Unfortunately, Ambiguities Still Abound in How We Conceptualize Corporate Social Responsibility

Paresh Mishra  
*Indiana University - Purdue University Fort Wayne, mishrap@ipfw.edu*

G. B. Schmidt  
*Indiana University - Purdue University Fort Wayne, schmidtg@ipfw.edu*

This research is a product of the Organizational Leadership faculty at Indiana University-Purdue University Fort Wayne.

Follow this and additional works at: [http://opus.ipfw.edu/ols_facpubs](http://opus.ipfw.edu/ols_facpubs)

Part of the *Industrial and Organizational Psychology Commons*, and the *Organizational Behavior and Theory Commons*

**Opus Citation**

[http://opus.ipfw.edu/ols_facpubs/73](http://opus.ipfw.edu/ols_facpubs/73)

This Article is brought to you for free and open access by the Division of Organizational Leadership and Supervision at Opus: Research & Creativity at IPFW. It has been accepted for inclusion in Organizational Leadership and Supervision Faculty Publications by an authorized administrator of Opus: Research & Creativity at IPFW. For more information, please contact admin@lib.ipfw.edu.
Unfortunately, Ambiguities Still Abound in How We Conceptualize Corporate Social Responsibility
The idea of embedded versus peripheral corporate social responsibility (CSR) proposed by Aguinis and Glavas (2013) appears to be very intuitive and functional. After all, who can on face deny the argument that CSR will have the maximum positive outcomes when it is not just an add-on but is thoroughly integrated into the strategies, routines, and operations of the business? However, on closer inspection, there appear to be several problems with the embedded–peripheral dichotomy. Three major ambiguities of the embedded–peripheral dichotomy are focused on in this commentary. The first lies in the potential for significant ambiguity in whether a company falls in one category or the other based on how the totality of the organization’s operations and functions are categorized. A company can have CSR built into their operations and strategies for part
of their business (embedded) while have them not be built into their operations for different aspects of the operations or product strategies. The second ambiguity area is how CSR actions get defined as peripheral or embedded that does fit well with the actual importance level of the action to the organization. We look at an organization example (TOM Shoes) where peripheral CSR actions have significant impact on organizational success. The third ambiguity arises based on whether actions are defined as socially responsible or not. Aguinis and Glavas see CSR as having a triple bottom line of economic, social, and environmental performance, but the needs of each type of performance can be very different and potentially conflict. How these needs are appropriately balanced will vary based on individual morals, with the potential for conflict and greatly differing opinions (Eabrasu, 2012). This commentary will speak directly to these areas of ambiguity.

Ambiguity in How Companies Are Defined as Engaging in Embedded Versus Periphery CSR

The distinction between embedded CSR and peripheral CSR that seems obvious in theory may be very difficult to outline in reality for companies. The CSR of most large corporations will not be completely embedded, only some parts of the businesses will be. For example, by definition, Nike’s attempt to use recycled materials in its shoes and clothing would be considered embedded CSR as it builds a social responsible action (recycling) directly into the production process. Nike also takes old shoes and recycles them into a material they call “Nike Grind” that can be used to make sports surfaces such as basketball courts (http://www.nikegrind.com/). Yet, at the same time, Nike is considered by many to be a socially irresponsible company because of its heavy use of sweatshops in its production process (Banerjee, 2007; Shaw, 1999). Thus, Nike might be considered embedded by the definition of Aguinis and Glavas while also engaging in many behaviors that the community at large may not find to be socially responsible. This raises the question of how consistent across all work processes a company needs to be seen as having truly embedded CSR.

Even the companies that the authors profiled as exemplars of embedded CSR are also involved in a lot of peripheral CSR activities. For instance, many of GE’s CSR initiatives are peripheral. According to the GE’s Corporate Responsibility website (http://www.gecitizenship.com/), the company provides grants to diverse community organizations such as food pantries, shelters, and afterschool programs. According to the site, GE employees volunteered for a total of 1.3 million hours in 2012 alone. Because these activities are very diverse and not fully integrated into the company’s business goals and strategy, these activities will be classified as peripheral CSR. Does any embedded corporate responsibility make an organization embedded or does it need for a majority of its CSR actions to be embedded to qualify as such? As with the Nike example above, there is a question of scope. What level of or amount of focus on embedded practices is enough? This is a significant concern in defining companies as engaging in periphery or embedded CSR.

Ambiguity in What Actions Are Defined as Embedded Versus Periphery CSR

Ambiguity also exists with regard to how central actions are to organizational strategy and success, with the tag of embedded or periphery not corresponding to the level of importance of the initiative to organizational success. For some organizations, peripheral CSR actions can be vital to the organization’s success and market strategy. A great illustration of this is the company TOMS Shoes. TOMS Shoes, a company founded in 2006, has established itself as a major shoe brand, by following its, now famous, “One for One” model. According to this model, the company donates one pair of shoes to an impoverished child for every pair that it sells. This message is
Ambiguities still abound in how we conceptualize CSR

central to their advertising and marketing position (TOMS.com, 2013). However, because the company does not distribute the shoes to the needy children itself and instead partners with different humanitarian organizations to do the distribution, the type of CSR that TOMS is involved is peripheral. CSR is absent here at the “daily routines” level (Aguinis & Glavas).

