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Greenwashing in Corporate Social Responsibility: A Dual-Faceted Analysis of Its Impact on Employee Trust and Identification

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Abstract: Corporate social responsibility (CSR) has emerged as a pivotal area of focus, with an increasing number of companies prioritizing its integration into their operational strategies. Nonetheless, because of the dual factors of corporate legitimacy and the pressure exerted by stakeholders, some companies use their CSR disclosures to screen positive impressions and good images, known as greenwashing. Existing literature delves deeply into the consequences of greenwashing from both consumers' and companies' perspectives; however, the consequences on employees remain largely unexplored. Another consideration is that greenwashing in CSR research has almost exclusively relied on a catchall CSR construct despite CSR being manifested in philanthropic CSR, business-process CSR, social alliance CSR, and value-chain CSR facets. Therefore, the purpose of this study is to explore the consequences of greenwashing in CSR on employees and to examine whether and how greenwashing across various CSR facets results in different employee responses. Partial least squares structural equation modeling (PLS-SEM) was used to analyze the structural relationships posited in our conceptual framework. By analyzing 304 employees whose companies had experience implementing CSR in China, this study found that greenwashing in primary-stakeholder-oriented CSR was negatively related to trust, and greenwashing in secondary-stakeholder-oriented CSR had a negative and significant impact on employee–company identification. Interestingly, each type of CSR greenwashing had no bearing on the other's trust and identification. Furthermore, greenwashing in both CSR types indirectly decreases employee loyalty through the respective mediators of trust and identification. Theoretical and managerial implications are provided.

Keywords: greenwashing in corporate social responsibility (CSR); stakeholder theory; trust; employee–company identification; employee loyalty

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1. Introduction

Empirical research overwhelmingly suggests that corporate social responsibility (CSR) initiatives enhance a company's image and foster stronger identification from consumers, resulting in beneficial relational outcomes [1,2]. As such, CSR has emerged as a pivotal area of focus, with an increasing number of companies prioritizing its integration into their operational strategies. Nonetheless, because of the dual factors of corporate legitimacy and the pressure exerted by stakeholders, some companies use their CSR disclosures to screen positive impressions and good images, known as greenwashing [3–5].

The definition of greenwashing differs. While earlier scholars primarily associated greenwashing with environmental issues [6], other research suggests a broader scope, linking it to stakeholder relations and societal challenges [7]. Given that CSR encompasses diverse activities—from environmental conservation and employee welfare enhancement to product investment and charitable donations—it is clear that greenwashing in CSR extends beyond merely environmental concerns. Therefore, this study adopts the definition proposed by Li et al. (2015) [7] and defines greenwashing in CSR as the excessive whitewashing of CSR, such as charitable donations, environmental protection promotions, and employee benefits, exaggerating or falsely disclosing deceptive information about CSR. To some extent, greenwashing is perceived as a negative CSR implementation, which is superficially positive but essentially disobedient and deceptive.

Greenwashing is a hypocritical social responsibility behavior [4]. The primary aim of greenwashing behaviors is to modify stakeholder perceptions, thereby bolstering a company's image and reputation [8–10]. Yet, constrained by limited resources and facing pressures from society and stakeholders alike, companies might disseminate CSR information that does not align with their actual practices [11]. When stakeholders discern these greenwashing tactics within CSR initiatives, it can lead to negative consequences.

One of the most direct consequences of greenwashing is the growing skepticism among consumers about the genuineness of CSR claims [12–14]. Greenwashing can also lower consumers' brand perceptions [15], decrease consumers' green trust [16], and affect green purchasing intentions negatively [17]. Empirical studies also find that greenwashing disrupts the market order [18], harms a firm's financial health [19], backfires on the firm itself [12], and affects cumulative abnormal returns (CAR) as well as corporate reputation negatively [20,21]. Greenwashing may also evolve into machinewashing, a phenomenon seen as communicating or omitting misleading information about ethical Artificial Intelligence (AI) through text, visuals, or the underlying algorithm of AI itself [22]. Consequently, greenwashing can turn CSR, which was originally a noble act of charity, into a meaningless effort [23].

Prior studies have enhanced our understanding of the consequences of greenwashing in CSR. Existing literature delves deeply into the consequences of greenwashing from both consumers' and companies' perspectives; however, the consequences on employees remain largely unexplored. As primary stakeholders, employees' trust and identification with the company play pivotal roles in shaping company performance and future prospects. By exploring the consequences of greenwashing on employees, companies can gain a more nuanced understanding of its potential damages so that better advance approaches to improving their socially responsible human resource management (SRHRM) [24], establishing inclusive social responsibility [25], and enhancing communication systems among employees [26]. This perspective could guide companies in crafting effective CSR strategies, mitigating the risks associated with greenwashing, and strengthening the relationship between employees and the companies.

Another consideration is that greenwashing in CSR research has almost exclusively relied on a catchall construct [10,16]. This approach treats CSR as an overall activity and examines the consequences of greenwashing under this overall activity, despite CSR being manifested in philanthropic CSR, business-process CSR, social alliance CSR, and value-chain CSR facets [27,28]. Given that these facets target different stakeholders, the consequences of greenwashing could differ considerably. Examining greenwashing in a catchall construct cannot answer the question of whether and how greenwashing in different facets of CSR leads to different responses among employees.

The main purposes of this study are twofold: first, to explore the consequences of greenwashing in CSR on employees, and second, to examine whether and how greenwashing across various CSR facets results in different employee responses. Through empirical findings, this research aims to offer companies a more intuitive understanding of the detrimental impacts of greenwashing, guiding them towards more effective management and implementation of CSR activities.

