to the hypothesized effect of event factors.

Then factorial analyses of covariance (ANCOVAs) are performed on each dependent variable of the affiliate company to locate the effects, while controlling the same measure of the focal company. The ANCOVA results show that the nature of the event has significant effects on most dependent variables (overall evaluation with $F(1,150) = 4.77$, p =0.03, employment intention with $F(1,147) = 11.86$, $p = 0.00$, and investment intention with $F(1,147) = 17.48$, $p = 0.00$). It supports the premise that reputation spillover effects are stronger from a negative event than a positive event of a focal company to another affiliate company, after incorporating the control condition. Then, there is a significant interaction between the type and the nature of event ($F(1,150) = 6.73$, p =0.01) for overall evaluation. This interaction effect shows that the negative spillover effect is stronger when the event is a CA event than a CSR event, supporting H1.

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[3] The results focus on the statistics of Pillai's trace, which is more robust than other test statistics if there are violations of assumptions (Hair et al., 2013: 366–367). Other statistics have similar results to Pillai's trace.

Experiment 1 focuses on the reputation spillover effect from the corporate event. It controls the business group factors by using affiliates with different names and no single major shareholders. The results show that reputation spillover takes place even when there are the least obvious connections among affiliates. Experiment 2 examines the reputation spillover effect further by incorporating the extents of the sharing connection among affiliates with the corporate names and controlling shareholders.

Experiment 2: Interaction effects of corporate events and business groups

Samples. Experiment 2 is an extension of Experiment 1, examining the interaction between event-related factors (nature and type of event) and business group-related factors (family business and corporate names). It tests all the Hypotheses 1–4. The participants were recruited from an online crowd-sourcing platform with a population in the USA and Canada. The initial sample had 632 responses. After excluding participants who were found to have tried the questionnaire more than once or failed any manipulation or attention check, the final sample included 453 effective responses.

Materials and Procedure. The materials and procedure in Experiment 2 were similar to Experiment 1, except there were two additional business group factors. There were 2 (positive/negative event) x 2 (CA/CSR event) x 2 (family/ non-family business group) x 2 (same-/different-name affiliates) + one control conditions (which has the minimal inter-organizational connection by using a non-family business group with different-name affiliates without corporate events). All the names were fictitious to control ex ante reputational heterogeneity. For the condition of the family business group, the business group was controlled and owned by a single family called the Carrolli family. For the same-name condition, the name Carrolli appeared in all the corporate names of the affiliates. For different-name conditions, all affiliates and the business group had names other than Carrolli[4]. A participant was randomly assigned to one of these conditions (with pre-defined quota), presented in Appendix B. After reading the information for each affiliate, there were manipulation checks asking participants about the characteristics of the affiliate (if there was a single controlling family and if there was similarity between corporate names). They evaluated each affiliate respectively with the same variables as in Experiment 1.

In analysis, independent variables include event nature and event type, similar to the categorical variables in Experiment 1, family connection and name connection, as dummy variables. Participants' evaluations of the affiliate company serve as dependent variables and those of the focal company as control variables to examine spillover effects of the focal company's event on the affiliate company.

Results. A manipulation check of the one-tailed *t*-tests on the type of event indicates a significantly higher CSR association when participants read a CSR event ($t(427)= 2.93$, $p < 0.01$). Regarding the nature of an event, participants gave greater values for CA (or CSR) association under a positive condition than a negative condition (CA condition: $t(220)=30.88$, $p<0.001$ and CSR condition: $t(205) = 26.38$, $p<0.001$). The results were similar to Experiment 1 in showing the effectiveness of the manipulation in terms of the triggering event. For business group factors, all the participants in the final sample were able to recall if the hypothetical business group was owned and managed by a single family and if it used a similar name for its affiliates.

Hypothesis testing first has MANCOVA results which show significantly independent effects of the nature of event (Pillai's trace=0.048, $p=0.00$) and corporate name (Pillai's

[4] This paper looks at the name difference in controlling owner-managers' and corporate names only. It controls the product name, being consistent with the corporate name, to minimize the complexity of the experimental design.

trace=0.033, *p*=0.00), and significant interactions (event type x nature: Pillai's trace =0.027, *p*=0.02; event nature x family business: Pillai's trace =0.027, *p*=0.03; event nature x name: Pillai's trace =0.042, *p*=0.00) for all dependent variables of the affiliate company. These results offer preliminary supports to the hypothesized effects. Factorial ANCOVAs are then performed on each dependent variable of the affiliate company, while controlling those of the focal company, to give a finer differentiation of the overall effects. When examining factors of the event, all the ANCOVA results show significantly independent effects for the nature of event (overall evaluation with $F(1,412) = 20.68$, purchase intention with $F(1,412) = 3.95$, employment intention with $F(1,412) = 10.71$, and investment intention with $F(1,412) = 7.99$, all *p*-values < 0.05). These results support the premise that a negative event has greater reputation spillover effect than a positive event, after comparing to the control condition.

Insert Figure 6 About Here

ANCOVAs are then performed on split samples by the nature of event to differentiate the spillover mechanisms. In the positive event condition, the type of event has a marginally significant effect on participants' overall evaluation ($F(1,198) = 3.00$, $p = 0.08$). It suggests that a positive CA event has a stronger spillover effect than a positive CSR event, partially supporting H1 that a CA event provides a more diagnostic information than a CSR event does to influence individuals' evaluation of affiliate companies in the same business group. Regarding the business group factors, ANCOVA on the employment intention shows a significant interaction effect between family business and same corporate names ($F(1,198)=4.25$, $p = 0.04$), partially supporting H2 regarding the strengthening synergetic effects of more shared characteristics. Figure 6 shows means of all the dependent variables for the affiliate company varied by business group factors. As seen from Figure 6c, participants tend to demonstrate higher employment intentions with regards to a same-name affiliate of a family business group than to other affiliates with fewer shared characteristics. Moreover, the name effect appeared to be more effective only for a family business group rather than for a non-family business group, contradicting the H3 prediction. Instead, the result suggests that the family effect is the main mechanism accounting for the name effect in positive reputation spillovers.

In the negative event condition, ANCOVA showed that there were significant effects from the type of CSR event on participants' overall evaluation ($F(1,213)= 4.27$, $p =0.04$) and employment intention ($F(1,213)=6.75$, $p =0.01$) to the affiliate company. The results support H1 that a negative reputation spillover is stronger for a CA event than for a CSR event. For business group factors, there are significantly independent effects for family business (overall evaluation with $F(1,213)= 9.07$, employment intention with $F(1,213)= 4.16$, and investment intention with $F(1,213)= 6.05$, all p-values <0.5) and corporate name (overall evaluation with $F(1,213)= 19.31$, purchase intention with $F(1,213)= 19.30$, employment intention with $F(1,213)= 19.35$, and investment intention with $F(1,213)= 8.52$, all p-values =0.00). Although there was no significant interaction between business group factors to directly suggest the strengthening synergetic effect, the results show that any single shared characteristic of the affiliates, either belonging to a family business group or sharing the same corporate name, could trigger negative reputation spillovers. It suggests the strengthening additive effects to support H2. Furthermore, the name effect is more prevalent than the family business effect for more dependent variables, contradicting H4, which suggests they would have similar negative spillover effects.

To replicate the findings of Experiment 2, Experiment 3 uses real companies in the material. As Experiments 1 and 2 use fictitious companies, it is possible that participants did not respond to the information in the material in the same way as to real companies. Additionally, Experiment 3 limits the events to the production factory and the local community to control the event variety and severity perceived by the participants.

Experiment 3: Replication with cases of real companies

Sample. Experiment 3 tests all the hypotheses by looking at the interaction between event factors and business group factors. It recruited participants in North America from the same online crowd-sourcing platform as Experiment 2. The initial sample had 663 responses. After excluding duplicate participants and those who failed any manipulation or attention check, the final sample included 485 effective responses.

Material and Procedure. Experiment 3 had the same between-subject factorial design as Experiment 2. It had 2 (positive/negative event) x 2 (CA/CSR event) x 2 (family/non-family business group) x 2 (same-/different-name affiliates) + one control conditions (with minimal inter-organizational connections by using non-family business group with different-name affiliates without corporate events). A participant was randomly assigned to one of the conditions.

The materials in Experiment 3 used the real-world companies of the Benetton and Loblaw business groups. Benetton served as the condition for the family business group scenario, and Loblaw was the example for the non-family business group condition, as it is a publicly listed firm without an obvious connection to a single controlling family. Both have focal businesses in the garment industry (the focal company with a triggering event) and affiliates in other industries, such as financial and property management (the affiliate company).

The triggering event was mainly based on Benetton business group. The negative CA event was production safety problem related to a collapse of its factory and it initially denied its responsibility to the victims (Bhasin, 2013). The negative CSR event was related to its land-grabbing dispute with the indigenous community (Escobar, 2011). The positive CA event was the company's initiatives to improve its production safety at factory, such as information disclosure and external party certification. The positive CSR event related to the commitment to the development of the local community where it has operations (Benetton, 2016).

Regarding the corporate name factor, Benetton and Loblaw appeared in the names of all companies for the same-name family business and non-family business conditions, respectively. In the different-name condition, the Benetton case had Edizione Group as its business group name, the holding company of Benetton group (2016). The focal garment company was Sisley, and the affiliate property company was Sintonia. In the Loblaw case, the focal garment company was Joe Fresh, which was also involved in the same incident as Benetton was (Bhasin, 2013). The affiliate property company was also Sintonia to limit the variability of the manipulation. The experimental conditions had their quota for minimal responses and the descriptions are presented in Appendix C.

A participant followed similar procedures and measures to Experiment 2 in Appendix B, except that there were additional questions to control a participant's ex ante awareness and perception of those real business groups and focal companies. Before participants read the information about the event, they were asked if they knew the randomly assigned business group and focal company. If yes, they were asked to evaluate the business group using the four-item scale of RepTrak™ Pulse of Ponzi, Fombrun, Gardberg (2011), and evaluate the focal company with the same five-item measure of corporate evaluation as the previous experiments (Brown & Dacin, 1997; Kim, 2014). All the items are demonstrated in Appendix C. In the analysis, independent variables are similar to those in Experiment 2 – event type, event nature, family connection, and name connection. Dependent variables are participants' evaluation of the affiliate property company and those of the focal garment company are the control variables in the analysis.

Results. A manipulation check of *t*-test for the type of event shows that participants had lower CA association when they read a CSR event ($t(450)= -1.59$, $p < 0.1$), indicating the different characteristics of CA and CSR events. For the nature of the event, participants in positive conditions always gave higher CA/CSR associations (CA condition: $t(227)=18.12$, $p< 0.001$ and CSR condition: $t(221) = 24.67$, $p<0.001$) than those for negative conditions. Therefore, participants were able to recognize the different natures of an event. Regarding business group factors, all the participants in the sample were able to recall if the business group, focal and affiliate companies were family businesses and if they shared the same corporate names.

