



# The CSR bottom line: Preventing corporate social irresponsibility



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## ARTICLE INFO

### Article history:

Received 1 February 2012

Received in revised form 1 May 2012

Accepted 1 July 2012

Available online 5 March 2013

### Keywords:

Corporate social responsibility

Corporate social irresponsibility

Doing good

Avoiding bad

Positive–negative asymmetry effect

## ABSTRACT

Corporate social responsibility (CSR) is a prominent topic. Researchers frequently understand CSR as the requirement for corporations to make additional contributions to the well-being of society. Accordingly, CSR is linked with the idea of “doing good.” However, beyond “doing good,” corporations also have the responsibility for “avoiding bad” in order to prevent corporate social irresponsibility (CSI), such as cheating customers, violating human rights, or damaging the environment. Thus, CSR entails both “doing good” and “avoiding bad.” Nonetheless, the issue of CSI and, accordingly, the responsibility for “avoiding bad” are not sufficiently addressed in the discussion of CSR. The article argues that the negligence of the issue of CSI constitutes a serious shortcoming of the current debate. The study here elaborates on the relevance of “avoiding bad” for the perceived social responsibility of corporations and provides a framework which captures the relationship between CSR (“doing good” and “avoiding bad”), CSI, and perceived CSR (pCSR).

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## 1. Introduction

Corporate social responsibility (CSR) is a subject of increasing interest in business practice and business research (Lee, 2008; Taneja, Taneja, & Gupta, 2011). Despite the growing interest in this topic, there is still no general agreement on the precise meaning of CSR. Instead of being a consistent concept, CSR is an umbrella term that encompasses various overlapping areas, such as corporate citizenship, stakeholder theory, business ethics, and corporate sustainability (Freeman & Hasnaoui, 2011).

Notwithstanding the fact that the discussion regarding the responsibility of corporations is rather heterogeneous, one paradigm strongly shapes the debate. By linking the social responsibility of corporations with the idea of “doing good,” researchers frequently conceptualize CSR as the requirement for corporations to make additional contributions to the well-being of society (Carroll & Shabana, 2010). Examples of “doing good” activities include the development of eco-friendly technologies, community engagement, and the promotion of education.

The discussion of CSR has created a variety of valuable impulses for promoting a fruitful interplay between business and society. Nevertheless, the debate is too one-sided to grasp the social responsibility of corporations adequately. The one-sidedness stems from the fact that the current discussion of CSR focuses predominantly on “doing good” and devotes very little attention to the issue of corporate social irresponsibility (CSI) (Campbell, 2007; Lange & Washburn, 2012). Examples of CSI

include the violation of human rights, price-fixing, and the provision of inaccurate product information to consumers.

The study here challenges the current CSR debate in light of its predominant focus on “doing good.” We put forward the argument that “avoiding bad” constitutes an indispensable part of the social responsibility of corporations. “Avoiding bad” aims to prevent CSI and thus delivers CSR. Based on the positive–negative asymmetry effect, we develop a framework that depicts the relationship between CSR (“doing good” and “avoiding bad”), CSI, and perceived CSR. The framework demonstrates that preventing CSI is a central precondition in order for corporations to be perceived as socially responsible in the long run.

The article is organized as follows. Section 2 is devoted to the status quo of the academic discussion of CSR in terms of “doing good.” Section 3 deals with the issue of CSI and elaborates on the importance of “avoiding bad” as part of CSR. Section 4 concludes the paper.

