ABSTRACT

In spite of the prevailing discourse on the importance of the CSR on employee satisfaction, mediating effect related to empirical and theoretical developments are scarce. We propose that CSR contributes to employee satisfaction by marketing innovation. The theoretical framework was empirically tested using multi-source data obtained from 303 observations of 101 Korean companies from 2008 to 2010. This study finds that marketing innovation fully mediates the effects of CSR on employee satisfaction. This study provides a plausible theoretical account and empirical validation of a mechanism through which CSR impacts on employee satisfaction.

KEYWORDS: Corporate social responsibility (CSR), Corporate fairness, Marketing innovation, and Employee satisfaction, SEM

INTRODUCTION

Corporate social responsibility (CSR) has received many spotlights from academicians and practitioners in the past several decades (Weber, 2008). In today’s competitive market environment, CSR represents conspicuous notion which may become a strategic driver of a company (Luo and Bhattacharya, 2006). In the previous paper, Murray and Vogel (1997) insist that CSR refers to as prosocial corporate efforts, which has traditionally been the managerial obligation of taking action to conserve both the welfare of the society and the interest of organizations (Davis and Blomstrom, 1975). On the other hand, a company may have utilized the strategic CSR within the face of increased competition. Therefore, a company may maintain the sustainability through strategic CSR. However, does it really tell the result of strategic CSR marketing innovation?

Within the marketing literature, CSR is closely related to strategic management perspectives (Van de Ven and Jeurissen, 2005). Husted and Allen (2007) assert that firms can take in their profits through differentiation strategy from competitors such as CSR advertising, recycling, “green polis” which is an educational tool to teach people how to be more environmentally sound, and so on. Luo and Bhattacharya (2006) insist that CSR of a company result in diverse benefits such as enhancing both the brand innovation and firm value. Therefore, CSR have been used as a strategically innovative tool for winning the competition in a company. Innovation may be one of the most important impetuses in sustaining a company that promotes
the company’s competitiveness (Sood and Tellis, 2009). Marketing innovation can be predicted a degree on a firm’s capacity to employ sustainable resources (Yalcinkaya, Calantone and Griffith, 2007). Marketing innovation will also be allowed to create value that connects to a firm’s performance. Coca Cola has changed bottling partners to “light weight” consistently, which result in reducing greenhouse gas emissions and inducing savings in several thousands of dollars (Lubin and Esty, 2010). There is a little research to study the relationship between CSR and marketing innovation on employee satisfaction. 

The purpose of this study is to investigate the effect of the CSR and marketing innovation on employee satisfaction. A theoretical background of the tendencies related in our purpose is first presented by an empirical research for CSR together with the marketing innovation as well as employee satisfaction. CSR is defined as corporate fairness, which means employees’ perception between the input and the outcome. Marketing innovation is designated in terms of two components, competitive promotional support and competitive advertising support. Then the concept of employee satisfaction is considered in detail by debate of how it can be built and managed. After the conceptual framework is summarized, research methods are described and the model based on the variables to test the hypotheses are defined. Lastly, this paper summarizes the main findings and areas which have been identified for future research.

**LITERATURE REVIEW AND HYPOTHESES/MODEL**

CSR is “a strategy of corporations that affect a various range of organizational attitudes and behaviors beyond organization commitment” (Husted, 2000). When a company builds CSR initiatives as a marketing strategy, employees pride themselves in a company’s policy and dedicate to the organization (Stawiski, Deal and Gentry, 2010). Drawing on prior research (Adams and Zutshi, 2004), we define CSR as a moral responsibility related to the corporate fairness (e.g., transparency, cooperation relationship of a company).

Our research model focuses on employee satisfaction. Employee satisfaction is defined as providing better pay, ongoing training, and making employee feel secure (Koy, 2003; Gursoy and Swanger, 2007). Employee satisfaction plays a pivotal role in making companies attain financial goals because higher level of employee satisfaction allows employees to be motivated and more diligent than unsatisfied employees (Koys, 2003; Chi and Gursoy, 2009). A company provides the customers with marketing innovation which is new or modified products/processes aimed at increasing firm performance (Naidoo, 2010). Therefore, we suggest that the logic for this argument is when a company gives employees satisfaction then the employees will take care of the customers.