Hypothesis testing first begins with MANCOVA in which the dependent variables are participants' ex post evaluation of the affiliate company (the property company). The control variables include participants' ex ante awareness of the companies in the materials (business groups and the garment companies), and ex post evaluation of the garment company. Participants had significantly different awareness across conditions, varying by the factor of family business group (group awareness has $F(1,451)=7.77$, $p=0.01$, and focal firm awareness has $F(1,451)=23.35$, $p=0.00$) and corporate name (group awareness has $F(1,451)=4.25$, $p=0.04$, and focal firm awareness has $F(1,451)=4.79$, $p=0.03$). The control variables did not include ex ante group evaluation and focal company evaluation of participants who knew these companies before. There was no significant difference in their ex ante group evaluation across conditions. Although the ex ante focal company evaluation significantly differed for the variable of family business ($F(1,89)=3.85$, $p=0.05$), the ex post focal firm evaluation and reactions probably already reflected participants' ex ante evaluation and are included in the control variables.

MANCOVA results show that there are significantly independent effects for the nature of event (Pillai's trace=0.071, $p=0.00$) and corporate name (Pillai's trace=0.031, $p=0.01$), and interaction effects between nature of event and corporate name (Pillai's trace=0.037, $p=0.00$), and between type of event and family business (Pillai's trace=0.021, $p=0.06$), They show some preliminary supports for the hypothesized effects. ANCOVAs on each dependent variable for the affiliate company support the premise that negative events had stronger reputational effects than positive events did (overall evaluation with $F(1,451)=26.14$, purchase intention with $F(1,451)=27.85$, employment intention with $F(1,451)=30.43$, and investment intention with $F(1,451)=22.5$, all p-values <0.001), after incorporating the control condition.

ANCOVAs are then performed on the split sample between the positive and negative event conditions to differentiate the spillover mechanisms. For the positive event condition, there are some interaction effects between the factors of the type of event, family business, and corporate names. For the overall evaluation and investment intention to the affiliate firm, there are certain significant interactions between the type of event and family business (overall evaluation with $F(1,225)= 2.86$, $p= 0.09$, and investment intention with $F(1.225)= 7.36$, $p=0.01$). For purchase intention, there is a significant interaction between type of event and corporate names ($F(1,225) =5.74$, $p=0.02$). These partially support H1 that a CA event is more diagnostic information than a CSR event when individuals have other information about the inter-organizational connection, either being controlled by the same family or sharing the similar corporate names, to transfer the same positive evaluation. Although there was no significant interaction between the two connection factors, their individual interactions with type of event demonstrate their strengthening additive effects for positive spillovers to support

H2. Figure 7 presents the mean of all the dependent variables for the affiliate company (the property company) varied by business group factors. From Figure 7a, 7b, and 7d, these results are consistent with Experiment 2, showing contradictory findings to H3. The family effect appears to be the main mechanism of the name effect and has more prevalent positive reputation effects than name connection with respect to the number of dependent variables.

Insert Figure 7 About Here

For negative reputation spillovers, the type of event has a marginally significant three-way interaction with family business and corporate name factors on investment intention ($F(1,225) = 2.98$, $p = 0.09$). This provides a partial support to H1 that a negative CA event in the focal company could trigger a stronger reputational spillover for affiliates of a family business group, particularly with similar names. In addition to the three-way interaction for investment intention, there is a moderately significant two-way interaction between family business and corporate name factors on employment intentions ($F(1,225) = 3.41$, $p = 0.07$). These interactions support H2 in that negative reputation spillovers are strengthened with the increase in shared characteristics.

Regarding H4, the results are similar to Experiment 2: that name effects appear more prevalent than family business effects. When the affiliate firms belong to a family business group, participants have significantly different evaluation and purchase intentions (overall evaluation with $F(1,225) = 3.12$, $p = 0.08$, and purchase intention with $F(1,225) = 7.65$, $p = 0.01$). However, there are significant differences in more dependent variables when affiliate companies share similar corporate names to the focal company (overall evaluation with $F(1,225) = 17.03$, $p = 0.00$, purchase intention with $F(1,225) = 8.34$, $p = 0.00$, and employment intention with $F(1,225) = 5.85$, $p=0.02$). Although the results contradicted H4, they are similar to the results of Experiment 2, in that the name effect appears more prevalent than the family business effect.

Insert Table 4 About Here

Summary

Table 4 presents a summary of the findings for Experiments 1 to 3. For the spillover effect of the triggering event, there are consistent results supporting the premise of negative bias theory such that a negative event is more likely to cause reputation spillovers than a positive event. The spillover effect is even stronger when the event is directly related to corporate ability in delivering product and service, supporting H1. Moreover, the nature of event, positive or negative, can moderates the spillover effects of different inter-organizational connections.

Experiments 2 and 3 support H2 in that positive and negative spillover effects are strengthened with the increase in inter-organizational connections. Both experiments show that the triggering mechanisms differ between positive and negative spillovers. For negative spillovers, there are independent effects for any inter-organizational connection, either similar corporate names or the family ownership. In contrast, positive reputation spillovers only occur with interactions between two or more factors, such as the same ownership structure, similar corporate names, and the type of event. The results show the difference in the ease of triggering spillovers such that positive spillovers require more factors in present than negative spillovers.

Experiments 2 and 3 further show significant but surprising results to H3 and H4 with the differentiation of the dominant mechanisms in each spillover. For positive spillover, the less visible ownership connection, i.e., with the same controlling family, is the main mechanism and provides more prevalent spillover effects than the explicit connection, i.e., sharing similar corporate names. However, the latter has more prevalent effects than the former when it comes to negative spillovers. The findings show the important role of the nature of event in determining the reputation spillovers of other factors.

Discussion

This paper examines the reputation spillover between affiliates of a business group through the psychological perspective. The results of three experiments show that reputation spillover is stronger for a negative event than for a positive one, as suggested by negative bias and stigma theory (Jonsson et al., 2009; Wang, 2008). Negative reputation spillovers occur when the stigmatized focal company and an affiliate have even a single characteristic in common. The spillovers are further strengthened when the corporate event is associated with the corporate ability in providing quality products or services. It provides a more diagnostic information that would reinforce individuals' negative bias in applying similar evaluation across companies (Rozin & Royzman, 2001). Instead, positive reputation spillovers require a combination of factors to trigger the extension of an individual's positive evaluation to affiliated companies.

This study unravels the asymmetric mechanisms between positive and negative spillovers, varied by the inter-organizational connections in a surprising way. For positive spillovers, the less visible inter-organizational connection given by shared ownership (i.e., the same controlling family) is found to be more important than the visible connection given by shared corporate names. A controlling family can probably use its private family reputation to attract and maintain social relationships associated with the firm (Gallucci et al., 2015; Ito & Rose, 1994), achieving a stable group reputation for the affiliates. Although similar corporate names may provide an explicit connection for observers at first, to make positive evaluations individuals may need more factors that are important but non-explicit, such as the controlling owner-managers' reputation (Ito & Rose, 1994).

For negative spillovers, in contrast, the corporate name factor has a more prevalent effect than the family business factor. Name provides the direct and explicit signal for observers (Dacin & Smith, 1994) and can immediately lead to negative perceptions of affiliates with this direct linkage (Kahuni et al., 2009). The less visible and non-explicit ownership connection may require a longer time to develop negative spillovers. It needs time to transfer the negative focal company's reputation to the family reputation, and later to another affiliate company controlled by the same family. If a business group chooses different names for its affiliates, it may be able to avoid the strongest negative spillover by creating a reputation buffer, such as leaving the controlling owner-managers' family name out of the corporate name (Sundaramurthy & Kreiner, 2008).

Theoretical contributions

This paper contributes to corporate reputation literature by differentiating the reputation spillover mechanisms. Prior studies have tended to focus on either mostly negative spillover (Barnett & King, 2008; Kahuni et al., 2009; Kang, 2008) or positive spillover alone (Ito & Rose, 1994; Rindova et al., 2005). They assume that the spillover mechanisms are similar as they transfer through an inter-organizational connection. The findings reveal that there is asymmetry between positive and negative reputation spillover mechanisms. For positive reputation spillover, individuals require more information about both the corporate event and the inter-organizational connections to apply similar judgments to different affiliates (Bitektine, 2011). For negative reputation spillover, the findings support stigma theory that a simple connection can trigger individuals' negative evaluation (Hudson, 2008; Jonsson et al., 2009). The results challenge the existing assumptions about symmetric spillover mechanisms (Barnett

& Hoffman, 2008; Tirole, 1996) such that the spillover processes should be examined separately.

Specifically, the findings contribute to better understanding regarding what types of corporate events are more critical to corporate reputation spillovers. Previous studies on the triggering events have mixed views on whether a CA or CSR event is the main determinant of corporate reputation (e.g., Berens et al., 2005; Biehal & Sheinin, 2007; Marin & Ruiz, 2006). By focusing on the psychological perspective with negative bias theory, this paper shows that the differentiation depends on the diagnostic information of the triggering event in individuals' evaluation process. A CA event is found to become critical in the negative condition when it provides the most diagnostic information about the most fundamental corporate ability – ensuring quality products or services. This information reinforces individual's negative bias such that they are more likely to apply the same negative evaluation across inter-connected companies. Instead, a CSR event provides only supplementary information to develop corporate reputation, which may not be sufficiently diagnostic for individuals' evaluation of corporate reputation (Kim 2014). Corporate reputation studies may need to consider how diagnostic the information is perceived by individuals when differentiating the influences of different corporate events.

Another contribution is the examination of business group factors. Previous reputation spillover studies have focused on the effects on loosely connected companies, such as in the same industry or institutional network (e.g., Barnett & King, 2008; Zavyalova et al., 2012). These organizations have the discretion to mitigate spillover effects by leaving the network or cutting links to the focal company. However, the reputation spillover effect may function differently when companies have limited discretion and cannot distance themselves to mitigate spillover effects, as is the case of affiliates in a business group (Chacar & Vissa, 2005). Through the focus on business groups, spillover effects are found to vary according to the type of inter-organizational connection and the explicitness of that connection.

Particularly, for business group literature, this paper differentiates the reputation spillover effects of the inter-organizational connections in terms of ownership structure and the corporate names. Previous business group studies have tended to focus on positive reputation spillovers when the controlling owners' private reputation and name is used (Chang & Hong, 2000; Ito & Rose, 1994; Khanna & Rivkin, 2006). Instead, this paper considered both positive and negative reputation spillovers, providing a more refined and unexpected differentiation between the effects of explicit and non-explicit connections (i.e., name and family ownership, respectively). On one hand, a less visible ownership connection can result in more reputation gain than the visible name connection when the focal company has a positive reputation. On the other hand, such a non-explicit connection can mitigate reputation loss of stigmatization for a related company compared to one with an explicit name connection. It demonstrates that the spillover effects of inter-organizational connections can also vary according to the nature of the corporate reputation. The findings not only help business group scholars clarify the effects of different types of inter-organizational connections, but also challenge the assumption of stigma literature that any type of connection goes through the same negative spillover mechanism (Hudson & Okhuysen, 2008; Pontikes et al., 2010).