## 2. The “doing good” paradigm in the academic discussion of CSR

### 2.1. Corporation, be good!

In the academic literature, CSR is often linked with the idea of “doing good” (e.g., Frederick, 1994; Kok, van der Wiele, McKenna, & Brown, 2001; Kotler & Lee, 2005). According to this understanding, corporations assume social responsibility by enhancing the welfare of stakeholders (e.g., Donaldson & Preston, 1995; Freeman, 1984) and/or by providing public goods (e.g., Besley & Ghatak, 2007; McWilliams & Siegel, 2011). Consequently, researchers often emphasize that the assumption of social responsibility must surpass the scope of business as usual. The definition by McWilliams and Siegel (2001, p. 17) reflects this perspective; they consider CSR to be “actions that appear... to further some social good, beyond

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the interests of the firm.” [Matten and Moon \(2008, p. 405\)](#) argue in a similar direction: “Yet the precise manifestation and direction of the responsibility lie at the discretion of the corporation. CSR is therefore differentiated from business fulfillment of core profit-making responsibility.”

The “doing good” paradigm also manifests itself in the fact that the voluntary nature of CSR is often highlighted in the academic discussion. For instance, [Dahlsrud \(2008\)](#) finds that 80% of the CSR definitions reviewed contain a voluntariness dimension. The significance of voluntariness is indicative of the importance of CSR activities which take place beyond legal requirements. Thereby, this dimension focuses on those CSR action fields that [Carroll \(1991\)](#) terms “ethical responsibilities” and “philanthropic responsibilities.” Although Carroll argues that corporations have other responsibilities in addition to these two, the current CSR debate focuses heavily on ethical and philanthropic issues: “Since what is debated in the subject of CSR are the nature and extent of corporate obligations that extend beyond the economic and legal responsibilities of the firm, it may be understood that the essence of CSR and what it really refers to are the ethical and philanthropic obligations of the corporation towards society.” ([Carroll & Shabana, 2010, p. 90](#)).

As a consequence, a variety of suggestions in the academic literature relate to how corporations can make additional contributions to the well-being of society in order to assume social responsibility. For instance, corporations can create and offer products that foster sustainable development within their core business operations. Such activities can include the creation of eco-friendly and energy-efficient technologies (e.g., [Koskela & Vehmas, 2012](#)), the use of renewable raw materials (e.g., [Ketola, 2010](#)), or the inclusion of fair-trade products in the sales portfolio (e.g., [Mohan, 2009](#)). In addition, corporations can assume social responsibility beyond their core business operations and enhance the well-being of communities within the framework of strategic philanthropy (e.g., [Godfrey, 2005](#); [Kotler & Lee, 2005](#); [Porter & Kramer, 2002](#)). Examples of philanthropic engagements include supporting charitable institutions financially (e.g., [Smith, 1994](#)), granting employees paid leave for participation in social projects via corporate volunteering (e.g., [Basil, Runte, Basil, & Usher, 2011](#)), and establishing corporate foundations (e.g., [Westhues & Einwiller, 2006](#)).

The “doing good” paradigm allows for virtually unlimited action to be taken in order for a corporation to become socially responsible. “Doing good” is not only beneficial to society but can also be valuable to corporations themselves. The following section outlines the potential benefits to corporations which result from “doing good.”

## 2.2. Potential benefits of “doing good”

Although CSR has both a normative and an instrumental dimension ([Jones & Wicks, 1999](#)), a potential business case for the assumption of social responsibility is a precondition for implementing CSR in practice. If CSR leads to a competitive disadvantage, responsible corporations risk being driven out of the market by irresponsible competitors in the long run ([Pies, Beckmann, & Hielscher, 2009](#)). In addition, a business case for social responsibility can be seen as a factor which motivates corporations to engage in CSR.

In general, CSR in terms of “doing good” provides a solid foundation for a business case. However, the specifics of a corporation and its environment must be taken into account in order for corporations to benefit from CSR ([van Marrewijk, 2003](#)); otherwise, there is the danger that “doing good” will not engender the desired effects. Thus, it is more likely for a corporation to benefit effectively from “doing good” if the respective CSR strategy is tailored to the specifics of the firm ([Porter & Kramer, 2006](#)).

