Psychological Foundations of Corporate Social Responsibility: The Importance of "Avoiding Bad"

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In their focal article, Aguinis and Glavas (2013) emphasize that despite a growing body of research, the conditions facilitating positive effects of corporate social responsibility (CSR) remain unclear. In regard to this issue, empirical studies have thus far produced inconsistent and equivocal results (for an overview, see Margolis & Walsh, 2003). Aguinis and Glavas introduce the difference between embedded and peripheral CSR as a key differentiation to explain why and when CSR is more likely to lead to positive outcomes. Specifically, they argue that CSR is more likely to lead to positive outcomes if it is embedded and consequently related to an organization’s core competencies and integrated within a firm’s strategy, routines, and operations. The idea of embedded CSR being more likely to lead to positive outcomes is compatible with, for instance, the notion of “shared value” (Porter & Kramer, 2011). Consistent with this position, Aguinis and Glavas argue that a trade-off between actions that benefit the firm and those that benefit society can be eliminated by embedded CSR, or in Porter and Kramer’s (2011) words, by pursuing the idea of shared value.

Engaging in embedded CSR is presumed to produce positive outcomes based on several psychological mechanisms, which are well established in the field of industrial and organizational psychology such as value congruence or organizational identity. Discussing CSR from a psychological perspective and illuminating the less understood microfoundations of the CSR-outcome relationships is, in principle, a
very promising approach. In particular, CSR performance as perceived by stakeholders and their respective reactions are key factors for the business case of CSR. Making the business case for CSR is important to implement it sustainably in practice. Ultimately, companies will only be willing to assume social responsibility if this does not run contrary to corporate success (Lin-Hi & Blumberg, 2012). Therefore, developing an improved understanding of individual-level issues is critically important.

However, we are uncertain if the differentiation between embedded and peripheral CSR as proposed by the authors is the most important dimension for understanding the microfoundations and individual-level processes of CSR perceptions and its outcomes. In this regard, the distinction between CSR as “doing good” versus “avoiding bad” (Lin-Hi & Müller, 2013) appears to be an important and crucial extension of the framework presented by Aguinis and Glavas.

**CSR as “Doing Good” and “Avoiding Bad”**

Generally speaking, much of the current debate on CSR is informed by what can be labeled as the paradigm of “doing good.” CSR in the sense of “doing good” means that corporations contribute to the well-being of society through voluntary activities that go beyond what is required by law and social norms. Likewise, Aguinis and Glavas also appear to interpret CSR in this sense. Accordingly, the company examples provided in the focal article can be attributed to this category.

However, CSR does not only encompass “doing good” but also “avoiding bad,” which aims to prevent irresponsible behavior, such as corruption and the violation of human rights. Among other things, this entails complying with legal requirements and social norms (e.g., Mohr, Webb, & Harris, 2001). Implicitly, Aguinis and Glavas also acknowledge that “avoiding bad” is an integral part of CSR. For instance, the United Nations Global Compact, which they refer to, formulates 10 principles aimed at compliance with minimum standards, such as preventing corruption or compulsory and child labor, and thus explicitly focuses on aspects related to “avoiding bad.”

Nevertheless, CSR as “avoiding bad” typically plays a minor role both in the academic discussion of CSR as well as in practice. However, as we will argue in the following sections, “avoiding bad” seems to be particularly important in understanding the microlevel processes underlying the various CSR–outcome relationships. We base our argument on recently published work by Lin-Hi and Müller (2013). First, we discuss Aguinis and Glavas’ distinction of embedded and peripheral CSR in relation to the “doing good” and “avoiding bad” perspective. Second, we support Aguinis and Glavas’ argument that benefiting from CSR requires congruence between CSR commitments and corporate behavior. Third, we draw on the negativity bias in order to highlight the relevance of “avoiding bad.” On this basis, we advocate the extension of the differentiation between peripheral and embedded CSR by the dimension of “doing good” and “avoiding bad.”

**Embedded and Peripheral Dimension in the Context of “Doing Good” and “Avoiding Bad”**

In general, CSR as “doing good” can be both embedded by being aligned with companies’ core competencies, strategy, and business operations; as well as peripheral by aiming at positive societal consequences outside their core competencies and strategy. As a result, the “doing good” dimension of CSR allows for a virtually unlimited number of actions for an organization to assume social responsibility.