Managerial implications

This study suggests that the top priority for corporate reputation management may be the prevention of a negative event, especially one related to corporate competency, such as the product/service quality, and safety. If the general public has negative perceptions about a company's basic responsibility in delivering products/services, they are more likely to question other related companies' abilities as well. This negative spillover can come back at the focal company in the future, diminishing its reputation further. If companies can satisfy basic social expectations regarding corporate competency, they can then extend their resources to address CSR issues, such as philanthropy or community development, to further develop positive reputation. This suggests a progressive approach in reputation management by first taking care of CA and gradually build up the reputation through getting involved in CSR activities.

Controlling owners of a business group can learn from this study in managing the intertwined reputation – their own reputation and the corporate reputation of their affiliates. Controlling owners may need to think carefully about potential reputational trade-offs before they share their name with affiliates. On one hand, a positive reputation for the company or owners can provide reputation gains for other parties with a direct and strong link to the owners. On the other hand, such a direct connection can also cause serious reputation loss for owners and their families if the corporate reputation is tarnished. One strategy for avoiding this negative reputation spillover from companies to their owners is the use of different names for affiliate companies without incorporating the owners' name. This may allow the controlling owners to build a buffer against negative reputation spillover from affiliates and still be able to use their private and positive reputation to improve the corporate reputation.

Future research

There are several suggestions for future studies. Firstly, the paper only uses one corporate event at a time for each condition, as the aim is to differentiate between the positive and negative reputation effects. It may be useful to develop further understanding of the interaction between positive and negative reputation. For example, what is the net reputation effect if a business group has both positive and negative reputation for different affiliates? Can a business group use the strong positive reputation of an affiliate to repair the negative reputation of the focal company? Given the complexity and heterogeneity between affiliates of a business group

(Carney et al., 2011), future studies could look at the interactions between different affiliates' reputations.

Another potential interaction is the controlling owners' private reputation, such as the family reputation, which is not directly measured in this study. The aforementioned interaction effects can also apply to the interaction between owners' and corporate reputation, which may be contradictory. Although this paper shows that the ownership factor can provide positive reputation effects, future research could examine if there are boundary conditions for such positive effects of owners on the business group. Furthermore, as the controlling family's reputation is assumed to be long-lasting over generations (Ito & Rose, 1994), future studies could extend this research to examine the long-term reputational effect – for instance, the persistency of positive or negative social reactions to the companies managed by the same controlling family over generations.

Regarding long-term effects, this paper looks at cross-sectional reputational spillover only. It does not consider if the sequence of different corporate events of a focal company would alter the net reputational spillover for the affiliate. The history of a focal company's events may affect an individual's evaluation. For instance, the current negative reputation spillover may be less serious if the company has a long reputation as a socially responsible actor (Kim, 2014; Philippe & Durand, 2011). Additionally, the history of the affiliate can also moderate the reputation spillover. If both the focal and affiliate companies have a long positive reputation, the affiliate may suffer much less negative reputation spillover than if they had mixed histories. Future studies could examine how the interaction of different organizational histories affects net reputation spillover.

The other direction for future studies is the consideration of other inter-organizational connections. This paper focuses on the connections of corporate name and ownership structures, two of the common mechanisms used by business groups to induce reputation spillovers (Chang & Hong, 2000; Ito & Rose, 1994). There are other types of controlling mechanisms shared by affiliate companies of a business group, such as indirect equity holding or director interlocking (Khanna & Rivkin, 2006). Future studies can expand the research boundary to consider other inter-organizational connections and see if the mechanisms change between positive and negative spillovers. For instance, do directly and indirectly shared ownership have different extents of importance in a spillover mechanism? Do the governance structures of shared ownership and interlocking work differently in positive and negative spillovers? Although the examination of other types of inter-organizational connections would complicate the experimental design, it may provide a complete view on the spillover mechanisms.

Concluding Remarks

This paper provides corporate reputation and business group researchers with a new understanding on the difference between positive and negative spillovers. When future researchers examine organizational and reputation factors, it is critical to consider the nature of the corporate event. The nature of the event can have an important role in influencing the effect of the interested factors in determining corporate reputation, such as the types of event or the integrated reputation of owners and corporations. The interaction of event and other determinants may result in unexpected costs to an organization through different inter-organizational connections.

GENERAL CONCLUSION

As CSR has increasingly become one of the most commonly examined research phenomenon in management studies (Mellahi et al., 2016; Stephan et al., 2016), there is a need to provide a more complete and refined theoretical examination on its impact on firms and related stakeholders. Existing studies still lack a clear understanding about the underlying mechanisms to account for the heterogeneous CSR outcomes on diverse individual stakeholders (Wang et al., 2016). This dissertation provides a comprehensive view on CSR by looking at its process to clarify how a firm's CSR activity would impact its internal and external stakeholders differently. It demonstrates a cross-level and -boundary mechanisms of CSR through the family business context in which the controlling family provides a strong genetic linkage between and within companies through its involvement in the firm-level strategic decision making and individual-level employee interaction.

This dissertation first presents a cross-level theoretical framework to denote the mechanisms behind the heterogeneous CSR strategic orientation and performance of a firm in Paper I. It presents the divergent evolving paths of a proactive CSR approach to different corporate social performance. Specifically, it examines the interaction of different interests between the controlling owner-managers and employees within a firm in the process. Then, the dissertation provides empirically experimental evidence on such proposed cross-level processes by showing the development of different firm-level social identities from adopting different CSR approaches and the resulting effects on the integration of diverse employee groups in Paper II. It demonstrates the alternative value of CSR in human resource management without threatening the status of a particular employee group. In addition to the evidence on internal employees, the experimental results in Paper III further show that a focal company's CSR event could have reputational spillover effects on external stakeholders' perception of another affiliate company of the same business group. Such spillover effects have different magnitude, depending on whether the event is socially desirable and is related to corporate ability in providing quality product or service. The dominant mechanisms would further vary by the extent of connection between two companies.

Through this cross-level examination at both internal and external stakeholders, this dissertation sheds light to CSR scholars and practitioners regarding the overall processes in attaining the desired benefits of a firm's CSR strategy. Its experimental design allows a clear identification of the mechanisms underlying the psychological processes of heterogeneous individuals' reaction to a firm's CSR activity (Martin, 2007). However, even with the efforts at describing the social contexts in the experimental conditions (Oll et al., in press), the experimental approach may still have some external validity issues without capturing the full social complexity in the real world. A full consideration of all the potential factors may require a mixed method by incorporating qualitative case studies to examine if the findings can be applied to different real world cases (Gibson, in press). Nevertheless, the propositions and the findings on the individuals' psychological reaction in this dissertation provide a framework for future scholars who can use it as the foundation to explore the heterogeneity of firm and individual behavior corresponding to different social issues.

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FIGURES

Figure 1

Paper I - Multi-level model of the evolving process of a firm's CSR strategy and performance

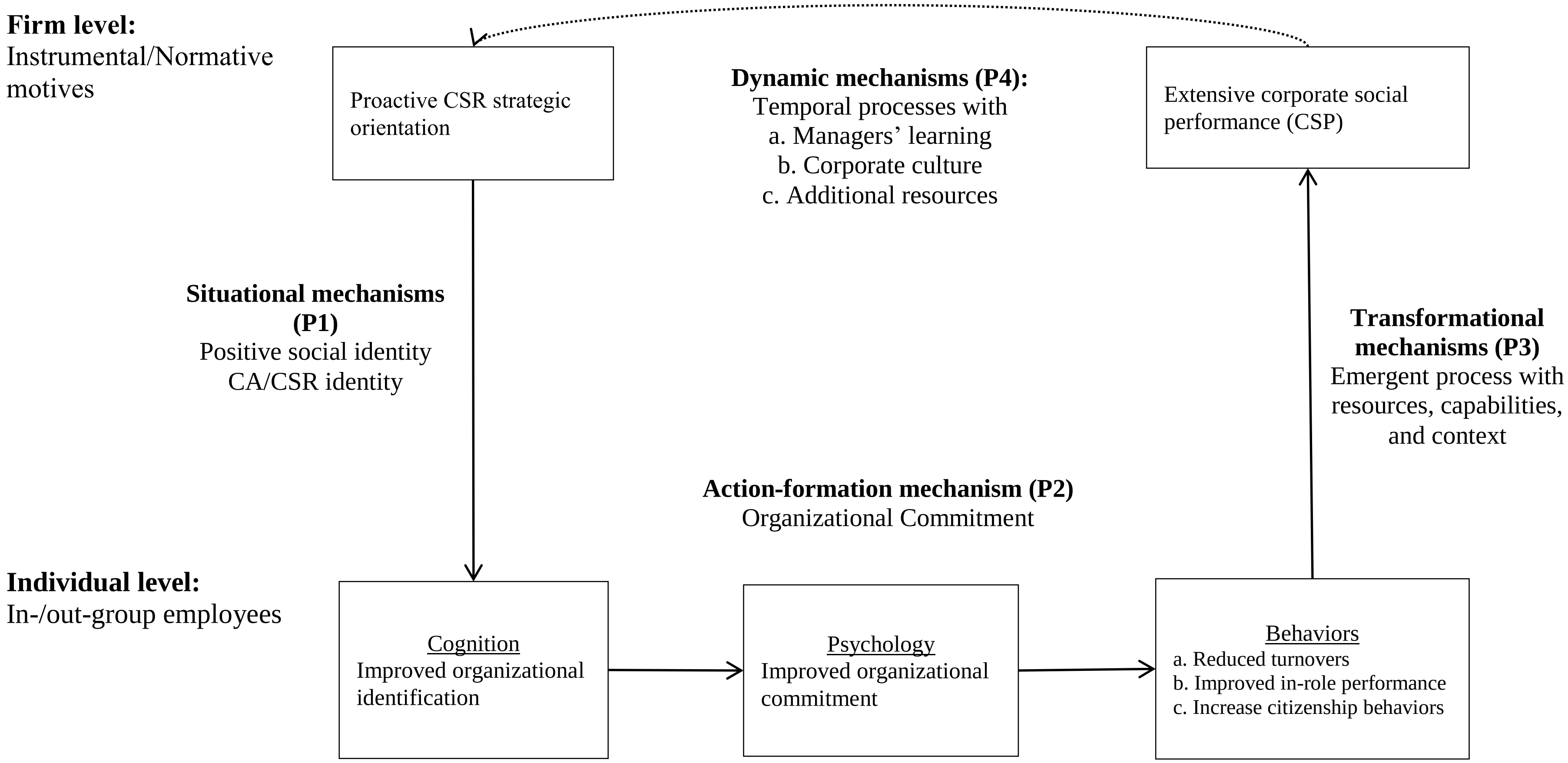


Figure 2

Paper II- The hypothetical framework: The effect of a family firm’s CSR strategic approach on non-family employees.