On the product level, the attractiveness of the markets in which corporations can make additional contributions to the well-being of society shapes the potential added business value of “doing good.” For example, the markets for green technologies and environmental protection are growing dynamically and are economically attractive to corporations

([BMU, 2009](#)). The situation is analogous in the market for ecological and fair-trade products which is characterized by enormous growth rates and high profit margins ([Fair Trade International, 2011](#)). Corporations that assume social responsibility and develop and offer products with a societal value can penetrate new markets, attract new customers (e.g., [Prahalad & Hammond, 2002](#)), and, hence, benefit from “doing good.” Additional contributions to the well-being of society within the framework of core business operations represent the notion of creating “shared value” ([Porter & Kramer, 2011](#)) and constitute a win–win situation for corporations and society.

A variety of articles address the potential benefits of CSR in the field of marketing (e.g., [Luo & Bhattacharya, 2009](#); [Simmons & Becker-Olsen, 2006](#); [Wagner, Lutz, & Weitz, 2009](#)). For instance, “doing good” can be utilized in the field of communication and advertising (e.g., [Du, Bhattacharya, & Sen, 2010](#); [Kotler & Lee, 2005](#)). An example is cause-related marketing, whereby corporations tie their engagement in a social cause to the sales of products (e.g., [Varadarajan & Menon, 1988](#)). Empirical studies provide evidence of the positive effects of the integration of “doing good” into advertising strategies (e.g., [Brown & Dacin, 1997](#); [Drumwright, 1996](#); [Nan & Heo, 2007](#)). Corporations which communicate that they contribute to the well-being of society can position themselves as responsible actors and reap a variety of associated business benefits ([Du et al., 2010](#)).

A responsible image allows corporations to differentiate themselves from their competitors (e.g., [McWilliams & Siegel, 2001](#)). Studies demonstrate that a responsible image can positively affect the purchasing decisions of customers (e.g., [Du, Bhattacharya, & Sen, 2007](#)) and strengthen customer loyalty as well as customer satisfaction (e.g., [Bhattacharya & Sen, 2004](#)). Furthermore, a responsible image can enhance the attractiveness of a corporation as an employer (e.g., [Turban & Greening, 1997](#)), increase organizational commitment (e.g., [Peterson, 2004](#)), entail positive effects on corporate reputation (e.g., [Fombrun, Gardberg, & Barnett, 2000](#)), and improve the relationships with local communities (e.g., [Smith, 2003](#)).

Altogether, the discussion demonstrates that by “doing good,” corporations can position themselves as reliable partners in society with whom it is worthwhile doing business. Thus, a responsible image is an important asset for corporations ([Gardberg & Fombrun, 2006](#)). In light of the potential benefits of CSR, it is not surprising that this topic enjoys ever-increasing popularity. However, the current debate about the social responsibility of corporations has a serious blind spot: “There is negligible discussion of the notion of corporate irresponsibility” ([Greenwood, 2007, p. 325](#)).

## 3. Enriching the discussion of CSR by including the issue of CSI

### 3.1. CSI in the academic discussion of CSR

CSI is a phenomenon that is encountered time and again. Price-fixing scandals occur frequently, for instance in the detergent market (Procter and Gamble, Unilever, and Henkel) ([Wearden, 2011](#)) and in the market for elevators and escalators (ThyssenKrupp, Otis, Schindler, KONE, and Mitsubishi) ([European Commission, 2007](#)). Likewise, corruption scandals surface repeatedly; the most prominent recent cases of corruption occurred at Siemens ([Schubert & Miller, 2008](#)) and Daimler ([Clark, 2010](#)). Further examples include accounting scandals (e.g., Enron, WorldCom, and Parmalat) ([Clarke, 2007](#)) and large-scale environmental disasters, such as the BP oil spill in the Gulf of Mexico ([Lin-Hi & Blumberg, 2011](#)) or the Exxon Valdez oil spill in Prince William Sound, Alaska ([Paine et al., 1996](#)).

In light of the variety of examples of irresponsible behavior in practice, it is surprising that the issue of CSI is rarely addressed in an explicit manner in the discussion of CSR. The articles dealing with the issue of CSI are summarized in [Table 1](#). To identify the articles, we first conducted a literature search for the search terms “CSI,” “CSIR,” “Corporate Social Irresponsibility,” “Corporate Irresponsibility,” “Corporat\*

**Table 1**

Summary of CSI research; notes: C = conceptual; E = empirical.