2. Literature Review

2.1. CSR Activities and Stakeholder Theory

CSR activities commonly manifest in forms such as business-process CSR and philanthropic CSR. Business-process CSR emphasizes a sustainable value chain and employee support programs, while philanthropic CSR primarily aims to assist those in need, non-governmental organizations, and disadvantaged groups through monetary donations and the provision of supplies. Building on this foundation, previous research differentiated

CSR into two categories: business-process and philanthropic CSR [28]. In addition to these activities, important CSR activities also encompass value-chain CSR and social alliance CSR [29]. Unlike business-process CSR, value-chain CSR includes the value-chain stream from the upper to the lower and from the supply side to the customer side [27]. Specifically, it focuses on supply-chain management, R&D of the products, and marketing processes in order to achieve financial success. Social alliance CSR aims to address common social issues (e.g., global warming or cancer awareness) while building strategic partnerships between companies and external stakeholders based on a set of norms and rules. Synthesizing these categorizations, prior research further reclassified CSR activities into traditional CSR (comprising philanthropic and business-process CSR) and shared-value CSR (comprising social alliance and value-chain CSR) [27]. However, in this evolving understanding of CSR classifications, prior research has overlooked the pivotal role of stakeholders, who stand as the primary entities to whom CSR activities are accountable [30].

Stakeholders are not only the primary focus of CSR but also the critical evaluators of its effectiveness [30]. According to the stakeholder theory [31], stakeholders are composed of primary and secondary stakeholders. The former refers to those with urgent, legitimate demands on companies, possessing the ability to directly influence business activities. The main primary stakeholders include employees, customers, suppliers, and investors. The latter also refers to those who have urgent, legitimate requirements for companies but can only influence primary stakeholders and have no capability to impact business activities. The main secondary stakeholders include non-governmental organizations, governments, non-profit organizations, and competitors.

From the stakeholder perspective, distinct CSR activities target different stakeholders. Business-process CSR serves primary stakeholders since it treats employees in a socially responsible way and takes consumers' demands into account. Philanthropic CSR serves secondary stakeholders by providing monetary or equipment donations to non-profit organizations and non-governmental organizations. Value-chain CSR mainly considers the management of the supply chain and the development of new products to satisfy consumers' needs; therefore, it serves primary stakeholders. Social alliance CSR targets secondary stakeholders in order to provide resource and financial support to non-profit organizations and non-governmental organizations. It is reasonable to consider business-process and value chain CSR as the same category of CSR and philanthropic and social alliance CSR as the same category of CSR. Therefore, this study classifies CSR into primary-stakeholder-oriented CSR and secondary-stakeholder-oriented CSR.

2.2. Greenwashing in CSR

Historically, scholars posited that greenwashing primarily involved the dissemination of misleading information by a company to stakeholders about the environmental friendliness of a product or service and the company's environmental protection initiatives—one dimension of CSR [32]. Some academics further argued that claims that have neither been verified by credible third parties nor by evidence are another key point of greenwashing [33,34]. For example, BP Amoco was denounced at an Earth Summit due to its frequent claims on reducing global warming but with fewer behavior efforts. These early perspectives predominantly perceived greenwashing as false communication, a sign of a mismatch between words and deeds [33–35]. Yet, greenwashing does not necessarily have to be a false communication [5]. Instead, a selective positive information disclosure about a company's CSR without fully disclosing negative information is another candidate for greenwashing [36,37]. An illustrative example might be companies marketing their cleaning products as "all-natural", even when their manufacturing processes contradict this assertion. It can be concluded that greenwashing in CSR has two main premises: one is the mismatch between CSR claims and CSR behavior, and another one is exposing positive CSR information while retaining negative CSR information. The manifestation of greenwashing is evident when either of these foundational principles is breached.

CSR serves either primary stakeholders, secondary stakeholders, or both. Companies can invest their resources into primary-stakeholder-oriented CSR, which might encompass employee development programs or the enhancement of workplace environments [38]. Alternatively, companies might invest in secondary-stakeholder-oriented CSR, addressing broader environmental or societal challenges [39]. Notably, as core stakeholders, employees exhibit diverse reactions to these different types of CSR [11,40,41]. Consistent with the primary and secondary-stakeholder-oriented CSR distinction, this study assumes that employees will react differently to greenwashing occurring in different CSR types. Specifically, this study differentiates between greenwashing in primary-stakeholder-oriented CSR and greenwashing in secondary-stakeholder-oriented CSR. Greenwashing in primary-stakeholder-oriented CSR is defined as a mismatch between the "talk" and "walk" in primary-stakeholder-oriented CSR, or excessive whitewashing, exaggeration, or false disclosure of false information about primary-stakeholder-oriented CSR. Greenwashing in secondary-stakeholder-oriented CSR is defined as a mismatch between the "talk" and "walk" in secondary-stakeholder-oriented CSR or excessive whitewashing, exaggeration, or false disclosure of false information about secondary-stakeholder-oriented CSR.