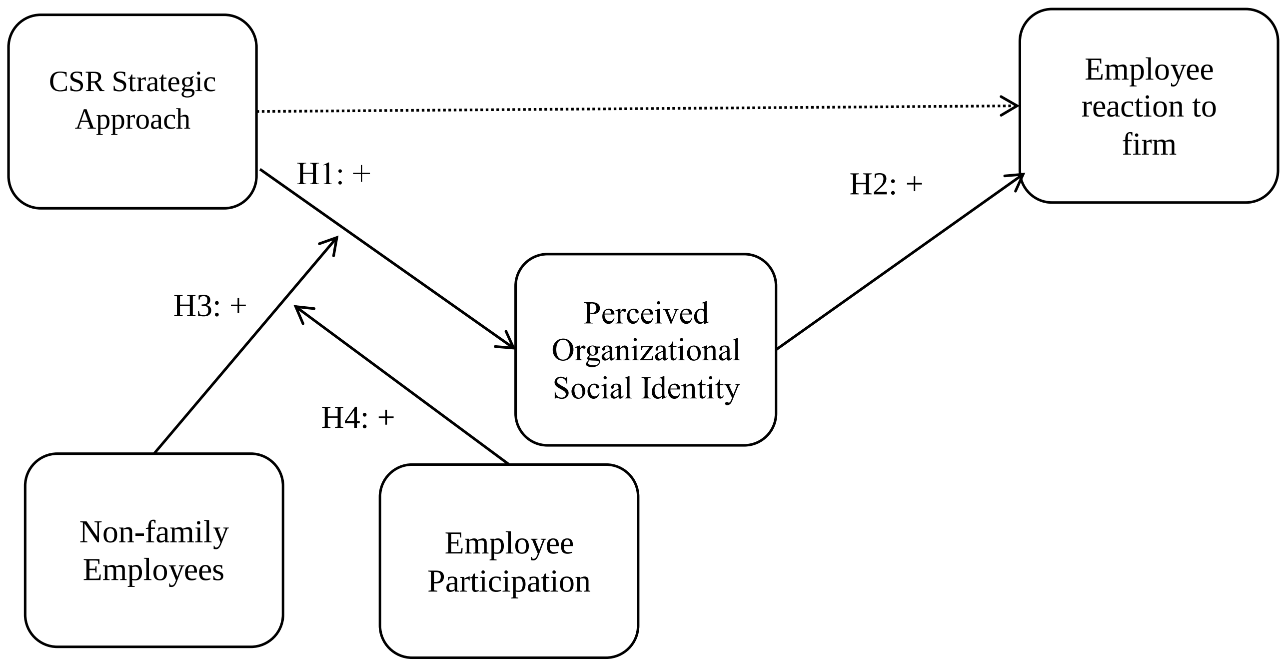


Figure 3

Paper II - Experiment 1: Means of post-condition dependent variables by the CSR approach and family employees.

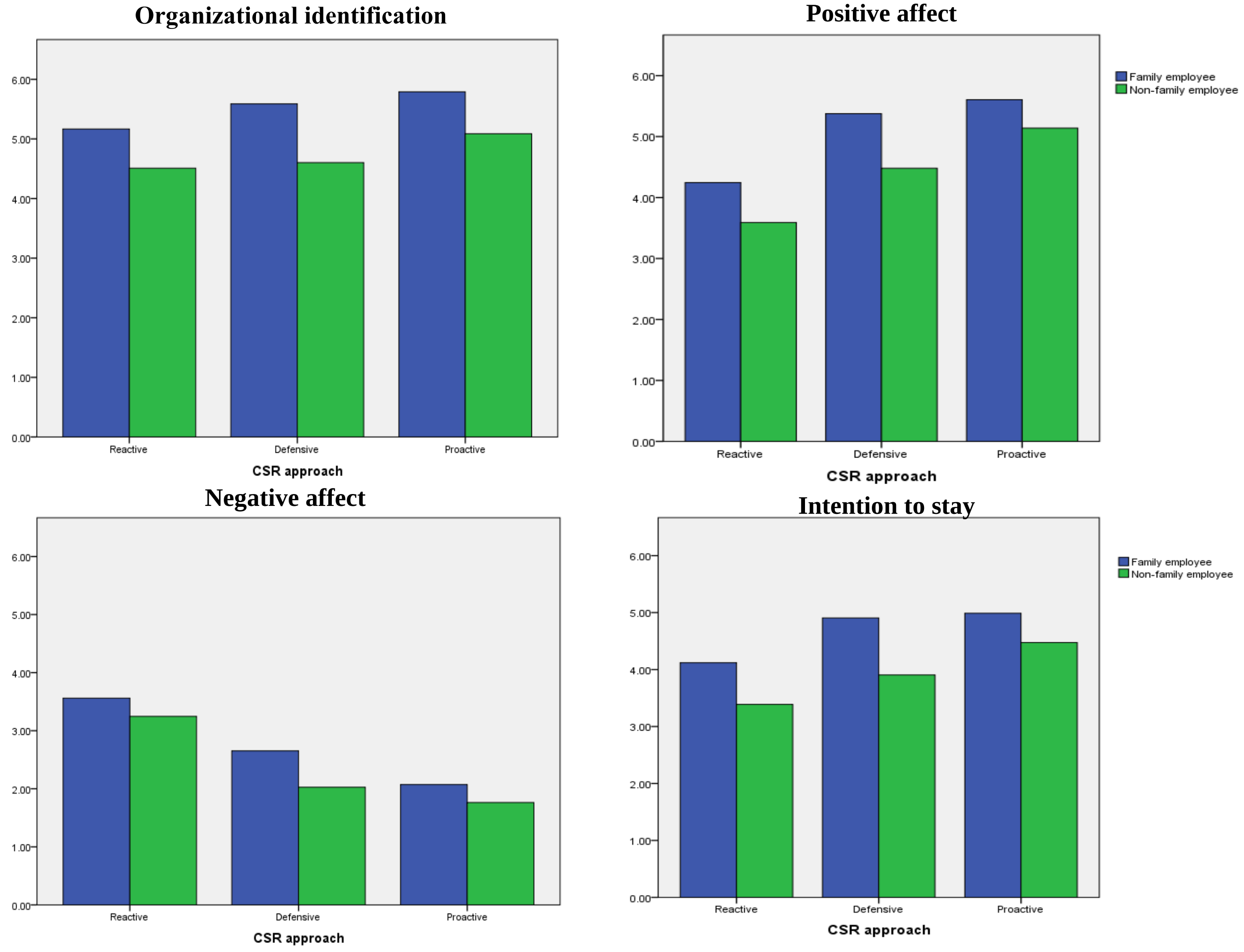


Figure 4 Paper II - Experiment 2: Means of post-condition dependent variables by the CSR strategic approach, family employee, and employee participation.

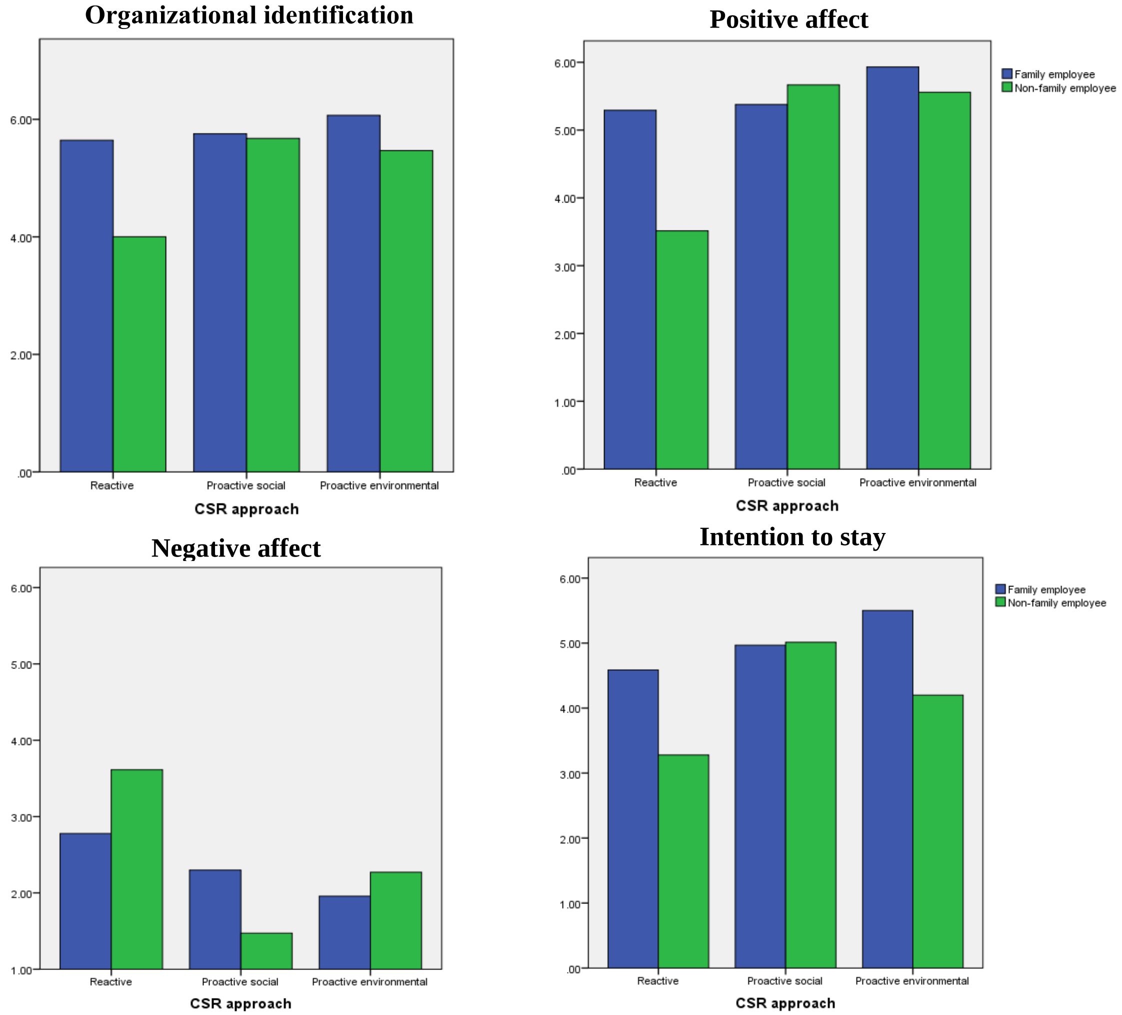


Figure 5 Paper II - Experiment 3: Means of post-condition dependent variables by the CSR strategic approach, family employee, and employee participation.