As summarized in Fig. 1, we identify marketing innovation as firm-level intervening mechanism between CSR and employee satisfaction. Through stakeholder theory (Freeman, 1983), CSR is a formation of marketing strategy which is characterized by a double orientation toward the social improvement as well as stakeholders’ profit (Barnett, 2007). Employees as a stakeholder group can perceive CSR programs and actions, and they evaluate them (Rowley and Berman, 2000; Rupp et al., 2006). We contend that the support of CSR on employee satisfaction is possible to secure effective business strategies (Ramus and Steger, 2000). We explain below each of the hypotheses in detail.

<table>
<thead>
<tr>
<th>Control Variables</th>
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<tbody>
<tr>
<td>- Return on Asset (ROA)</td>
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<tr>
<td>- Firm Size</td>
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<td>- Firm Age</td>
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</table>
**Relationship of CSR and Employee Satisfaction**

Research on CSR supports the idea that fairness is related to favorable employee satisfaction. Collier and Esteban (2007) argue that CSR responses on employees can try approaching to stakeholder theory because employees are a pivotal element in having an influence on the firm value. Stawiski, Deal and Gentry (2010) recommend that our personal identities are connected as the member of a company, and feel that company work for the public. For instance, employees’ perceptions of their organizations’ strategy for the public may be linked to their level of organizational commitment. In line with these findings, we anticipate a positive relationship between the CSR and employee satisfaction.

Social identity theory (Akremi, Gond, and Swaen, 2015) comprehends why practical employees care about CSR initiatives evolved by the companies. CSR activities are more distinctive as well as fundamental and relatively enduring than other corporate activities (Sen and Bhattacharya, 2001). That means, employees can feel more fellowship through CSR activities. Fombrun and Shanley (1990) insist that firms focused on CSR tend to achieve positive public reputations. Employees may want to work for an ethical citizen like those volunteers for the public, who not only cares about the work itself but also takes after themselves and himself, respectively. Grounded on these theories, we predict that the CSR will be positively associated with employee satisfaction.

**H1: CSR is positively related to employee satisfaction.**

**CSR and Marketing Innovation as Intermediate Process**

The dominant theoretical perspective employed to explain the increased interest on CSR is driven by moral responsibility (Adams and Zutshi, 2004). It is related to the fairness, suggesting that companies acting morally responsible have a wide morality to their circumstance, workforce, and local communities. Fairness may be referred to as the degree to which an employee perceives proportion between the input and the outcome (Adam, 1965), which stems from fairness theory. If employees recognize that they have contributed abundant inputs in their jobs, they have a tendency to seek corporate fairness in rewards (Oliver and Swan, 1989). Moreover, Clemmer (1993) insists that corporate fairness is positively related to job satisfaction. For example, if a company evaluates its employees fairly, the employees may consent on the results of their evaluation and continue to exhibit commitment and satisfactory job performance even when they accept that the company seeks to ethical values below what the employees anticipate. Therefore, corporate fairness of a company can enhance employees’ perception positively and heighten employee satisfaction.

Such positive relationships between corporate fairness and employee satisfaction are likely to be realized through various intermediate processes involving the internal and external dynamics.
of the firm. We employ marketing innovation as intermediary mechanisms that translate the effect of CSR on employee satisfaction. CSR initiatives can cause innovations through the use of social, environmental, or sustainability drivers to create new products and services (Mahlouji and Anaraki, 2009). Hockerts and Morsing (2008) introduce CSR on the firm’s strategy that results from promoting social goods and services. Such activities may cause a firm embodying socially responsible attributes in a product or service. Mahlouji and Anaraki (2009) also explain marketing innovation and CSR as the cues of dynamic capability approach for providing a source of competitive advantage. Therefore, we propose the following hypotheses:

**H2: Corporate fairness is positively related to marketing innovation.**

**Relationship of Marketing Innovation and Employee Satisfaction**

Marketing innovation is a strategy of corporations that improve in the marketing mix to obtain a prevailing position in a highly competitive environment. It is able to reinvigorate a company that it requires exploiting the firm’s resource based theory (Hu and Hsu, 2008; Kaminski et al., 2008). The pivotal factors of marketing innovation are promotional support and advertising strategy (Nystrom and Starbuck, 1981). They are focus on generating superior capabilities from a common circumstance of company capabilities as resulting in the development of the supply chain (Holland, Light and Kawaleki, 1999). Especially, marketing innovation can effect on the sustainable profitability when a company repeatedly develops valuable innovations for marketing innovation (Wuyts, Dutta, and Stremersch, 2004). For example, the exposure of a product or a service through a promotional activity or an advertisement can affect a firm value so that employees will take the future financial reward (Boles, Wood, Johnson, 2003). Thus, such marketing innovation is likely to increase positive work attitudes of employees, which improve their job satisfaction.

**H3: Marketing innovation is positively related to employee satisfaction.**

**Mediating Effects of Marketing Innovation**

By integrating the aforementioned hypotheses of the direct effects among constructs, we propose that marketing innovation mediate the relationship between CSR and employee satisfaction. The overall structure of this mediated relationship is based on competitive strategy (Weerawardena, 2003) in that CSR activities increase marketing innovation (i.e., competitive promotional support and competitive advertising support), which in turn promote employee satisfaction.

A similar process is endorsed by the CSR-marketing innovation-employee satisfaction framework, which postulates that CSR activities form a pervasive social issue that cause the public welfare as well as a stakeholders’ profit (Dawkins and Lewis, 2003). Freeman (1983) suggests a companies’ action spending time and other resources in addressing stakeholders’ interests is a justifiable managerial activity. Furthermore, Friedman (2002) argues that CSR activity is a means to a firm’s social, political, or career agenda at the expense of stakeholder. Wherein, resources used to CSR would be more carefully spent on increasing the efficiency of the firm. Based on previous papers (Freeman, 1983; Friedman, 2002; Weerawardena, 2003), we posit that, rather exerting a direct effect on employee satisfaction, CSR is linked to it by forming marketing innovation.

**Hypothesis 4. Marketing innovation mediates the relationship between CSR and employee satisfaction.**
METHODS

Sample

We employed a sample of large, public firms in Korea. Since 1990s, Korean companies have adjusted with the management style of the developed countries, in order to cope up with the global competency at that time. In particular, Korean firms have been increasing the investment for their stakeholder-oriented strategies to protect their own interests after the Asian financial crisis in the late 1990s. First, we used the components of Korea Economic Justice Institute (KEJI) index, from 2008 to 2010 that is period in the global financial crisis, as CSR and employee satisfaction. Second, as we mentioned, marketing innovation comprises of competitive promotional support and competitive advertising support. Bansal (2005) insists that companies have to strategize CSR on their products that require changes in the technology which will be involving the Research & Development (R&D) expenditure. To measure the marketing innovation, we collected firm-level innovation data disclosed in the Data Analysis, Retrieval and Transfer System (DART). The DART is an electronic disclosure system that collects firm information including audit and annual reports operated by the Financial Supervisory Service (FSS) in Korea that since 1997, the year when the Asian financial crisis occurred. Therefore, as our data were made from KEJI index data and DART system, some of the companies in total sample not only failed to enter the list of KEJI index for 3 consecutive years, but also missed out some information of marketing innovation. Due to the lack of total data availability, our final sample size is 101 firms, 303 observations.