2.3. Consequences of Greenwashing in CSR

Prior research has delved into the intricacies of how a company's CSR endeavors influence its employees. Aguilera et al. (2007) [42] differentiated an instrumental and a relational mechanism. The instrumental mechanism suggests that stakeholders are motivated to seek control to foretell a company's actions more accurately. When companies implement primary-stakeholder-oriented CSR—evidenced by initiatives like improved working conditions or employee development programs—employees feel they are being treated in a socially responsibility way. This fosters trust in the company [43]. A relational mechanism holds that stakeholders have a psychological need—the need to belong. Beyond just being treated fairly, employees also desire their companies to act responsibly towards the broader community, including entities like non-governmental organizations and non-profit organizations. As companies engage in secondary-stakeholder-oriented CSR, employees' identification with the company will be enhanced. The former mechanism is akin to a trust-based path, whereas the latter mechanism is similar to an identification-based path. In a similar vein, prior research empirically showed that business-practice CSR fosters stakeholders' trust, while philanthropic CSR enhances identification [44]. Contrary to the positive consequences of different CSR types, greenwashing in primary-stakeholder-oriented CSR may erode employees' trust (an instrumental consequence), while greenwashing in secondary-stakeholder-oriented CSR could diminish employees' identification (a relational consequence). This study expects that greenwashing in either CSR type should lead to different negative reactions toward the company by employees. Subsequent sections will present the hypotheses of this study.

2.4. Hypotheses

2.4.1. Greenwashing in Primary-Stakeholder-Oriented CSR and Trust

In this study, trust is defined as an employee's expectation of a company's competence and dependability, as well as the belief that the company's motivations align with their benefit [44]. The relationship between greenwashing in primary-stakeholder-oriented CSR and trust can be seen through the lens of an exchange relationship, a dynamic often shadowed by information asymmetry or ambiguous intentions [45]. Under such a business environment, it is important to reduce uncertainty because facets like an employee's intention to stay, enthusiasm, and job performance depend on the company's reliability and benevolence [46]. Social exchange theory focuses on exchange relationships and emphasizes that trust serves as a critical social exchange mediator [47]. Trust offers employees a tangible benefit by tempering the exchange uncertainties that arise from the information imbalances between them and their companies [45,48]. When companies engage in primary-stakeholder-oriented CSR, employees' trust will be enhanced. However, should a company engage in greenwashing within this specific domain of CSR, it is perceived as less trustworthy, leading to the potential erosion of employee trust.

A prior study posited that trust is more easily established when a trustor (in this instance, the employees) can predict the actions of a trustee (in this instance, the company) [49]. An effective approach is to transmit a signal to convey trustworthiness to employees [50]. Primary-stakeholder-oriented CSR serves as a positive signal regarding the company's attributes; however, greenwashing within this CSR domain conversely acts as a negative signal. Thus, employees' trust in the company will be reduced when a company engages in greenwashing in primary-stakeholder-oriented CSR. Given this, this study proposes the following:

Hypothesis 1. *Greenwashing in primary-stakeholder-oriented CSR is negatively related to trust.*

2.4.2. Greenwashing in Secondary-Stakeholder-Oriented CSR and Employee–Company Identification

In this study, employee–company identification refers to an employee's psychological attachment to their company on the basis of the overlap between employees' self-concept and employees' perception of the attribute that defines the company [44,51]. Identification with the company is the result of comparing personal value with company value, which can ultimately lead to self-categorization [52]. According to Maslow's hierarchy of needs [53], beyond basic needs for security and health, employees have higher-level needs associated with charitable acts and environmental consciousness—reflecting ethical values. They seek to find these values mirrored in their company [54]. Engaging in secondary-stakeholder-oriented CSR aligns with employees' personal values and enables them to derive values from a company with good social standing [55,56]. This enhances their identification with the company [44,57]. While CSR can exert positive effects on employees, these dynamics may turn negative when greenwashing exists in CSR [58]. When companies greenwash secondary-stakeholder-oriented CSR, employees may reevaluate the match between their personal value and company value and conclude that a mismatch exists. By recognizing such a misalignment, their identification with the company could be reduced.

Another explanatory theory is the social and moral identity theory [59]. This theory emphasizes moral identification, which pertains to an individual's sense of belonging to a company known for its ethical attributes, such as kindness, care, and compassion [59]. In accordance with this theory, a company's positive social and moral standing enables employees to align their own values with those of the company, viewing these values as a reflection of their own social and moral identity. Secondary-stakeholder-oriented CSR is such an activity that can indicate a company's moral and social integrity, potentially bolstering employees' identification with the company. However, any incongruence between CSR claims and actions or any hypocrisies in CSR communication can destabilize the value derivation process [11]. It may occur when a company greenwashes secondary-stakeholder-oriented CSR. If employees perceive value inconsistencies between themselves and their company, their identification with the company will be reduced. Based on this, this study proposes the following hypothesis:

Hypothesis 2. *Greenwashing in secondary-stakeholder-oriented CSR is negatively related to employee–company identification.*

2.4.3. Outcome of Trust and Employee–Company Identification

Grounded in stakeholder theory, the primary objective of CSR is to foster mutually beneficial and long-term relationships with stakeholders [60]. Thus, this study mainly investigates employee loyalty as the outcome. Employee loyalty is defined as a psychological state between an employee and his or her company involving the employee's intention to stay there [61,62]. Essentially, employee loyalty translates to a reduced turnover rate. Companies strive to maintain low turnover rates, not just because of the associated high costs but also due to the negative impact on job performance [41].