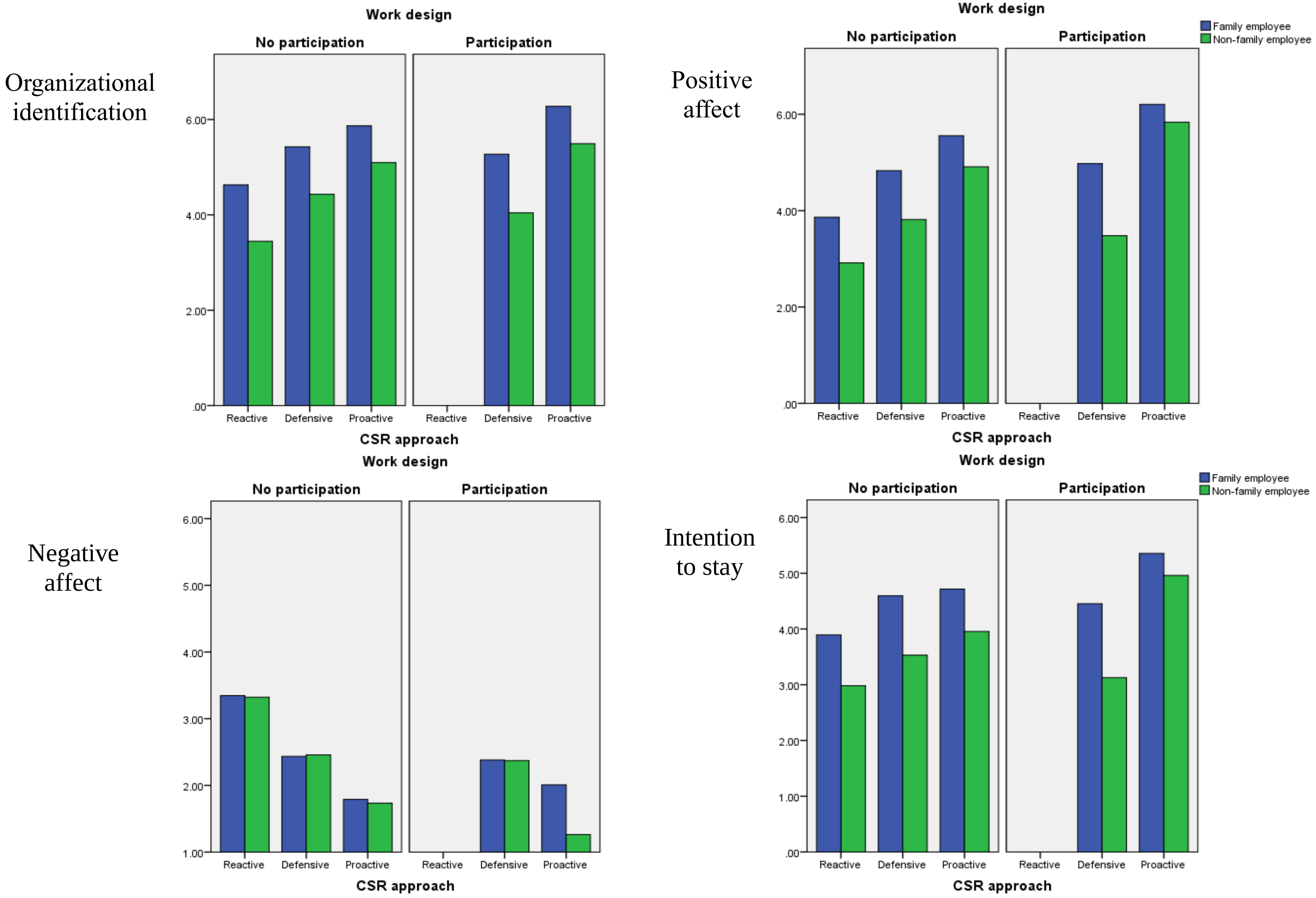


Figure 6

Paper III- Experiment 2: Means of corporate evaluation, purchase, employment and investment intentions of the affiliate company in positive and negative conditions by business group factors.

Figure 6a: Corporate evaluation

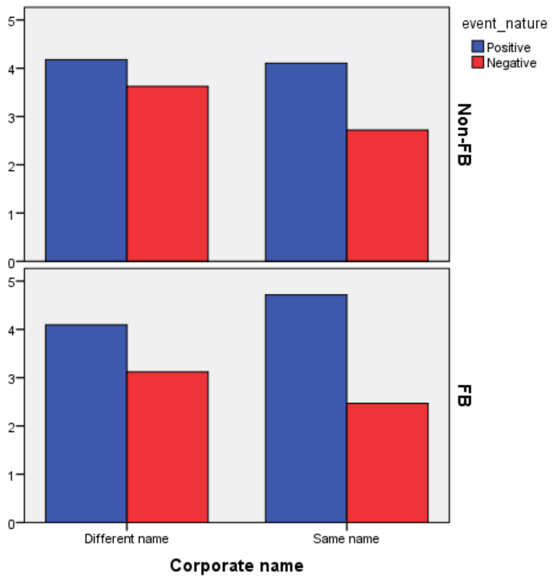


Figure 6b: Purchase intention

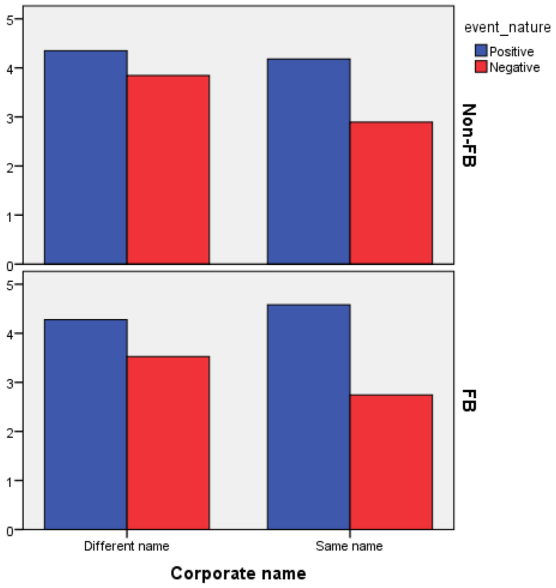


Figure 6c: Employment intention

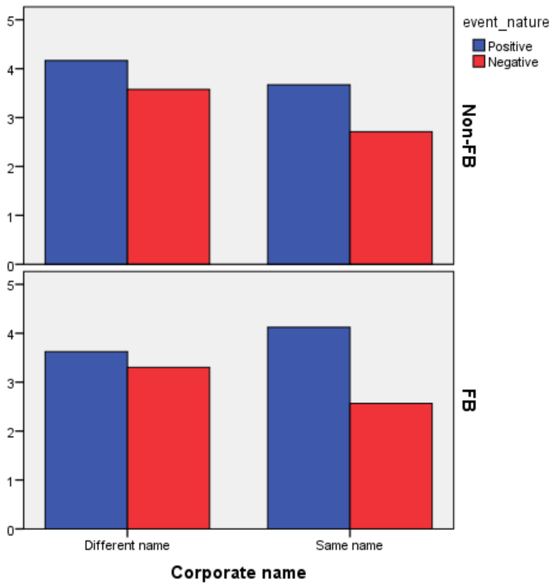
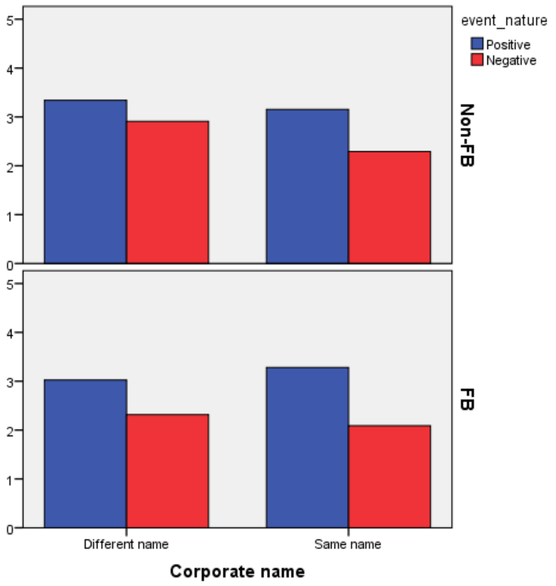


Figure 6d: Investment intention



Note: FB denotes the condition of a family business group, and Non-FB denotes the condition of a non-family business group.

Figure 7

Paper III - Experiment 3: Means of corporate evaluation, purchase, employment and investment intentions of the affiliate company in positive and negative conditions by business group factors.

Figure 7a: Corporate evaluation

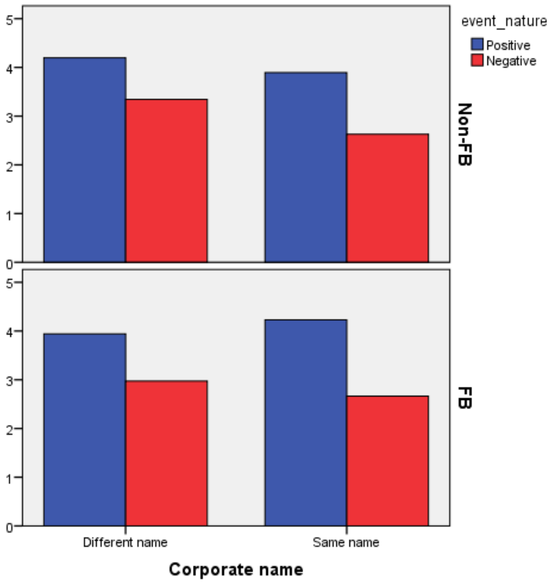


Figure 7b: Purchase intention

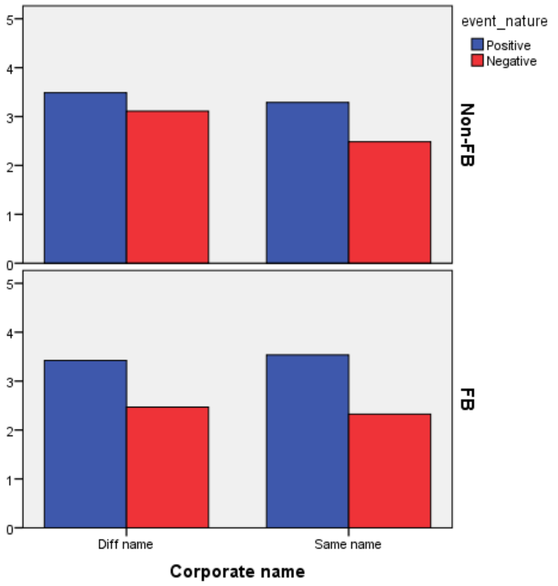


Figure 7c: Employment intention

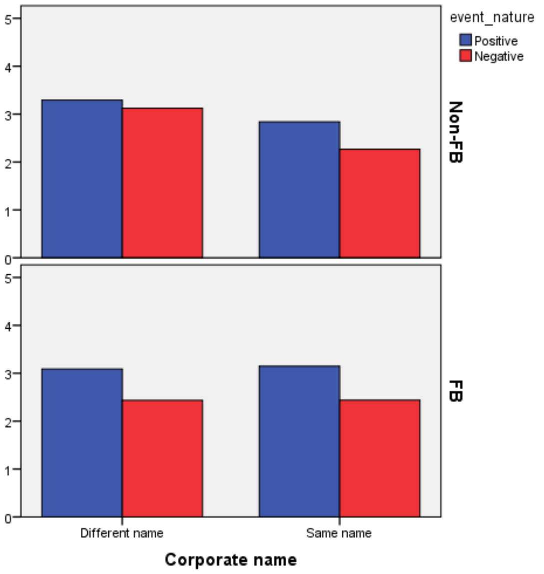
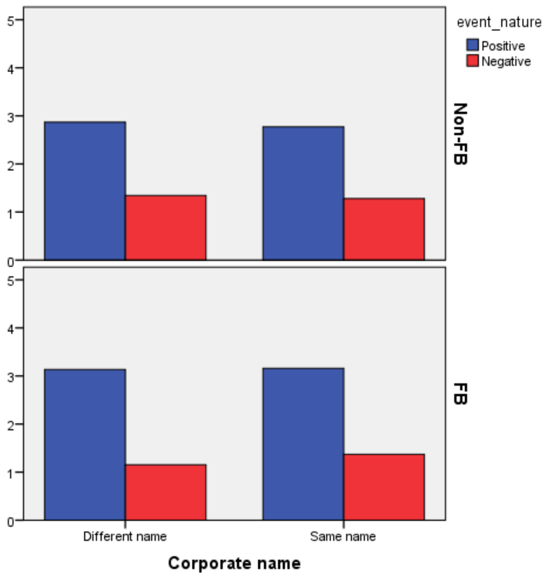


Figure 7d: Investment intention



Note: FB denotes the condition of a family business group, and Non-FB denotes the condition of a non-family business group.