Variable

We investigated the employee satisfaction to CSR by mediating the marketing innovation. In this study, CSR variables and employee satisfaction measure among the KEJI index, published by the Institute of Korea Economy, was used as a proxy to measure CSR and to measure employee satisfaction activities from 2008 to 2010. KEJI has been made the basis on the annual business performance; it is used for variables for the CSR and employee satisfaction because KEJI represents the most comprehensive and extensive quality assessments for fairness of business performance (Gilbert et al., 2014). Korean firms have acknowledged and accepted the U.S management practices (Cho and Kim, 2007), and the KEJI has ensured its reliability as a scientific method. This is because it has been consistently used since it had been made in 1991. Korean companies, listed on the Korea Exchange (KRX) on the basis of annual reports, had been evaluated by both quantitative and qualitative measures through seventeen analysts, 11 distinguished faculty members and 6 KEJI senior analysts in business or economics discipline. The KEJI index is comparable to Kinder, Lydenberg, Domini Research & Analytics (KLD) ratings in the U.S. First of all, corporate fairness evaluated fairness, transparency, and cooperation relationship of a company. First, corporate fairness measures fair trade through a quantitative methodology and economic concentration through a qualitative methodology. Transparency includes propriety analysis for unfaithful disclosure and business report, and outside director activity, which all are measured by a quantitative methodology. We used a qualitative methodology to investigate the relationship between the subcontractors. Second, employee satisfaction evaluated safety at a workplace, human resource investment, and welfare, which all are calculated by a quantitative methodology. It employed a qualitative methodology to look into management-union relation, and gender equality.
Marketing innovation

We took balance sheet, income statement, and industry data from the DART system. It exists R&D expenditure, advertising expense, and sales promotion cost on the business report of a company. Srinivasan and Hanssens (2009) suggest that new product innovation is backed by substantial advertising. Chung (2002) insists that innovation activity is systematical promotion. Therefore, among innovation items on the financial statement, we focused on advertising expense and sales promotion cost to investigate the marketing innovation outlined by Bresser (1988). We calculated \((\text{advertising expense} + \text{sales promotion cost}) / \text{sales}\) like as previous paper (Jiraporn et al., 2008). It was transformed logarithmically owing to the positively skewed distribution.

Control variable

We included company age, firm size, and return on assets (ROA) as control variables in this paper. First of all, we included company age because it is associated with CSR (Moore, 2001). Second, we used firm size, calculated by a measurement of total sales as control variable. It was transformed logarithmically owing to the positively skewed distribution. Lastly, ROA was measured by net income divided by total assets.

Analysis

We investigated an empirical analysis on the effect of the CSR and marketing innovation on employee satisfaction as the following research model. We employed ordinary least squares (OLS) regression. To test Hypotheses 1a and 1b, which CSR is positively related to marketing innovation, we conducted the regression; marketing innovation on the control variable, and then CSR in sequential steps. To test Hypotheses 2, which marketing innovation is positively related to employee satisfaction, we conducted the regression; marketing innovation on the control variable.

RESULTS

The descriptive statistics and correlations among study variables are reported in Table 1. There were no correlations between main variables with a magnitude greater than 0.40, which suggests that multicollinearity was not a problem (Miller and Triana, 2009). To validate our theoretical framework empirically, we conducted structural equation modeling (SEM) analyses as described below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>s.d.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employee Satisfaction</td>
<td>5.66</td>
<td>1.21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Fairness</td>
<td>8.52</td>
<td>0.76</td>
<td>-0.10*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Marketing Innovation</td>
<td>21.89</td>
<td>2.74</td>
<td>0.25***</td>
<td>-0.19***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. ROA</td>
<td>0.08</td>
<td>0.07</td>
<td>-0.03</td>
<td>-0.03</td>
<td>0.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Size</td>
<td>27.02</td>
<td>1.65</td>
<td>-0.26***</td>
<td>-0.04</td>
<td>0.57***</td>
<td>-0.10*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Age</td>
<td>39.70</td>
<td>15.28</td>
<td>0.19***</td>
<td>-0.15***</td>
<td>0.29***</td>
<td>-0.13**</td>
<td>0.08</td>
<td></td>
</tr>
</tbody>
</table>
Notes: N=303 for all variables.
* P < 0.10; ** p<0.05; *** p<0.001.

Hypothesized Model and Plausible Alternative Models

We first tested the hypothesized model, as shown in Fig. 1. The hypothesized structural model produced a good fit to the observed relations among variables (Hu and Bentler, 1999): \( \chi^2 (df = 7) = 16.84, p = .018; \) CFI = .965; GFI = .982; RMSEA = .068; AIC = 44.843. Hair et al. (1998) insists that if the GFI are closer to 1, the result would be better. Still, it is possible that the mediating roles of marketing innovation are only partial rather than complete. Therefore, we tested the possibility of partial mediation by adding the following direct effect paths: (a) direct effect of CSR on marketing innovation; (b) direct effects of CSR on employee satisfaction; and (c) direct effects of marketing innovation on employee satisfaction.