Despite the absence of the shoe donation mission at the daily routines level, it would be hard to see TOMS having the same amount of success without that mission. The shoe donation is vital to the marketing of the company and the resonance of that mission with consumers is often cited as a major reason for the company’s success (Spaulding, Fernandez, & Sawayda, 2011). The shoe donation is not just a tacked on element unrelated to the business core as Aguinis and Glavas criticize many peripheral CSR initiatives as being. Their article gives another example of a company whose CSR defined as peripheral CSR potentially has significant economic benefit: Petco’s foundation that helps orphaned animals find homes (Petco, 2012). It offers significant benefits to pet owners and potential pet owners while also increasing the total pet owner base that are likely to buy products for their pets from Petco. Again, this falls under periphery CSR due to it being run through a separate foundation, but it has significant core business benefits for Petco. It also helps to connect with consumers whose values fit with orphaned dog adoptions over potentially exploitative dog breeding, with a number of organizations (such as the San Diego Animal Defense Team http://sdanimaldefenseteam.blogspot.com/) protesting stores that sell dogs bred from “puppy mills,” dog breeding facilities with deplorable conditions for animals (more details can be found about the issue through The Humane Society of the United States, http://www.humanesociety.org/issues/puppy_mills/#id=album-193&num=content-3361). Petco signals its complementary values to such a consumer base with its adoption programs.

In both these cases, the CSR engaged in is an important part of the marketing and the organizational mission of the business. Despite that importance, both would be considered peripheral CSR in the classification of Aguinis and Glavas.

On the other hand, organizations such as BP have embedded practices that they call CSR (in their case specific to environmental sustainability) but that are seen by outside organizations as just window dressing or “greenwashing” to look environmentally conscious while actually engaging in actions harmful to the environment. In fact, in 2002 the environmental groups Friends of the Earth and CorpWatch gave BP the “Best Greenwash Award” for doing actions that were only superficially “green” while continuing to engage in environmentally destructive behaviors (Banerjee, 2007). BP’s CSR actions might fall under “embedded” due to the fact they are part of BP’s espoused strategy and part of their daily operations but in fact the overall organization behavior falls well short of the spirit of CSR. Thus, some organizations can have embedded CSR and engage in actions less acceptable to communities than some organizations that only engage in peripheral CSR.

Ambiguity in What CSR Actually Is

The final area of definitional ambiguity speaks to the definition of CSR itself. While many people might agree that organizations as part of CSR should (in the words of the definition of Aguinis, 2011, p. 855) engage in “context-specific organizational actions that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance,” how those three factors should be balanced is much more contentious. How much profit tradeoff is justified for environmental or social performance success? These three types of stakeholders will not always be in perfect agreement with each other as to what is best for any particular course of action. Does Nike’s embrace of recycling (environmental) and its high profits (economic) make up for the fact that
it utilizes sweat shops that many people find unethical (social)? Whether a person thinks that such a balance is acceptable will depend on their own ethics and values with potentially very different answers depending on who is asked. Thus, a common definition of CSR that everyone can agree to hides that in practice people might have different conceptualization of what CSR should be done and is morally correct (Eabrasu, 2012).

The acceptance of CSR as conceptualized in Aguinis and Glavas in fact is not close to unanimous, with many illustrious business leaders and economic thinkers arguing that corporate responsibility is not a responsibility of organizations at all. Noted economist Milton Friedman argued that organizations should focus on their own core business and that the sole social responsibility of businesses were “to use its resources and engage in activities designed to create its profits” (1970). CSR thus could be something that took away from such a needed focus, costing stock holders profits and leading to lowered job creation.

Peter Drucker, noted management scholar and educator, in an interview presented it even more severely: “CSR is a dangerous distortion of business principles. If you find an executive who wants to take on social responsibilities, fire him fast” (Banerjee, 2007, p. 51). Former GE chairman Jack Welch had even expressed disapproval with GE’s current CSR initiatives, arguing “the main social responsibility for a company is to win” (Singh, 2011). These all suggest that differences in the conceptualization of the appropriate social morals for businesses exist, with actions seen as socially responsible by some not being seen as socially responsible by others (Eabrasu, 2012).

**Conclusion**

Aguinis and Glavas offer a much needed systematic attempt at defining how CSR initiatives can differ and for that they certainly deserve commendation. Their way of dichotomizing CSR, however, brings to the surface a number of ambiguities and issues within the area of CSR of how we examine and define CSR activities. This commentary focused on three of those areas: ambiguity in the definition of CSR, ambiguity in how activities should be defined, and ambiguity in how companies should be classified. Future CSR work needs to better tease out and clarify these areas.

One potentially fruitful course of action is to examine CSR based on the consistency across all aspects of an organization with regard to its CSR mission. When there is inconsistency between the CSR and other organization actions, the impact and value of the CSR activities will be necessarily dulled or even neutralized. One good example of this is the Icelandic banking crisis of 2008, where the Icelandic banks engaged in a great deal of CSR in communities, sponsoring local events and espousing a community good focused mission, but at the same time they invested bank patrons’ money in very risky investments that lead to the banks’ collapsing during the 2008 world economic crisis (Sigurthorsson, 2012). The CSR initiatives the Icelandic banks did for the community were socially beneficial but their reckless investments effectively wiped out those social gains. We need to understand the nature of CSR better to be able to determine how and when CSR can positively impact the success of businesses and truly lead to significant environmental and social gains.

**References**