In CSR research under the employee context, the influence of CSR on employee loyalty is widely recognized. For instance, advanced CSR initiatives can effectively diminish employee turnover [41]. Likewise, internal CSR activities (such as the betterment of working conditions) could significantly decrease actual employee turnover [11]. A review of research on CSR concluded that prior studies consistently identified a positive correlation between CSR and employee retention [63]. In line with this, this study posits that greenwashing in CSR can backfire and exert an opposite effect. When companies discourse positive CSR while retaining negative CSR information or words mismatch with deeds related to CSR, greenwashing perceptions are evoked, which may generate a turnover intention [64,65]. The link can be explained by the mediating effect of trust. Greenwashing in primary-stakeholder-oriented CSR threatens employees' instrumental benefits, making it difficult to predict the company's behavior, which, in turn, decreases their trust and retention intentions [41,66–68]. Previous studies have also highlighted the mediating influence of trust between business-practice CSR and loyalty [44]. Based on these insights, this study proposes the following:

Hypothesis 3. *Trust negatively mediates the relationship between greenwashing in primary-stakeholder-oriented CSR and employee loyalty.*

The degree to which employees identify with their company significantly shapes their responses to their company [59,69,70]. As social identity theory states, employees who strongly identify with their company tend to view the company's values as more distinct and significant compared to other companies. This identification is more likely to generate a strong belongingness sense to that company [59]. Secondary-stakeholder-oriented CSR is such activities reflecting a company's good social standing that employees tend to identify with. Such an identification process will ultimately lead employees to maintain memberships with the company and enhance their retention intention [71]. Empirical findings demonstrated that the level of employee identification significantly predicts retention [59]. Employee identification acts as a mediator between CSR and turnover intention [72]; the greater the identification, the lower the intention to turnover. But what will happen when a company engages in greenwashing of secondary-stakeholder-oriented CSR? Such actions can undermine employee–company identification as employees may perceive the company as disingenuous. Therefore, contrary to the positive mediation role of identification observed between CSR and employee loyalty [44], this study hypothesizes the following:

Hypothesis 4. *Employee–company identification negatively mediates the relationship between greenwashing in secondary-stakeholder-oriented CSR and employee loyalty.*

Since the direct effects of trust on employee loyalty and identification on employee loyalty are well established, this study does not propose these hypotheses. Figure 1 shows the conceptual framework of this study.

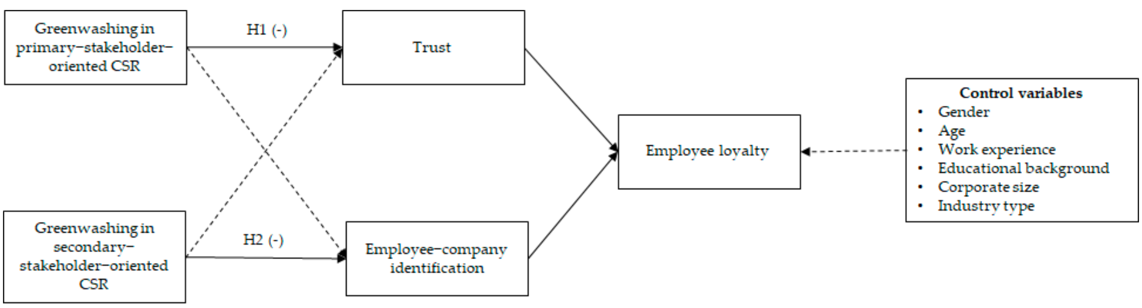

Figure 1. The research model. Note: the solid line represents a hypothesis, the dash line represents no hypothesis.

3. Materials and Methods

3.1. Sample and Data

This study implemented a survey method involving an online questionnaire distributed to employees whose companies had experience implementing CSR in China. CSR plays an important role in promoting sustainable economic and social development. However, the enthusiasm of Chinese companies to implement CSR is not very high. Among the top 100 most reputable companies in the world released by Forbes 2019, most are American companies, and Chinese companies are rarely to be found. In addition, some companies that implement CSR will conduct greenwashing behavior. These companies tend to improve their corporate reputation through the behavior of greenwashing and further improve consumers' purchase intentions, but such behavior may bring many negative effects. Examining from the perspective of Chinese employees, this study can more clearly verify the consequences of greenwashing in CSR so as to provide more effective strategies for Chinese companies.

Before sending the surveys, the appropriate sample size and expected effect were calculated [73]. Using the expected effect size, the desired p-value, the desired statistical power level, and the number of observed and latent variables, the minimum sample size should be 150. The main constructs were measured with items using a five-point Likert scale, ranging from "strongly disagree" to "strongly agree". Finally, a total of 314 employees participated in the survey. Participants were informed of the study's purpose, anonymity, and their right to withdraw from the survey at any time if they needed to. Among the 314 employees, 10 employees' companies had no experience conducting CSR, leading to 304 valid data. Table 1 summarizes the profile of the employees. A total of 53% were female, with 58.6% of employees between 30 and 39 years old and 32.6% under 29. A majority of employees (78.3%) possessed a bachelor's degree, with 37.8% of them having 6 to 9 years of working experience. In terms of corporate size, 35.9% worked in a company with 100 to 299 employees, while 24% worked with 300 to 999 employees. Most of the employees (45.4%) worked in a manufacturing company.

Table 1. Descriptive statistics of respondents.