Results and discussion on hypothesis Testing

Results of the best-fitting, hypothesized model are presented in Fig. 2. Among the control variables, ROA and size was significant predictors of marketing innovation and employee satisfaction (ROA: \( \beta = 6.87, p < .01 \) and \( \beta = -2.30, p < .05 \); Size: \( \beta = 0.93, p < .01 \) and \( \beta = -0.44, p < .01 \), respectively). Age was significantly associated with marketing innovation (\( \beta = 0.05, p < .01 \)). After controlling for its indirect effects through marketing innovation, the SEM results revealed that CSR fairness was significantly related to employee satisfaction (\( \beta = -0.01, p < .1 \)), which confirmed Hypothesis 1. CSR variable were positively associated with marketing innovation (\( \beta = -0.46, p < .01 \)). Therefore, Hypothesis 2 was confirmed. Our analysis likewise supported Hypothesis 3 in that marketing innovation was significantly related to employee satisfaction (\( \beta = 0.25, p < .01 \)).

Fig. 2 Final structural model predicting employee satisfaction

Hypothesis 4 further suggested that marketing innovation mediate the effects of CSR on employee satisfaction. We tested the mediating effects through SEM as suggested by Baron and Kenny (1986) and Williams et al. (2003), to respectively take appropriate models to conduct the following four conditions: (1) the relationship between the independent variable (CSR) and the mediating variable (marketing innovation) need to be significant; (2) the relationship between the independent variable (CSR) and the dependent variable (employee satisfaction); (3) the relationship between the mediating variable (marketing innovation) and the dependent variable (employee satisfaction) need to be significant; (4) simultaneously, the independent variable (corporate fairness) with the mediating variable (marketing innovation) to the dependent
variable (employee satisfaction) need to have insignificant correlation, which means independent variable effect needs to be more weakened than the second group. We tested the statistical analysis to satisfy these four condition as shown Figure 3. “Corporate fairness” to “employee satisfaction” reach the significant level of \( p < 0.1 \) under the second condition. However, under the fourth condition, “corporate fairness” to “employee satisfaction” does not reach the significant level of \( p < 0.1 \) even though “marketing innovation” to “employee satisfaction” reach the significant level of \( p < 0.01\). Consequently, marketing innovation has a full mediating effect on the relationship between CSR and employee satisfaction.

\[
\begin{align*}
&\text{Corporate Fairness} \quad 0.68^{***} \quad \text{Marketing Innovation} \\
&\text{Corporate Fairness} \quad -0.16^{*} \quad \text{Employee Satisfaction} \\
&\text{Marketing Innovation} \quad 0.11^{***} \quad \text{Employee Satisfaction} \\
&\text{Marketing Innovation} \quad -0.09 \quad \text{Employee Satisfaction} \\
&\text{Marketing Innovation} \quad 0.10^{***} \quad \text{Employee Satisfaction}
\end{align*}
\]

\*\( p<0.1 \), \**\( <0.05 \), \***\( <0.01 \)

**Fig. 3** The appropriate models of CSR, marketing innovation, and employee satisfaction

**DISCUSSION AND CONCLUSIONS**

A substantial challenge of emerging marketing agenda related to CSR is whether the CSR can be directly affected by employee satisfaction. CSR is also currently connected to the social effects of business so that it can lessen the negative effects while augmenting the positive effects of the business (Marquina and Vasquez, 2013). Luo and Bhattacharya (2006) insist that CSR of a company results in diverse benefits such as enhancing both the brand innovation and firm’s value. Geyskens et al. (1999) argue that the influence of innovation strategy on employees’ satisfaction should be considered. The present study provides several answers to such a dilemma by demonstrating whether marketing innovation is valuable to employee satisfaction.