Author (year)	Title	Type	Conceptualization of CSI	Major findings
Armstrong (1977)	Social irresponsibility in management	E	"A socially irresponsible act is a decision to accept an alternative that is <i>thought by the decision maker to be inferior to another alternative when the effects upon all parties are considered</i> . Generally this involves a gain by one party at the expense of the total system." (p. 185; emphasis in original)	A substantial proportion of survey participants who acted as managers according to the "stockholder role" make irresponsible decisions due to role pressures. The danger of CSI is significantly reduced when managers adopt a stakeholder-oriented role.
Brammer and Pavelin (2005)	Corporate reputation and an insurance motivation for corporate social investment	C	CSI is understood in terms of what stakeholders consider to be socially irresponsible behavior.	Insurance-motivated social investment may incentivize corporations to engage in both CSR and CSI, which may elicit overall negative consequences for social welfare.
Christensen and Murphy (2004)	The social irresponsibility of corporate tax avoidance: Taking CSR to the bottom line	C	Example (corporate tax avoidance).	In order to reduce the socially detrimental effects of corporate tax avoidance, multinational corporations should adopt CSR guidelines in the field of taxation.
deMaCarty (2009)	Financial returns of corporate social responsibility, and the moral freedom and responsibility of business leaders	C	Via examples (e.g., criminal fraud, price-fixing, bid rigging, bribery, tax evasion).	The returns on CSR and CSI are equal on average.
Ferry (1962)	Forms of irresponsibility	C	"By 'irresponsible' is mainly meant the antithesis of responsible. Irresponsibility is characterized by unethical and morally distasteful behavior. Irresponsibility is marked by short views, self-righteousness, hypocrisy, and disdain for the common good." (p. 66)	Corporations behave irresponsibly by not reacting adequately to new societal developments and hence, increasingly fail to fulfill their societal function.
Fox (1996)	The law says corporations are persons, but psychology knows better	C	Via examples (e.g., unnecessary worker injuries, environmental degradation, resource waste, contribution to economic inequality).	In order to prevent CSI, the capitalist ideology and the corporate form have to be abolished.
Frooman (1997)	Socially irresponsible and illegal behavior and shareholder wealth: A meta-analysis of event studies	E	Via examples (CSI events such as false advertising, environmental pollution, hazardous products, product recalls, safety violations, price-fixing).	Socially irresponsible and illegal corporate activities significantly decrease shareholder wealth.
Greenwood (2007)	Stakeholder engagement: Beyond the myth of corporate responsibility	C	"Corporate irresponsibility occurs when the strategic management of stakeholders does not remain responsibility-neutral practice but becomes an immoral practice based on the deception and manipulation of stakeholders" (p. 324).	Stakeholder engagement may also be an irresponsible activity if corporations only appear to meet stakeholders' interests but are instead instrumentalizing stakeholders for the sake of meeting the company's own self-interest.
Ireland (2010)	Limited liability, shareholder rights and the problem of corporate irresponsibility	C	Via examples (e.g., corporate malfeasance, reckless risk taking, opportunistic behavior, ruthless pursuit of shareholder value).	In order to reduce CSI, the privilege of limited liability has to be decoupled from rights of control.
Jones, Bowd, and Tench (2009)	Corporate irresponsibility and corporate social responsibility: Competing realities	C	"CSI is about being reactive as opposed to proactive in addressing corporate issues and the ways and means by which they relate to wider society. At its extreme CSI may entail breaking the law [...]" (p. 304).	CSR and CSI should be conceived of as distinct concepts that represent the opposite ends of a continuum.
Karmen (1981)	Auto theft and corporate irresponsibility	C	Example (auto theft).	Automobile manufacturers behave irresponsibly by not sufficiently preventing or even intentionally facilitating auto theft in order to maximize profits.