Respondents	Category	Frequency (304)	% (100)
Gender	Male	143	47
	Female	161	53
Age	≤29	99	32.6
	30–39	178	58.6
	40–49	22	7.2
	50–59	5	1.6
	≥60	0	0
Work experience	<2 years	14	4.6
	2–5 years	92	30.3
	6–9 years	115	37.8
	≥10 years	83	27.3
Educational background	High school	3	1
	Junior college degree	36	11.8
	Bachelor's degree	238	78.3
	Master's or higher degree	27	8.9
Corporate size	≤30 employees	11	3.6
	31–99 employees	71	23.4
	100–299 employees	109	35.9
	300–999 employees	73	24
	≥1000 employees	40	13.2
Industry type	IT	72	23.7
	Restaurant/Hotel/Tourism	23	7.6
	Manufacturing	138	45.4
	Financial	14	4.6
	Logistics	17	5.6
	Construction/Real estate	22	7.2
	Others	18	5.9

3.2. Measurements

Greenwashing in primary-stakeholder-oriented CSR (GWP) was measured with six items covering greenwashing in CSR activities toward the key stakeholders with whom market exchange exists (employees and customers) [16,30]. The six items are as follows: (1) our company overstates or exaggerates how it provides a healthy and safe working environment for employees; (2) our company overstates or exaggerates how it cares about its employees beyond the regulatory framework; (3) in the issue of treating employees in a socially responsible way, our company misled with words; (4) our company possesses a caring for the needs of customers and focuses more on innovation in product development claim but whether it has been implemented is vague or seemingly un-provable; (5) our company provides positive information about its products/services to customers but leaves out or masks negative information; and (6) overall, our company has CSR claims about improving the working conditions of employees, providing development programs for employees, caring for employees, increasing R&D investments, etc., but little or no action is taken. Among these measurements, a mean score of 1, 2, 4, and 5 is higher than that of 3 and 6, indicating that the greenwashing behavior of CSR in 1, 2, 4, and 5 is more than 3 and 6.

Greenwashing in secondary-stakeholder-oriented CSR (GWS) was measured with six items covering greenwashing in CSR activities toward the secondary stakeholders (i.e., non-profit organizations, non-governmental organizations, and disadvantaged people) [16,30]. The six items are as follows: (1) our company overstates or exaggerates how it donates parts of its earnings to charity on a regular basis; (2) our company overstates or exaggerates how it donates parts of its earnings to people in need on a regular basis; (3) our company misleads with words on the contribution to the well-being of society; (4) our company possesses an environmental protection claim, but whether it has been implemented is vague or seemingly un-provable; (5) our company provides positive information about how they contribute to ecological sustainability but leaves out or masks negative information; and (6) overall, our company has CSR claims about protecting the environment, donating money to charity or people in need, addressing complex social issues, etc., but little or no action is taken. The overall average of greenwashing in secondary-stakeholder-oriented CSR is smaller than that of greenwashing in primary-stakeholder-oriented CSR. Among these measurements, mean scores of 4 and 5 are higher than other measurements.

Five items were adapted and modified from Chen and Chang (2013) [16] and Homburg et al. (2013) [44] to measure trust (TRU). The five items are as follows: (1) I believe the information our company provides us; (2) our company is trustworthy; (3) when making important decisions, our company considers our welfare as well as its own; (4) when we share our problem with our company, we know that it will respond to us with understanding; and (5) our company always keeps promises and commitments.

Five items were adapted from Homburg et al. (2009) [44] for measuring employee–company identification (ECI). The five items are as follows: (1) I strongly identify with our company; (2) I feel good to be a member of our company; (3) I like to tell others that I am a member of our company; (4) I feel attached to our company; and (5) our company shares my value.

Consistent with prior research [61], this study measured employee loyalty (ELY) with five items. The five items are as follows: (1) I intend to stay loyal to our company; (2) I say positive things about our company to other people; (3) I will not leave even if I am recommended for a better job; (4) working in our company is the best choice for me; and (5) I am willing to make personal sacrifices for our company.

Additionally, this study includes individual and company-specific control variables since these variables may exert impacts on employee loyalty. In terms of the individual control variables, this study controlled for gender, age, educational background, and work experience because they were found to affect turnover intention (one facet of employee loyalty) in the CSR research context [74,75]. In terms of the company-specific control variables, corporate size and industry type were controlled as both variables affected employee behaviors significantly in the CSR research context [11,76].

A two-way translation method was used to check the translation bias, and the results indicated that there was no translation bias. An online self-administered survey was sent to forty-five employees to test the reliability and validity of the items. The pilot test indicated good reliability and validity.

4. Results

4.1. Measurement Model Analysis

Partial least squares structural equation modeling (PLS-SEM) was used to analyze the structural relationships posited in our conceptual framework [77,78]. PLS-SEM was appropriate for this study for three reasons: (1) it is a multivariate statistical technique for evaluating both direct and indirect effects as well as the strengths of relationships between constructs; (2) the technique does not necessitate the data to adhere to a normal distribution [79]; and (3) as a component-based estimation approach, it estimates the model's parameters through an iterative algorithm to minimize the residual variance of both the constructs and their respective indicators [80].

The reliability of the indicators was first examined using the respective factor loadings. As depicted in Table 2, all factor loadings exceeded the threshold of 0.70. Second, the reliability of the constructs was tested using Cronbach's alpha, composite reliability (rho_a), and composite reliability (rho_c). As shown in Table 2, all construct reliability indices surpassed the 0.70 benchmark. Third, convergent validity was evaluated through the average variance extracted (AVE), revealing that all AVE values exceeded the 0.50 threshold. Lastly, to assess discriminant validity, the heterotrait–monotrait ratio of correlations (HTMT) index was employed. According to Table 3, all values were below 0.85, suggesting good discriminant validity [78,81].

Table 2. Measurement assessment.