TABLES

Table 1

Paper II- Experiment 1: Effect of the CSR strategic approach, CSR issue, and employee's family relationship on employees' reaction.

Variables	**Organizational Identification**	**Positive Affect**	**Negative Affect**	**Intention to Stay**
CSR strategic approach	16.68 ***	59.39 ***	43.93 ***	22.85 ***
CSR issue	3.63 †	5.22 *	0.5	0.94
Non-family employee	2.02	0.07	6.38 **	0.27
Interactions				
CSR strategic approach * CSR issue	1.33	2.42 †	1.44	1.47
CSR strategic approach * Non-family employee	2.67 †	0.65	0.14	0.68
CSR issue * Non-family employee	0	0.43	0.18	0.13
CSR strategic approach * CSR issue * Non-family employee	0.06	0.39	0.92	1.27
N	398	397	398	397
Adjusted R2	0.54	0.47	0.42	0.45

Note: F-tests after controlling for the pre-condition dependent variable and other control variables.

† $p < 0.1$
* $p < 0.05$
** $p < 0.01$
*** $p < 0.001$

Table 2

Paper II- Experiment 2: Direct effect and conditional indirect effect of the CSR strategic approach on employees' reaction through the social identity of the family firm, split by employee groups between family and non-family employees

	Organizational Identification				Positive Affect				Negative Affect				Intention to Stay			
	Effect	**SE**	**LLCI (95%)**	**ULCI (95%)**	**Effect**	**SE**	**LLCI (95%)**	**ULCI (95%)**	**Effect**	**SE**	**LLCI (95%)**	**ULCI (95%)**	**Effect**	**SE**	**LLCI (95%)**	**ULCI (95%)**
Direct effect	0.03	0.11	-0.19	0.25	0.13	0.12	-0.10	0.37	**-0.29**	0.14	-0.57	-0.01	0.14	0.14	-0.13	0.41
Conditional Indirect effect through																
1. CSR ID for																
Family employee	**0.32**	0.11	0.13	0.58	**0.40**	0.13	0.18	0.69	**-0.22**	0.09	-0.42	-0.07	**0.33**	0.13	0.09	0.64
Non-family employee	**0.99**	0.21	0.64	1.46	**1.19**	0.22	0.80	1.66	**-0.75**	0.19	-1.16	-0.40	**1.25**	0.23	0.85	1.76
2. CA ID for																
Family employee	**0.09**	0.05	0.01	0.23	**0.14**	0.07	0.04	0.32	**-0.12**	0.07	-0.31	-0.02	-0.01	0.04	-0.13	0.04
Non-family employee	**0.20**	0.11	0.02	0.44	**0.31**	0.12	0.12	0.57	**-0.32**	0.13	-0.66	-0.11	-0.04	0.11	-0.25	0.16

Note: 1,000 iterations of bias-corrected bootstrap samples (N = 352). Effects with CIs that do not include zero are statistically significant and bolded.

Table 3

Paper II- Experiment 3: Direct effect and conditional indirect effect of the CSR strategic approach on employees through the social identity of the family firm, conditioned on employee group and participative design

	Organizational Identification				**Positive Affect**				**Negative Affect**				**Intention to Stay**			
	Effect	**SE**	**LLCL (95%)**	**ULCI (95%)**	**Effect**	**SE**	**LLCL (95%)**	**ULCI (95%)**	**Effect**	**SE**	**LLCL (95%)**	**ULCI (95%)**	**Effect**	**SE**	**LLCL (95%)**	**ULCI (95%)**
Direct effect	-0.05	0.08	-0.21	0.11	0.00	0.09	-0.18	0.18	0.06	0.08	-0.11	0.22	**-0.33**	0.11	-0.55	-0.10
Conditional Indirect effect through																
1.CSR ID																
Family employee x No participation	**0.60**	0.11	0.39	0.84	**0.77**	0.13	0.53	1.03	**-0.65**	0.11	-0.87	-0.45	**0.66**	0.13	0.44	0.94
Family employee x Participation	**0.69**	0.17	0.42	1.10	**0.90**	0.19	0.56	1.34	**-0.75**	0.17	-1.14	-0.46	**0.79**	0.19	0.46	1.24
Non-family employee x No participation	**0.62**	0.11	0.42	0.86	**0.81**	0.12	0.59	1.06	**-0.68**	0.10	-0.90	-0.50	**0.70**	0.13	0.48	0.98
Non-family employee x Participation	**1.11**	0.22	0.73	1.57	**1.44**	0.26	0.99	2.02	**-1.22**	0.22	-1.67	-0.84	**1.30**	0.26	0.87	1.83
2.CA ID																
Family employee x No participation	**0.12**	0.06	0.02	0.24	**0.17**	0.07	0.06	0.32	**-0.13**	0.06	-0.28	-0.04	**0.16**	0.07	0.04	0.33
Family employee x Participation	**0.14**	0.08	0.03	0.38	**0.20**	0.10	0.05	0.46	**-0.16**	0.09	-0.39	-0.03	**0.19**	0.11	0.04	0.50
Non-family employee x No participation	**0.12**	0.06	0.02	0.24	**0.17**	0.06	0.06	0.31	**-0.13**	0.06	-0.27	-0.04	**0.16**	0.07	0.04	0.31
Non-family employee x Participation	**0.24**	0.10	0.06	0.48	**0.34**	0.12	0.14	0.62	**-0.26**	0.10	-0.51	-0.10	**0.33**	0.14	0.09	0.64

Note: 1,000 iterations of bias-corrected bootstrap samples (N = 346). Effects with CIs that do not include zero are statistically significant and bolded.

Table 4

Paper III - Summary of findings

Hypotheses	**Findings**
1. Negative CA event has stronger reputation spillover than a CSR event.	Support (from Experiments 1–3).
2. The more the inter-organizational connections (i.e., sharing name and family ownership), the stronger the reputation spillovers.	Support (from Experiment 2-3).
3. Name connection strengthens positive spillovers more than family ownership connection does.	Significant but unexpected findings (from Experiments 2 and 3): Family ownership connection is the main mechanism of positive reputation spillovers. It provides more prevalent effects on more dependent variables than name connection does.
4. Name connection strengthens negative spillovers as much as family ownership connection does.	Significant but unexpected findings (from Experiments 2 and 3): Name connection provides more prevalent effects on more dependent variables than family ownership connection does.

APPENDICES

Appendix A: Paper II – Experimental Procedure and Questionnaire

General introduction

This research tries to understand your working situation in the organization owned or/and managed by members of a family, (who share blood or marriage ties). If you are not working in such an organization, please feel free to leave this web-page now. You will first see some questions trying to understand how you feel about your current work organization. Afterward, you will read a hypothetical scenario about your work organization, and we will ask your feeling again. There are no right or wrong answers to all the questions in this study. Please use your direct feeling and best judgment to answer the questions. The whole questionnaire does not have any question for the identity of your own or your work organization. It is completely anonymous and the collected information is for the use of academic research only. Participation in this research is completely voluntary. You have the right to withdraw at any time. If you decide to withdraw, please directly close your Internet browser.

Characteristics of participants' work organizations (screening questions in Experiment 1, 2 & 3)

1. <u>Ownership structure</u>. Is your working organization a publicly-traded or privately-held company?
    a. If it is a publicly-traded firm, are there at least two members of a family holding more than 25% of shares?
    b. If it is a privately-held firm, are there at least two members of a family holding more than 50% of shares?
2. <u>Managerial structure.</u> Are there at least two members of a family holding executive-level or

higher positions (such as chief executive officer, chief financial officer, president, vice president, etc.) in your work organization?

3. Governance structure. Is there a board of directors in your work organization? If yes, are there at least two members of a family in the board?

4. Firm size. What is the estimated total employee numbers of your work organization?

1-10	11-49	50-249	250-500	>500

5. Financial performance. What is the average annual revenue of your work organization in the past three years?

< 2 million	2 – 10 million	10 – 50 million	>50 million

6. Industry. In which industry is your work organization?

Forestry, fishing, hunting or agriculture support	Real estate or rental and leasing	Mining	Professional, scientific or technical services	Utilities
Management of companies or enterprises	Construction	Admin, support, waste management or remediation services	Manufacturing	Educational services
Wholesale trade	Health care or social assistance	Retail trade	Arts, entertainment or recreation	Transportation or warehousing
Accommodation or food services	Information	Other services (except public administration)	Finance or insurance	Unclassified establishments

7. Family employees. (*Conditional factor*) Do you have any family member who is a major shareholder, executive-level manager or director in the board of your work organization?

Pre-condition indirect factors

Firm identity (in Experiment 2 & 3). To what extent do you agree that the following attributes describe your work organization? (1 means strongly disagree and 7 means strongly agree) (David et al., 2005)

CA identity	Experienced	Skilled	Expert	Innovative
CSR identity	Sincere	Trustworthy	Compassionate	Activitst

Organizational attractiveness (in Experiment 3). To what extent do you agree with the following statements about your feeling with your work organization? (1 means strongly disagree and 7 means strongly agree) (Highhouse et al., 2003)

- For me, this organization is a good place to work.
- This organization is attractive to me as a place for employment.
- I am interested in understanding more about this organization.
- My job at this organization is very appealing to me

Psychological empowerment (in Experiment 3). To what extent do you agree with the following statements about your feeling with your work organization? (1 means strongly disagree and 7 means strongly agree) (Spreitzer, 1995)

- The work I do is very important to me.
- My job activities are personally meaningful to me.
- The work I do is meaningful to me.
- I am confident about my ability to do my job.
- I am self-assured about my capabilities to perform my work activities.
- I have mastered the skills necessary for my job.
- I have significant autonomy in determining how I do my job.

- I can decide on my own how to go about doing my work.
- I have considerable opportunity for independence and freedom in how I do my job.
- My impact on what happens in my work unit is large.
- I have a great deal of control over what happens in my work unit.
- I have significant influence over what happens in my work unit.

Pre-condition dependent variables (as control variables in Experiment 1, 2 & 3)

Identification. To what extent do you agree with the following statements? (1 means strongly disagree and 7 means strongly agree) (Mael & Ashforth, 1992)

- I am very interested in what others think about my organization.
- When I talk about my organization, I usually say 'we' rather than 'they'.
- The organizational successes are my successes.
- When someone praises my organization, it feels like a personal compliment

Positive affect. To what extent do you feel about your work organization? (1 means not at all and 7 means extremely.) (Watson et al., 1988)

Enthusiastic	Interested	Determined	Inspired	Proud

Negative affect. To what extent do you feel about your work organization? (1 means not at all and 7 means extremely.) (Watson et al., 1988)

Afraid	Upset	Distressed	Ashamed	Hostile

Intention to stay. To what extent do you agree with the following statements? (1 means strongly disagree and 7 means strongly agree) (Cropanzano et al., 1993)

- The chances of me quitting my job in the next year are low.
- I would like to remain employed here for as long as I can.