Lange and Washburn (2012)	Understanding attributions of corporate social irresponsibility	C	CSI is conceptualized in terms of what stakeholders consider to be socially irresponsible behavior.	A theory that helps to understand the attribution of CSI to a firm by its observers which derives from their subjective assessments of effect undesirability, corporate culpability, and affected party noncomplicity.
McMahon (1999)	From social irresponsibility to social responsiveness: The Chrysler/Kenosha plant closing	C	"Social irresponsibility should be seen as an antonym of social responsibility [...]. As an antonym of social responsibility, <i>social irresponsibility</i> (while not defined <i>per se</i> by ethicists) might well accept the notion that it includes such ideas as showing no sense of responsibility, as being undependable, unreliable or even untrustworthy." (p. 108; emphasis in original)	After the announcement of the plant closure in Kenosha, Wisconsin, Chrysler first behaved in a socially irresponsible manner, but then became a socially responsive corporation by reacting to public pressures and providing its employees and the local community with appropriate compensation.
Muller and Kräussl (2011)	Doing good deeds in times of need: A strategic perspective on corporate disaster donations	E	Via KLD CSR concerns.	There is a positive relationship between a firm's reputation for CSI, drop in market value during a disaster, and the likelihood of engaging in corporate philanthropy after a disaster.
Oikonomou, Brooks, and Pavelin (2012)	The impact of corporate social performance on financial risk and utility: A longitudinal analysis	E	Via KLD CSR concerns.	There is a positive and strong relationship between CSI and financial risk and a negative but weak relationship between CSR and systematic firm risk.
Pearce and Manz (2011)	Leadership centrality and corporate social irresponsibility (CSIR): The potential ameliorating effects of self and shared leadership on CSIR	C	"[...] unethical executive behavior that shows disregard for the welfare of others, that at its extreme is manifested when executives seek personal gain at the expense of employees, shareholders and other organization stakeholders, and even society at large." (p. 563)	CSI can be attributed to centrality of leadership as well as the primary power motivation of leaders in organizations. In contrast, self-leadership and shared leadership can help to reduce the danger of CSI.
Sarre, Doig, and Fiedler (2001)	Reducing the risk of corporate irresponsibility: The trend to corporate social responsibility	C	Via examples (e.g., corporate crime, physical harm to employees, financial jeopardy, environmental disasters).	In order to reduce the danger of CSI, legal regulation must be supplemented by the active promotion of a socially responsible culture in organizations.
Schwarze (2003)	Corporate-state irresponsibility, critical publicity, and asbestos exposure in Libby, Montana	C	Example (the population's exposure to asbestos in Libby, Montana, USA).	In order to prevent CSI, critical publicity is required that exposes and controls the exercise of corporate-state power.
Strike et al. (2006)	Being good while being bad: Social responsibility and the international diversification of US firms	E	"[...] the set of corporate actions that negatively affects an identifiable social stakeholder's legitimate claims (in the long run)." (p. 852)	There is a positive relationship between the level of international diversification and both the CSR and the CSI activities of a firm; CSR and CSI must be treated as separate yet related constructs.
Tench, Bowd, and Jones (2007)	Perceptions and perspectives: Corporate social responsibility and the media	E	CSI is conceptualized in terms of what stakeholders consider to be socially irresponsible behavior.	While there is a tendency among (UK) journalists to cover positive stories about CSR, the media will always report negative stories about CSI.
Wagner, Bicen, and Hall (2008)	The dark side of retailing: Towards a scale of corporate social irresponsibility	E	CSI is conceptualized in terms of what stakeholders consider to be socially irresponsible behavior.	US consumers' perceptions of CSI can be classified along 14 dimensions.
Williams and Zinkin (2008)	The effect of culture on consumers' willingness to punish irresponsible corporate behaviour: Applying Hofstede's typology to the punishment aspect of corporate social responsibility	E	CSI is conceptualized in terms of what stakeholders consider to be socially irresponsible behavior.	The consumers' propensity to punish corporations for CSI varies along Hofstede's cultural dimensions.