Construct	Items	Loadings	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho-c)	AVE
Greenwashing in primary-stakeholder-oriented CSR	GWP1	0.869	0.915	0.917	0.934	0.701
	GWP2	0.837				
	GWP3	0.809				
	GWP4	0.834				
	GWP5	0.824				
	GWP6	0.850				
Greenwashing in secondary-stakeholder-oriented CSR	GWS1	0.865	0.911	0.924	0.931	0.692
	GWS2	0.830				
	GWS3	0.850				
	GWS4	0.828				
	GWS5	0.756				
	GWS6	0.859				
Trust	TRU1	0.876	0.914	0.914	0.936	0.744
	TRU2	0.839				
	TRU3	0.863				
	TRU4	0.879				
	TRU5	0.854				
Employee–company identification	ECI1	0.873	0.891	0.895	0.920	0.697
	ECI2	0.833				
	ECI3	0.793				
	ECI4	0.842				
	ECI5	0.832				
Employee loyalty	ELY1	0.850	0.909	0.910	0.932	0.734
	ELY2	0.857				
	ELY3	0.872				
	ELY4	0.862				
	ELY5	0.843				

Table 3. Discriminant analysis using HTMT.

Construct	GWP	GWS	TRU	ECI	ELY
GWP					
GWS	0.697				
TRU	0.495	0.377			
ECI	0.362	0.429	0.732		
ELY	0.362	0.424	0.671	0.741	

Note: GWP = greenwashing in primary-stakeholder-oriented CSR; GWS = greenwashing in secondary-stakeholder-oriented CSR; TRU = trust; ECI = employee–company identification; ELY = employee loyalty.

4.2. Common Method Bias

When using a survey method that is self-administrated, it is necessary to test the common method bias (CMB) since it can pose a threat to the analysis results. Following Liang et al. (2007) [82], the current research added a common method variable (CMV) to the structural model and connected it to the indicators of the constructs, respectively. By comparing the substantive factor loadings and the method factor loadings (as shown in Table 4), all the substantive factor loadings were high and significant, while the method factor loadings were low and non-significant. The average substantive factor loading was 0.713, and the average method factor loading was 0.004. Our results indicated that CMB was not a concern. To check CMB more accurately, this study employed Kock's (2015) [83] method to compare the variance inflation factors (VIFs) in the inner model. CMB is not a threat if the VIFs in the inner model resulting from a full collinearity test are equal to or lower than 3.3. All VIF indices of this study were lower than 3.3, meaning that CMB was not an issue.

Table 4. Common method bias tests.

Construct	Indicators	Substantive Factor Loadings (R1)	$R1^2$	Method Factor Loading (R2)	$R2^2$
Greenwashing in primary-stakeholder-oriented CSR	GWP1	0.874	0.764	−0.029	0.001
	GWP2	0.832	0.692	−0.033	0.001
	GWP3	0.816	0.666	−0.026	0.001
	GWP4	0.829	0.687	−0.033	0.001
	GWP5	0.824	0.679	−0.028	0.001
	GWP6	0.849	0.721	−0.038	0.001
Greenwashing in secondary-stakeholder-oriented CSR	GWS1	0.871	0.759	−0.034	0.001
	GWS2	0.835	0.697	−0.035	0.001
	GWS3	0.845	0.714	−0.037	0.001
	GWS4	0.828	0.686	−0.038	0.001
	GWS5	0.771	0.594	−0.030	0.001
	GWS6	0.844	0.712	−0.044	0.002
Trust	TRU1	0.876	0.767	0.061	0.004
	TRU2	0.837	0.701	0.057	0.003
	TRU3	0.865	0.748	0.058	0.003
	TRU4	0.880	0.774	0.061	0.004
	TRU5	0.854	0.729	0.060	0.004
Employee–company identification	ECI1	0.870	0.757	0.070	0.005
	ECI2	0.830	0.689	0.059	0.003
	ECI3	0.799	0.638	0.056	0.003
	ECI4	0.840	0.706	0.065	0.004
	ECI5	0.833	0.694	0.064	0.004
Employee loyalty	ELY1	0.846	0.716	0.095	0.009
	ELY2	0.858	0.736	0.097	0.009
	ELY3	0.875	0.766	0.099	0.010
	ELY4	0.859	0.738	0.097	0.009
	ELY5	0.845	0.714	0.095	0.009
Average		0.845	0.713	0.026	0.004

4.3. Structural Model Analysis

The results of SEM strongly supported the proposed hypotheses. Figure 2 presents the standardized path coefficients. H1 predicted that greenwashing in primary-stakeholder-oriented CSR was negatively related to trust. As shown in Figure 2, greenwashing in primary-stakeholder-oriented CSR exerted a negative and significant effect on trust (β = −0.389, $p < 0.001$). Thus, H1 was supported. H2 proposed that greenwashing in secondary-stakeholder-oriented CSR was negatively related to employee–company identification. The results in Figure 2 showed that greenwashing in secondary-stakeholder-oriented CSR had a negative and significant impact on employee–company identification (β = −0.310, $p < 0.001$), supporting H2. Note that greenwashing in primary-stakeholder-oriented CSR had no significant effect on employee–company identification (β = −0.132, $p > 0.05$), and greenwashing in secondary-stakeholder-oriented CSR had no significant effect on trust (β = −0.104, $p > 0.05$). These results supported the dual mechanism presented in this conceptual framework. Although hypotheses were not proposed in this study, the results also showed that both trust and employee–company identification positively and significantly influence employee loyalty (β = 0.284, $p < 0.001$, β = 0.426, $p < 0.001$, respectively). The control variables had no significant effects on employee loyalty. Greenwashing in primary-stakeholder-oriented CSR explained 21.4% of the variability in trust, and greenwashing in secondary-stakeholder-oriented CSR explained 17% of the variability in employee–company identification. Trust and employee–company identification, together with the control variables, explained 52.8% of the variability in employee loyalty.