- If I were offered another job for more money doing similar work, I would consider taking it.

CSR knowledge (in Experiment 1, 2 & 3)

- To what extent are you familiar with the Corporate Social Responsibility (CSR)[5] activities of your work organization? (1 means extremely unfamiliar and 7 means extremely familiar).
- Could you use 1 to 3 brief sentences to describe the overall current CSR activities of your work organization?

Manipulation

You will read a hypothetical statement about your work organization. Please read the statement carefully and imagine that it truly happens in your work organization. There will be questions asking how you feel about your work organization, based on what you read. You could simply answer with your direct feelings.

<u>Reactive CSR approach in environmental issue.</u> Regardless of what CSR activities your organization has now, imagine that your work organization has decided it will not initiate new environmental activities in the future. For instance, it will not respond to a call for controlling its production waste, greenhouse gas emission, or improving its energy efficiency.

<u>Reactive CSR approach in social issue.</u> Regardless of what CSR activities your organization has now, imagine that your work organization has decided it will not initiate new social activities in the future. For instance, it will not respond to a call for a philanthropic donation, developing local community, or monitoring the labor right situations of its supply chain.

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[5] According to The World Business Council for Sustainable Development (WBCSD), corporate social responsibility (CSR) is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large. For instance, it can include activities in environmental protection, labor rights, diversity promotion, human right advocacy, etc.)

Defensive CSR approach in environmental issue. Regardless of what CSR activities your organization has now, imagine that your work organization has decided it will initiate new environmental activities only to an extent required by the regulation. For instance, it will control its production waste, reduce its greenhouse gas emission or improve its energy efficiency only if the government requests it to do so.

Defensive CSR approach in social issue. Regardless of what CSR activities your organization has now, imagine that your work organization has decided it will initiate new social activities only to an extent required by the regulation. For instance, it will allocate resources to develop the local community or monitor the labor right situations of its supply chain only if the government requests it to do so.

Proactive CSR approach in environmental issue. Regardless of what CSR activities your organization has now, imagine that your work organization has decided to take environmental issues as parts of its core mission and to proactively initiate new activities addressing these issues. For instance, it will have persistent research and development programs to minimize the environmental impacts of its production, voluntarily reduce its greenhouse gas emission, or improve its energy efficiency beyond the legal requirement.

Proactive CSR approach in social issue. Regardless of what CSR activities your organization has now, imagine that your work organization has decided to take social issues as its parts of its core mission and to proactively initiate new activities addressing these issues. For instance, it will make persistent philanthropy donations, maintain an employee volunteer program or actively monitor the labor right situations of its supply chain every year.

With opportunity to participate. (in Experiment 3) In your organization's new CSR strategy, it will give you opportunities to participate in the decision making process for its future CSR activity. For example, you will have chances to initiate and be in charge of your own CSR project, be a coordinator of different CSR projects, or be consulted for launching a new CSR project.

Without opportunity to participate. (in Experiment 3) In your organization's new CSR strategy, it will not involve you in its decision making process of its future CSR activity. A specific team will decide all the CSR projects, and you will only be assigned with the tasks related to the administration or execution of the instructions.

Manipulation checks

CSR strategic approach. (in Experiment 1, 2 & 3) How would you describe the new CSR strategy of your work organization?

No CSR	Following the regulation	Proactively go beyond the regulation

CSR issue. (in Experiment 1 & 2) On what issues does this NEW CSR strategy of your work organization focus?

Social issues (e.g. donation and volunteer for the charity cause)	Environmental issue (e.g. reduction of greenhouse gas emission)

Work design. (in Experiment 3) In your work organization's NEW CSR strategy, do you have an opportunity to participate in the decision making process? Yes/No

Value fit (control variables in Experiment 2)

Fit of CSR with personal value. To what extent do you agree with the following statement about the relationship between the new CSR strategy of your work organization and your personal value? (1 means strongly disagree and 7 means strongly agree) (Lee et al., 2012)

- The new CSR activities are relevant to my value.
- The new CSR activities are important to my value.
- The new CSR activities worth my thinking.
- The new CSR activities are similar to my value.

Fit of CSR with organizational value. To what extent do you agree with the following statement about the relationship between the new CSR strategy and the value of your work organization? (1 means strongly disagree and 7 means strongly agree) (Deng & Xu, in press; Ellen et al., 2006)

- The new CSR activities fit with our business.
- The new CSR activities are relevant to our business.
- The new CSR activities are appropriate for our corporate image.

Post-condition indirect factors (in Experiment 2 & 3)

Repeated measure of the pre-condition indirect factors.

Post-condition dependent variables (dependent variables in Experiment 1, 2 & 3)

Repeated measure of the pre-condition dependent variables.

Screening questions (in Experiment 1, 2 & 3)

- Family firm. I am working in a family owned or/and managed organization. Yes/No
- Family employee. I have a family member who holds a majority of shares of and/or works as an executive-level manager in the same organization I work for. Yes/No

Demographic attributes (in Experiment 1, 2 & 3)

- What is your gender?
- How old are you (in years)?
- What is the highest education level you have completed?

High School or less	College/University	Master degree	Doctoral degree

- What is your annual income range in the past year?

Below $20,000	$20,000 - $29,999	$30,000 - $39,999	$40,000 - $49,999	$50,000 - $59,999
$60,000 - $69,999	$70,000 - $79,999	$80,000 - $89,999	$90,000 or more	

Research purpose. (in Experiment 1, 2 & 3)

- Can you guess what this research is about?

Appendix B: Paper III – Procedures and Questionnaire of Experiment 1 & 2

General introduction

This research tries to understand your feeling and reaction to a corporate event. You will first read a scenario of a company, and we will ask your feeling about the company and other related company. There is no right or wrong answer to all the questions in this research. All the scenarios you read are hypothetical. The appearing names do not refer to any actual entity in the real world. The whole questionnaire does not have any question for your personal identity. It is completely anonymous and the collected information is for the use of academic research only. Participation in this research is completely voluntary. You have the right to withdraw at any time.

Manipulation – the business group and the focal company's event

<u>Non-family business with different name affiliates and a negative CA event</u>

Azzdar Group is a business group with a widely-distributed ownership (i.e. NO majority shareholders). The Azzdar Group owns different affiliate companies across various industries.

This year, one of its affiliate companies, Merdon Oil Company, is found that it sells non-edible oil as edible products on the consumer food market. It uses recycled oil and animal-fed oil as the main ingredients to produce its cooking oil on the market. After the exposure, it is forced to withdraw all its cooking oil products, and is now under the legal investigation.

Non-family business with different name affiliates and a negative CSR event

Azzdar Group is a business group with a widely-distributed ownership (i.e. NO majority shareholders). The Azzdar Group owns different affiliate companies across various industries. One of its affiliate companies, Merdon Oil Company, has been in a struggle with the local community where its factory is located for years. The local community has filed complaints several times to both the company and the government about the permeating odors from its factory. However, as the government does not find any legal violation of Air Pollution Control Act, thus the company does not respond to the request of the local community to address the issue.

Non-family business with different name affiliates and a positive CA event

Azzdar Group is a business group with a widely-distributed ownership (i.e. NO majority shareholders). The Azzdar Group owns different affiliate companies across various industries. One of its affiliate companies, Merdon Oil Company, has consistently invested in its quality control system and testing laboratory. Its state-of-the-art laboratory and quality control system has been recognized by International Laboratory Accreditation Cooperation (ILAC), governments and various consumer organizations. The quality of its oil products is generally considered as one of the best in the industry.

Non-family business with different name affiliates and a positive CSR event

Azzdar Group is a business group with a widely-distributed ownership (i.e. NO majority shareholders). The Azzdar Group owns different affiliate companies across various industries.

One of its affiliate companies, Merdon Oil Company, has made consistently donation to various educational institutions in the local community over years. It provides scholarships for economically disadvantaged students for college education, builds schools, and funds education programs in developing countries. It has demonstrated a strong commitment to the education cause in the local community.

<u>Family business with different name affiliates and a negative CA event</u>

Azzdar Group is a business group owned and managed by a single family, the Carrolli family. The Azzdar Group owns different affiliate companies across various industries.

This year, one of its affiliate companies, Merdon Oil Company, is found that it sells non-edible oil as edible products on the consumer food market. It uses recycled oil and animal-fed oil as the main ingredients to produce its cooking oil on the market. After the exposure, it is forced to withdraw all its cooking oil products, and is now under the legal investigation.

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Non-family business with same name affiliates and a positive CSR event

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One of its affiliate companies, Azzdar Oil Company, has made consistently donation to various educational institutions in the local community over years. It provides scholarships for economically disadvantaged students for college education, builds schools, and funds education programs in developing countries. It has demonstrated a strong commitment to the education cause in the local community.

<u>Family business with same name affiliates and a negative CA event</u>

Carrolli Group is a business group owned and managed by a single family, the Carrolli family. The Carrolli Group owns different affiliate companies across various industries.

This year, one of its affiliate companies, Carrolli Oil Company, is found that it sells non-edible oil as edible products on the consumer food market. It uses recycled oil and animal-fed oil as the main ingredients to produce its cooking oil on the market. After the exposure, it is forced to withdraw all its cooking oil products, and is now under the legal investigation.

<u>Family business with same name affiliates and a negative CSR event</u>

Carrolli Group is a business group owned and managed by a single family, the Carrolli family. The Carrolli Group owns different affiliate companies across various industries.

One of its affiliate companies, Carrolli Oil Company, has been in a struggle with the local community where its factory is located for years. The local community has filed complaints several times to both the company and the government about the permeating odors from its factory. However, as the government does not find any legal violation of Air Pollution Control Act, thus the company does not respond to the request of the local community to address the issue.

<u>Family business with same name affiliates and a positive CA event</u>

Carrolli Group is a business group owned and managed by a single family, the Carrolli family. The Carrolli Group owns different affiliate companies across various industries.

One of its affiliate companies, Carrolli Oil Company, has consistently invested in its quality control system and testing laboratory. Its state-of-the-art laboratory and quality control system has been recognized by International Laboratory Accreditation Cooperation (ILAC), governments and various consumer organizations. The quality of its oil products is generally considered as one of the best in the industry.

<u>Family business with same name affiliates and a positive CSR event</u>

Carrolli Group is a business group owned and managed by a single family, the Carrolli family. The Carrolli Group owns different affiliate companies across various industries.

One of its affiliate companies, Carrolli Oil Company, has made consistently donation to various educational institutions over years. It provides scholarships for economically disadvantaged students for college education, builds schools, and funds education programs in developing countries. It has demonstrated a strong commitment to the education cause.

<u>Control condition</u>

Azzdar Group is a business group with a widely-distributed ownership (i.e. NO majority shareholders). The Azzdar Group owns different affiliate companies across various industries.