Social Irresp\*,” and “Corporat\* Irresp\*” within titles, keywords, and abstracts in the databases ProQuest ABI/INFORM, EBSCO Business Source Premier, and JSTOR. We limited our search to peer-reviewed scholarly articles. In the next step, we excluded from the initial data set articles that only name CSI without discussing this issue in detail. The final data set comprises 22 articles covering a time span from 1962 to 2012.

Table 1 provides an overview of the current status of the academic discussion of CSI. The table illustrates that, although the discussion addresses very different issues, most of the articles focus on one of the following questions: 1) What are the reasons for the occurrence of CSI? 2) What are the means of preventing CSI? 3) What defines CSI? 4) What is the relationship between CSI and corporate success?

It is notable that only seven of 22 articles operate with an explicit definition of CSI. Most frequently (in eight articles), CSI is conceptualized via examples. In addition, two articles operationalize CSI in terms of the CSR concerns provided by the Kinder, Lydenberg, Domini (KLD) database, and five articles approach CSI based on the perceptions of stakeholders. Although the current discussion of CSI is characterized by different positions and approaches, their common denominator is that CSI is seen as immoral and/or illegal corporate actions with negative consequences for others.

### 3.2. The nature of CSI

Based on the aforementioned common denominator of the CSI literature, we define CSI as corporate actions that result in (potential) disadvantages and/or harm to other actors. On the one hand, an act of CSI involves the violation of law. On the other hand, the violation of law is to be conceived of as a sufficient, but not a necessary condition for defining CSI. Due to the incompleteness of contracts (e.g., Hart & Holmström, 1987) and the deficiency of legal regulations on the global scale (e.g., Scherer & Palazzo, 2011), corporate actions can adversely affect others even if corporations do not break the law (Lin-Hi & Blumberg, 2012a). An example of legal but irresponsible behavior was recently provided by the banking industry. Banks took excessive risks within the legal framework, bringing the entire financial sector to the verge of collapse and exposing society to various harms. Another example of legal but irresponsible behavior is the sale of services that fulfill all the statutory conditions but are deliberately designed not to meet the needs of customers, but to maximize sales commissions instead.

In general, it is possible to distinguish between the two forms of CSI: intentional and unintentional CSI. Intentional CSI implies that corporations deliberately perform actions that disadvantage and/or harm others. Examples of intentional CSI include bribery, issuing excessive bills, illegal industrial waste disposal, and tax evasion. Intentional CSI is usually driven by the aim to achieve a higher level of profits and therefore, represents a means for realizing specific objectives. For instance, bribery facilitates the acquisition of lucrative contracts and disposing of waste illegally can be an effective way of reducing costs. Since CSI usually only pays off if it remains uncovered, intentional CSI involves corporate efforts to conceal their acts of CSI.

The key characteristic of unintentional CSI is that the (potential) disadvantages and/or harm to others are not inflicted deliberately by a corporation. Thus, CSI is not employed to achieve a particular objective, but has the character of an unanticipated by-product of certain activities. Sometimes, CSI is just the result of a series of unfortunate events. In general, a variety of different antecedents of unintentional CSI exist. For instance, CSI can be caused by external factors such as an earthquake which can lead to the explosion of a power plant. “Unforeseen contingencies” (Kreps, 1990) can also lead to CSI when, for example, the potentially lethal side effects of a drug only appear some time after the market introduction. Time and again, CSI occurs in the supply chain, for example, when a firm’s supplier employs children or uses prohibited chemical substances without the firm’s knowledge.

Due to the complexity involved in corporate value creation, corporations cannot entirely rule out the possibility that they may become embroiled in CSI. The more complex a firm’s business, the more likely it is that CSI will occur (Strike, Gao, & Bansal, 2006). However, this does not relieve corporations of the responsibility to permanently strive to prevent CSI. Even the unintentional character of damage to others does not imply that corporations are not entirely innocent. A corporation can, for example, fail to protect the power plant sufficiently against earthquakes, neglect to pursue constantly information about the side effects of drugs, or ignore the need to control its suppliers regularly regarding child labor.