Departing from existing studies that focus on managers and theirs effects on employee satisfaction in individual or group levels of analysis, the present research is one of the very few attempts to empirically test the effects of CSR on employee satisfaction. Moreover, by examining the mediating processes involving firm-level marketing innovation, we identify potential internal mechanisms through which CSR can have an impact on employee satisfaction. In this section, we highlight theoretical and practical implications of the study as well as its limitations for future research.

**Theoretical Implication**
The pivotal proposition of the present study is that the CSR activities are critical for employee satisfaction. Our data suggests that CSR and marketing innovation can be conflicted (See Table 2). For example, corporate fairness includes transparency and cooperation relationship of a company, which they are mainly in charge of general affairs team. While a company uses marketing innovation at a sales team. In other words, marketing components using at a company may conflict to each other due to limited resources. Therefore, a company strategically may decrease the effort for marketing innovation to enhance fairness. This pattern also endorses the proposition of moral responsibility (Adams and Zutshi 2004), which suggests that a company tends to build moral responsibility as part of CSR.

As the direct effects of CSR variable on employee satisfaction were insignificant after corporate fairness with marketing innovation to the dependent variable, our mediation analysis clearly recommended that they impact on employee satisfaction via marketing innovation (See Fig. 3). The lack of a direct relationship between CSR and employee satisfaction under conducting marketing innovation can be explained by the potential delayed effects of CSR on employee satisfaction (Jacobson 1990). The overall mediation patterns depicted in Fig. 3 provide support for the basic tenet of business interest (Adams and Zutshi, 2004), which posits that CSR affects employee satisfaction by shaping internal marketing processes that involve employee perceptions (Chi and Gursoy, 2009). These findings also endorse the validity of the CSR-marketing innovation-employee satisfaction framework (Husted, 2000; Rupp et al., 2006; Naidoo, 2010).

Practical Implications

The present findings offer several implications for marketers. First, our analysis clearly demonstrates that fulfilling the increasing social expectations and standards for CSR and achieving employee satisfaction are mutually exclusive. That is, employees negatively feel a firm’s CSR policy, while they want the incentives or welfare benefit for employee satisfaction (Naidoo, 2010). In pursuit of marketing innovation, marketing managers should pay attention to CSR activities and invest on marketing resources in CSR activities. Employees tend to feel that more socially responsible companies may impact on Corporate Social Performance (CSP) and can receive the rewards for their hard work (Chi and Gursoy, 2009).

Second, firms pay attention to marketing innovation for strategic employee management because the importance of marketing innovation is recently being emphasized. Many firms already recognize a critical role of marketing innovation and are ploughing much money into innovation initiatives to enhance positive, competitive and differentiated marketing innovation (Wuyts, Dutta, and Stremersch, 2004). In the competitive market situation, diversified marketing innovation activities, such as competitive promotional support and competitive advertising support, are implemented. Such activities can create positive employee satisfaction.

Lastly, one caveat of the current study is that the link between the CSR and employee satisfaction is negative correlation. Specially, our analysis showed that unless CSR affects the marketing innovation, its influence on the employee satisfaction can be limited. In a sense, this entire process emulates an organizational change process driven by CSR and marketing innovation. Changing employee attitudes for the strategic marketing plans take longer to increase employee satisfaction from such changes. Therefore, companies need to recognize that CSR activities through marketing innovation should be regarded as a managerial agenda, and to strive effort in conducting marketing innovation within their firms as a way to increase employee satisfaction.

Limitation and Direction for future research suggestions
The present study expands the CSR literature by rendering both conceptual and empirical contributions. The present findings, however, should be interpreted with caution by considering a few limitations. First, we do not address the concern for a possible bias to select samples. Our sample is drawn from a population of firms selected by construction of its KEJI index. However, this limitation is unavoidable because the KEJI index is the only reliable CSR measure to represent comprehensive and extensive quality assessments for corporate fairness. Second, we employed samples in a single country, Korea so that specific characteristics of Korea maybe evident in our result. Therefore, our results should be carefully interpreted before generalizing them. Lastly, even though the KEJI index is considered to be the most reliable CSR measure in KOREA, it has a slot for reasonable improvement to construct CSR measurement. For future research, we are expecting to extend the coverage of sample firms both by employing improved data sets on CSR and by using alternative model specifications.

REFERENCES