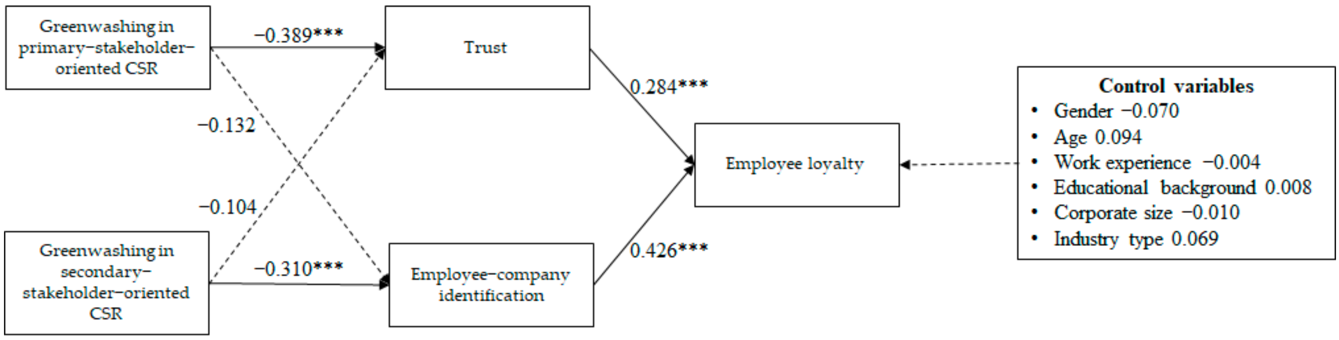

Figure 2. Model assessment for main effects (*** $p < 0.001$). Note: the solid line represents a hypothesis, the dash line represents no hypothesis.

H3 assumed that trust negatively mediates the relationship between greenwashing in primary-stakeholder-oriented CSR and employee loyalty. The empirical analysis results showed that the effect of greenwashing in primary-stakeholder-oriented CSR on employee loyalty was mediated by trust (β = −0.111, $p < 0.001$), whereas H4 assumed that employee–company identification negatively mediates the relationship between greenwashing in secondary-stakeholder-oriented CSR and employee loyalty. The results identified that employee–company identification mediated the effect of greenwashing in secondary-stakeholder-oriented CSR on employee loyalty (β = −0.132, $p < 0.001$). Notably, the direct effects of greenwashing in primary-stakeholder-oriented CSR and greenwashing in secondary-stakeholder-oriented CSR on employee loyalty were not significant (β = 0.026, $p > 0.05$, β = −0.129, $p > 0.05$, respectively). These results suggested full mediation of trust and employee–company identification, supporting H3 and H4.

5. Discussion

CSR's positive effects have led companies to employ it as a strategy to bolster their corporate image. While many companies seek to enhance this image through CSR activities, constraints such as limited resources and pressures from stakeholders often lead them to disseminate inconsistent CSR information or engage in misalignment between their words and deeds. This phenomenon is often termed greenwashing in CSR [11]. Although this topic has gained attention, existing theoretical frameworks remain limited.

This research enriches the CSR literature by providing empirical evidence on the influence of greenwashing in CSR on employee behavior. Specifically, it delves into how greenwashing in different CSR types—primary-stakeholder-oriented versus secondary-stakeholder-oriented—affects employee behavior. With data from 304 respondents, this study verified a dual mechanism that greenwashing in primary-stakeholder-oriented CSR adversely affects trust, while greenwashing in secondary-stakeholder-oriented CSR adversely affects employee–company identification. Interestingly, each type of CSR greenwashing had no bearing on the other's trust and identification. Furthermore, greenwashing in both CSR types indirectly decreases employee loyalty through the respective mediators of trust and identification. This means that trust fully mediated the relationship between greenwashing in primary-stakeholder-oriented CSR and employee loyalty, and employee–company identification fully mediated the relationship between greenwashing in secondary-stakeholder-oriented CSR and employee loyalty. Although not the focus of this study, in line with previous research, findings reaffirmed that both trust and employee–company identification fostered employee loyalty. While greenwashing in either CSR type showed no direct effects on employee loyalty. These insights present valuable theoretical and practical implications.

5.1. Theoretical Implications

First, this research is among the first to explore the consequences of greenwashing in CSR from employees' perspectives. Numerous studies have identified the diverse consequences of greenwashing in CSR, such as decreasing consumers' green trust and green purchasing intentions [16,17] and adversely affecting companies' financial health and corporate reputation [19,20]. Nevertheless, these studies considered greenwashing in CSR from consumers' and companies' perspectives. How greenwashing in CSR affects employee attitudes and behaviors is unknown. Thus, this study enlarges the literature about greenwashing in CSR, demonstrating the consequences of greenwashing in CSR on employees' behavior.

Secondly, this study enriches emerging evidence related to CSR by examining greenwashing behavior in two distinct CSR types. Most literature in marketing has conceptualized CSR as an overall activity or designated one facet as CSR and investigated the consequences of greenwashing under this overall activity [10,16]. The multifaceted nature of CSR has often been overlooked in prior studies [40,84]. Consistent with stakeholder theory, this study deduced two distinct types of greenwashing behaviors in CSR: greenwashing in primary-stakeholder-oriented CSR and greenwashing in secondary-stakeholder-oriented CSR. The empirical findings showed that greenwashing in primary-stakeholder-oriented CSR primarily erodes trust, whereas greenwashing in secondary-stakeholder-oriented CSR primarily diminishes employee–company identification. These results indicated distinct effects mechanisms of greenwashing in CSR exist among employees, offering a more precise understanding of greenwashing in CSR's differential consequences on employees.