In contrast, “avoiding bad” means that organizations take appropriate measures in order to ensure not to harm stakeholders and society as a whole. On the one hand, “avoiding bad” falls within the embedded dimension of CSR because it
affects the core of business operations and is integrated in corporate strategy and routines. On the other hand, “avoiding bad” can also be peripheral, for example in the field of global governance. Put simply, global governance means that corporations assume responsibility by acting as political actors in order to establish institutions, such as industry-wide codes of conducts on a global scale (e.g., Scherer & Palazzo, 2007). Industry-wide code of conducts aim to ensure that instruments for “avoiding bad” (e.g., responsible social, labor, and environmental standards) do not systematically engender competitive disadvantages for the individual organization.

### The Relevance of Congruence Between CSR Commitments and Corporate Behavior

Aguinis and Glavas make an excellent point that “if companies are to engage in CSR initiatives, it is best to do so genuinely, to be transparent, and to tie CSR to the company’s core business” (p. 325). This point relates to the credibility of CSR efforts, which is a fundamental precondition that the assumption of social responsibility pays off. If organizations’ CSR efforts are not credible, they become easily exposed to allegations of greenwashing and window-dressing. In their focal article, Aguinis and Glavas illustrate how this can produce adverse outcomes. In this regard, we agree with the authors that embedded CSR in the sense of “doing good” represents a more effective strategy than peripheral CSR.

However, the credibility of CSR efforts is also affected by the ability to “avoid bad.” Reality shows that irresponsible behaviors such as corruption, price fixing, and human rights violations repeatedly occur. Thus, doing business in line with laws and social norms cannot be taken for granted. As long as corporations are not able to effectively prevent irresponsible behavior, embedded CSR in the sense of “doing good” may also have adverse outcomes. Based on this, we argue for the central relevance of the “doing good” and “avoiding bad” dimension to better understand the microfoundation of CSR and its various outcome relations. In terms of corporate reputation, Minor and Morgan (2011) likewise formulate that “not doing harm’ is actually more important” (p. 41) than “doing good.” The reason for this is the fact that already a single instance of irresponsible behavior can substantially damage the credibility of a corporation’s CSR effort. The psychological explanation for this phenomenon is related to the negativity bias (e.g., Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001).

### Negativity Bias as the Psychological Foundation of the Overriding Effect of Irresponsible Behavior

Research on the negativity bias (e.g., Baumeister et al., 2001) demonstrates that negative information causes stronger affective and cognitive reactions than positive information and is more strongly weighted in the overall evaluation of a subject matter. In regard to CSR perceptions, this implies that irresponsible behaviors cannot be offset simply by “doing good” activities regardless whether they fall within or outside the core competencies of an organization (Lin-Hi & Müller, 2013; Minor & Morgan, 2011). In relation to the discussion of CSR, this phenomenon is particularly evident in the area of marketing. For instance, Sen and Bhattacharya (2001) demonstrate that consumers react more sensitively to wrongdoing of companies than to “doing good.” Consequently, due to the overriding impact of irresponsible behavior on the individual perception of CSR, the distinction between “doing good” and “avoiding bad” is an important extension of the suggested embedded versus peripheral framework.

### Conclusion

For us as industrial and organizational psychology researchers and practitioners, the suggested differentiation between
embedded and peripheral CSR can serve as a useful orientation in deciding which organizations and initiatives are genuine and which might be pretended. While we certainly should always advocate for more embedded CSR where possible, at the same time, we also need to evaluate whether peripheral CSR is better than no CSR at all. Particularly, peripheral CSR in the field of “avoiding bad” such as global governance is important to counteract irresponsible behavior on a broad scale. Specifically, in situations in which market requirements would otherwise make it difficult for individual organizations to avoid irresponsibility in such a way that is compatible with economic incentives, this becomes a crucial issue (Lin-Hi & Blumberg, 2011).

Overall, the comprehensive avoidance of irresponsibility is the fundamental underpinning of the credibility and effectiveness of any CSR activities. This is regardless of the centrality of particular “doing good” activities within the company. For instance, even an organization with an embedded approach to CSR, which produces goods with a great societal benefit, will not be perceived as a good corporate citizen if it is outed for misleading consumers or tolerating human rights violations in its value chain. Accordingly, CSR activities in the sense of “doing good” can only lead to positive outcomes in the long run when they are not counteracted by irresponsible behaviors.

Employees in particular have a very rich and general picture of organizational processes and activities. Compared to other stakeholder groups, they are thus able to detect misalignments between communicated CSR strategies and actual firm behavior. Although from an employee perspective there are undoubtedly quantitative differences between peripheral responsibility at work and embedded responsibility in work, there are pronounced qualitative differences between single responsible activities as window dressing and comprehensive organizational efforts to avoid corporate misdeeds. As a consequence, although we should always encourage “doing good,” we need to make sure this does not compromise our vigilance in trying to “avoid bad.”

References