One of its affiliate companies, Merdon Oil Company, produces and sells different types of cooking oils on the consumer food market. It has a wide range of products, including olive oil, vegetable oil, lard, etc. Its products can be found in various supermarkets and distribution channels. Additionally, the company also sells its products to corporate customers, such as restaurants or other food companies.

Manipulation check – business group and focal company's event

- Is the business group in the scenario controlled by majority shareholders (e.g. a family etc.)?
- Does this oil company have a similar corporate name as the business group?

Event attributions. Based on the information you just read and your direct feeling, to what extent do you associate the following descriptions with this Oil Company? (1 means strongly disagree, and 7 means strongly agree) (Berens et al. 2005; Brown and Dacin 1997; Kim 2011)

CA	Innovative products	Good quality products	Efficient manufacturing facilities	Expertise in manufacturing of products	Market leadership
CSR	Environmental responsibility	Philanthropic giving	Great care for communities	Educational commitment	Commitment to public health

Focal company's reputation (control variables)

Overall evaluation. Based on the information you just read and your direct feeling, to what extent do you agree with the following description about this Oil company? (1 means strongly disagree, and 7 means strongly agree) (Brown and Dacin 1997; Kim 2014; Yoon et al. 2006)

Reliable	Trustworthy	Attractive	I like this company	I have a favorable impression about it

Behavioral intention. Assuming that this oil company is a real company, to what degree are you likely to interact with this company in the following way? (1 means strongly disagree, and 7 means strongly agree) (Alniacik et al., 2011; Sen et al., 2006)

Purchase its products	Try its new products	Seek employment with it	Accept its job offer	Invest my additional saving into it

Manipulation – another affiliate company

Non-family business group with different name affiliates.

Assume that the Azzdar Group also owns another telecommunication company, Sinel Telecom. Sinel Telecom provides various telecommunication services, including mobile and broadband services to consumers.

<u>Family business group with different name affiliates</u>

Assume that the Azzdar Group (controlled by the Carrolli family) also owns another telecommunication company, Sinel Telecom. Sinel Telecom provides various telecommunication services, including mobile and broadband services to consumers.

<u>Non-family business group with same name affiliates</u>

Assume that the Azzdar Group also owns another telecommunication company, Azzdar Telecom. Azzdar Telecom provides various telecommunication services, including mobile and broadband services to consumers.

<u>Family business group with same name affiliates</u>

Assume that the Carrolli Group (controlled by the Carrolli family) also owns another telecommunication company, Carrolli Telecom. Carrolli Telecom provides various telecommunication services, including mobile and broadband services to consumers.

Manipulation check – Affiliate company

- This business group is …. owned by a single family or owned by widely distributed shareholders?
- Does this real estate company have a corporate name … similar or different to the name of the business group?

Affiliate company's reputation (dependent variables)

Similar measure as those for the focal company.

Demographic attributes

- What is your gender?
- How old are you (in years)?

- What is the highest education level you have completed?

High School or less	College/University	Master degree	Doctoral degree

- What is your annual income range in the past year?

Below $20,000	$20,000 - $29,999	$30,000 - $39,999	$40,000 - $49,999	$50,000 - $59,999
$60,000 - $69,999	$70,000 - $79,999	$80,000 - $89,999	$90,000 or more	

Research purpose

- Can you guess what this research is about?

Appendix C: Paper III – Manipulation and Additional Measures in Experiment 3

Manipulation – business group and focal company

<u>Non-family business group with different name affiliates</u>

Loblaw Group is a business group owns different affiliate companies across various industries, including clothing, retail, real estate, etc. Joe Fresh is a clothing company affiliated with Loblaw Group.

<u>Family business group with different name affiliates</u>

Edizione Group is a business group owns different affiliate companies across various industries, including clothing, retail, real estate, etc. Sisley is a clothing company affiliated with Edizione Group.

<u>Non-family business group with same name affiliates</u>

Loblaw Group is a business group owns different affiliate companies across various industries, including clothing, retail, real estate, etc. Loblaw Apparel is a clothing company affiliated with Loblaw Group.

<u>Family business group with same name affiliates</u>

Benetton Group is a business group owns different affiliate companies across various industries, including clothing, retail, real estate, etc. United Colors of Benetton is a clothing company affiliated with Benetton Group.

Ex ante awareness and evaluation of business group and focal company (control variables)

Business group.

Have you heard of Loblaw/Benetton Group? Yes/No

If yes, based on your direct feeling about Loblaw/Benetton Group, to what extent do you agree with the following statement? (1means strongly disagree, and 7 means strongly agree) (Ponzi et al., 2011)

- It is a company I have a good feeling about.
- It is a company that I trust.
- It is a company that I admire and respect.
- It has a good overall reputation.

Focal company.

Have you heard of Joe Fresh/Sisley/Loblaw Apparel/United Colors of Benetton? Yes/No

If yes, based on your direct feeling about Joe Fresh/Sisley/Loblaw Apparel/United Colors of Benetton, to what extent do you agree with the following description of your feeling toward this clothing company? (1means strongly disagree, and 7 means strongly agree) (Brown & Dacin, 1997; Kim, 2014)

Reliable	Trustworthy	Attractive	I like this company	I have a favorable impression about it

Manipulation – focal company's event

<u>Non-family business group with different name affiliates and a negative CA event.</u>

Loblaw Group is a business group with widely-distributed ownership.

Two years ago, a factory of its clothing company, Joe Fresh, collapsed, causing injuries in the neighborhood. The company first denied its responsibility, but later evidence indicates that the company fails several rules for production factories. Despite the evidence, the company still refuses to compensate the victims of the collapsed factory.

<u>Non-family business group with different name affiliates and a negative CSR event.</u>

Loblaw Group is a business group with widely-distributed ownership.

Two years ago, its clothing company, Joe Fresh, purchased a land from a government. Afterward, it evicted indigenous people who later became unemployed due to the loss of lands for farming. Despite the local and international pressure for the company, it still refuses to restore the land to the indigenous community.

<u>Non-family business group with different name affiliates and a positive CA event.</u>

Loblaw Group is a business group with widely-distributed ownership.

Since two years ago, its clothing company, Joe Fresh, has launched a project to inform consumers about its factory procedures regarding the use of harmful substances in clothing. It adopts a certification from an international organization for consumer goods quality and safety. The certification indicates that the company's products meet exceptionally high chemical and mechanical safety standards.

<u>Non-family business group with different name affiliates and a positive CSR event.</u>

Loblaw Group is a business group with widely-distributed ownership.

Two years ago, its clothing company, Joe Fresh, purchased a land from a government. Afterward, it has made consistent investments to the development of the local community. It helps the building of various infrastructure in the neighborhood and the employment of the indigenous people.

Family business group with different name affiliates and a negative CA event.

Edizione Group is a business group owned and managed by a single family, the Benetton family. Two years ago, a factory of its clothing company, Sisley, collapsed, causing injuries in the neighborhood. The company first denied its responsibility, but later evidence indicates that the company fails several rules for production factories. Despite the evidence, the company still refuses to compensate the victims of the collapsed factory.

Family business group with different name affiliates and a negative CSR event.

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Family business group with different name affiliates and a positive CA event.

Edizione Group is a business group owned and managed by a single family, the Benetton family. Since two years ago, its clothing company, Sisley, has launched a project to inform consumers about its factory procedures regarding the use of harmful substances in clothing. It adopts a certification from an international organization for consumer goods quality and safety. The certification indicates that the company's products meet exceptionally high chemical and mechanical safety standards.

Family business group with different name affiliates and a positive CSR event.

Edizione Group is a business group owned and managed by a single family, the Benetton family. Two years ago, its clothing company, Sisley, purchased a land from a government. Afterward, it has made consistent investments to the development of the local community. It helps the building of various infrastructure in the neighborhood and the employment of the indigenous people.

Non-family business group with same name affiliates and a negative CA event.

Loblaw Group is a business group with widely-distributed ownership.

Two years ago, a factory of its clothing company, Loblaw Apparel, collapsed, causing injuries in the neighborhood. The company first denied its responsibility, but later evidence indicates that the company fails several rules for production factories. Despite the evidence, the company still refuses to compensate the victims of the collapsed factory.

Non-family business group with same name affiliates and a negative CSR event.

Loblaw Group is a business group with widely-distributed ownership.

Two years ago, its clothing company, Loblaw Apparel, purchased a land from a government. Afterward, it evicted indigenous people who later became unemployed due to the loss of lands for farming. Despite the local and international pressure for the company, it still refuses to restore the land to the indigenous community.

Non-family business group with same name affiliates and a positive CA event.

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Non-family business group with same name affiliates and a positive CSR event.

Loblaw Group is a business group with widely-distributed ownership.

Two years ago, its clothing company, Loblaw Apparel, purchased a land from a government. Afterward, it has made consistent investments to the development of the local community. It helps the building of various infrastructure in the neighborhood and the employment of the indigenous people.

Family business group with same name affiliates and a negative CA event.

Benetton Group is a business group owned and managed by a single family, the Benetton family.

Two years ago, a factory of its clothing company, United Colors of Benetton, collapsed, causing injuries in the neighborhood. The company first denied its responsibility, but later evidence indicates that the company fails several rules for production factories. Despite the evidence, the company still refuses to compensate the victims of the collapsed factory.

Family business group with same name affiliates and a negative CSR event.

Benetton Group is a business group owned and managed by a single family, the Benetton family.

Two years ago, its clothing company, United Colors of Benetton, purchased a land from a government. Afterward, it evicted indigenous people who later became unemployed due to the loss of lands for farming. Despite the local and international pressure for the company, it still refuses to restore the land to the indigenous community.

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Family business group with same name affiliates and a positive CSR event.

Benetton Group is a business group owned and managed by a single family, the Benetton family. Two years ago, its clothing company, United Colors of Benetton, purchased a land from a government. Afterward, it has made consistent investments to the development of the local community. It helps the building of various infrastructure in the neighborhood and the employment of the indigenous people.

Control condition

Loblaw Group is a business group with widely-distributed ownership.

Its clothing company, Joe Fresh, has clothing collections for women and men. It offers a style universally recognized as encompassing design, taste, and a sense of beauty. The product range is broad, including apparel, elegant accessories, eyewear, fragrances and luggage.

Manipulation – another affiliate company

Non-family business group with different name affiliates

Loblaw Group (with widely-distributed ownership) has another affiliate company, Sintonia Properties, in the real estate industry. Sintonia Properties provides different services for real estate development and management. Its services include building, managing and leasing both commercial and residential properties.

Family business group with different name affiliates

Edizione Group (controlled by the Benetton family) has another affiliate company, Sintonia Properties, in the real estate industry. Sintonia Properties provides different services for real estate development and management. Its services include building, managing and leasing both commercial and residential properties.

Non-family business group with same name affiliates

Loblaw Group (with widely distributed ownership) has another affiliate company, Lowlaw Properties, in the real estate industry. Lowlaw Properties provides different services for real estate development and management. Its services include building, managing and leasing both commercial and residential properties.

Family business group with same name affiliates

Benetton Group (controlled by the Benetton family) has another affiliate company, Benetton Properties, in the real estate industry. Benetton Properties provides different services for real estate development and management. Its services include building, managing and leasing both commercial and residential properties.