Thirdly, this study contributes to the existing literature on employee loyalty by confirming the indirect influence of greenwashing in CSR on employee loyalty via trust and employee–company identification. While extant CSR research has determined various antecedents of employee loyalty, such as higher-order quality of work life [85], job satisfaction, organizational commitment [41], human resource involvement, and internal communication [86], the effects of greenwashing in CSR on employee loyalty have been largely overlooked. To our knowledge, this study is one of the first research examining the relationship between greenwashing in CSR and employee loyalty. Notably, greenwashing in the two specific types of CSR did not directly impact employee loyalty but rather influenced it indirectly through trust and employee–company identification.

5.2. Managerial Implications

This research provides several managerial implications. First, our findings underscore the potential adverse ramifications of greenwashing in CSR on employees. While greenwashing might be perceived as an "effective" strategy to enhance corporate image and deflect attention away from negative behaviors, greenwashing is a faking social responsibility behavior that is not desirable [4]. Our study reveals that such practices in CSR can decrease employees' trust and diminish their sense of identification with the company, subsequently weakening their loyalty. Consequently, managers should not greenwash, regardless of the perceived short-term advantages of CSR activities or due to resource shortages and external pressures from stakeholders.

Secondly, our findings offer clear strategic directions for managers aiming to develop a genuine and effective CSR strategy. The evidence suggests that the detrimental effects of CSR greenwashing manifest differently depending on the CSR type being misrepresented. Specifically, if a company's primary goal is to increase employees' trust, they should avoid greenwashing in primary-stakeholder-oriented CSR. Conversely, if strengthening employee–company identification is the objective, then managers should avoid greenwashing in secondary-stakeholder-oriented CSR. From the definition and measurements of greenwashing, several key characteristics can be concluded: overstating or exaggerating, misleading with words, a mismatch between words and deeds, and selective disclosure of information. As such, managers should avoid offending the above characteristics of greenwashing when both executing CSR activities and communicating CSR-related information. Close attention should be paid when it comes to primary-stakeholder-oriented CSR activities since employees can discover a company's potential greenwashing standards quickly due to their insider status [11].

A third managerial implication lies in the relationship between CSR greenwashing and employee loyalty. Our findings indicate that greenwashing in primary-stakeholder-oriented CSR diminishes loyalty through a trust-centric route while greenwashing in secondary-stakeholder-oriented CSR does so via an identification-centric route. Hence, managers can strategically influence employee loyalty by communicating the corresponding CSR type. In terms of primary-stakeholder-oriented CSR, it is pivotal that CSR information is disseminated among employees through peer communications rather than top-down, company-driven channels. This stems from the understanding that employees view their peers as more credible sources of CSR information than official company communications [11]. Such peer endorsements are more likely to foster positive word of mouth and enhance trust. When it comes to secondary-stakeholder-oriented CSR, the emphasis shifts. It is advantageous for CSR information to be conveyed via third-party entities rather than company advertisements. Prior research has consistently found that CSR information stemming from third-party sources is more effective in convincing the public of the social and moral standing nature of the company's actions [2]. The premise of both links is to avoid the perception of greenwashing.

5.3. Limitations and Future Research

Despite the theoretical and managerial implications, like most research, this study has several limitations. First, this study did not distinguish the level of greenwashing. The level of greenwashing may be different across companies, ranging from low level to medium level to high level. A high level of greenwashing might affect employees' trust and identification more negatively. Future research can examine this hypothesis by classifying the level of greenwashing first and then measuring the consequences of greenwashing on employees over time. Second, this study lacks a true longitudinal design to discover the full dynamics of CSR greenwashing's impact on employees. Future research is suggested to conduct a field experiment to track the responses and attitudes of employees in companies that implement greenwashing behavior in CSR. Such an experiment would capture employees' true attitudes before and after a company greenwashes CSR activities. Third, this study tested the direct and indirect influences of CSR greenwashing; however, moderators were not included. As such, effective prevention strategies for greenwashing could not be provided. Indeed, it is difficult to prevent greenwashing behavior since it depends on managers' willingness and intentions. Some researchers proposed a combination of voluntary and mandatory aspects approach to prevent greenwashing [4]; nevertheless, it has a long way to go. Before the emergence of laws to prevent greenwashing behavior, future research can focus on different moderators to offer effective prevention strategies.

6. Conclusions

Guided by stakeholder theory, this study distinguished greenwashing in primary-stakeholder-oriented CSR and greenwashing in secondary-stakeholder-oriented CSR first. Then, this study explored whether and how greenwashing across the two CSR facets results in different employee responses. The results showed the following: (1) Greenwashing in primary-stakeholder-oriented CSR was negatively related to trust, and greenwashing in secondary-stakeholder-oriented CSR had a negative and significant impact on employee–company identification. Greenwashing in primary-stakeholder-oriented CSR had no significant effect on employee–company identification, and greenwashing in secondary-stakeholder-oriented CSR had no significant effect on trust. (2) In addition, trust negatively mediates the relationship between greenwashing in primary-stakeholder-oriented CSR and employee loyalty. Employee–company identification negatively mediates the relationship between greenwashing in secondary-stakeholder-oriented CSR and employee loyalty.

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