### 3.3. “Doing good” and “avoiding bad”: a comparison

The public disclosure of CSI entails a variety of negative consequences for corporations. Besides penalties and compensation payments, the negative consequences may include customer losses, decreased employee motivation, or reputational damage (e.g., PricewaterhouseCoopers, 2005). The oil spill in the Gulf of Mexico clearly demonstrates the immense costs that can accrue to corporations that are embroiled in CSI. BP had to establish an independent fund of US\$20 billion to satisfy compensation claims and is also involved in a variety of claims for damages running into the billions. BP’s stock temporarily lost more than 50% of its value, which threatened the independence of the company (Lin-Hi & Blumberg, 2011). Examples like Enron and WorldCom show that, in extreme cases, CSI can result in the demise of a company.

In light of the costs associated with CSI, the question arises of why the discussion of CSR has predominantly focused on “doing good,” thereby resulting in very little attention having been devoted to “avoiding bad.” One possible explanation for this is that “doing good” seems to engender more significant positive effects for a responsible image than “avoiding bad” does. From this point of view, “doing good” is more attractive to corporations than “avoiding bad.” Table 2 contrasts fictitious scenarios in order to highlight the differences between “doing good” and “avoiding bad.”

The greater attractiveness of “doing good” in direct comparison with “avoiding bad” relates closely to the fact that “doing good” represents a form of pro-social behavior. A bank that provides microcredit in developing countries and a computer manufacturer that supplies African schools with free PCs engage themselves beyond legal requirements for the disadvantaged groups of people and make noteworthy contributions to the well-being of society. By contrast, the abstinence from the sale of products with hidden negative characteristics or from child labor in production sites can be regarded as behavior that can be taken for granted: “Avoiding bad” constitutes actions that “any good citizen would do” (Davis, 1973, p. 313). Thus, “avoiding bad” is usually not seen as particularly indicative of the social responsibility of a corporation.

Due to the voluntary nature of “doing good,” corporations may over-fulfill societal expectations and thereby improve their social standing. Furthermore, the renovation of a school and the establishment of a foundation for maltreated women are highly visible and positively affect public relations (Lin-Hi, 2010). “Doing good” has the effect of a lighthouse that can help a corporation to signal its commitment to CSR clearly and effectively. By “doing good,” a corporation can demonstrate its friendliness, generosity, and kindness to society. By contrast, the firm is unlikely to exceed societal expectations by “avoiding bad” due to its self-evident nature. Usually, the view is taken for granted that corporations do not violate human rights or engage in price-fixing.

The self-evident character of “avoiding bad” makes it difficult for corporations to position themselves as responsible actors through “avoiding bad” since self-evident and taken-for-granted behavior is not rewarded in most cases. Usually, CSR prizes are not awarded to corporations for not being corrupt or for abstaining from tax evasion.

**Table 2**  
"Doing good" versus "avoiding bad."

"Doing good"	"Avoiding bad"
A textile company expands its product range with clothes made from organic cotton.	A textile company abstains from the employment of cheap but harmful production methods.
A pharmaceutical company financially supports an aid organization.	A pharmaceutical company abstains from illegal drug studies.
A computer manufacturer provides African schools with free PCs.	A computer manufacturer abstains from employing children in its production sites in Africa.
A bank provides micro credits in developing countries.	A bank abstains from selling bad but profitable products to its customers.
A construction company gives its employees paid time off for the renovation of schools.	A construction company abstains from price-fixing with competitors.
A global oil and gas company is active in the field of renewable energies.	A global oil and gas company abstains from human rights abuses.
A toy manufacturer establishes a foundation for maltreated women.	A toy manufacturer abstains from the cooperation with suppliers who are known for inhumane working conditions.

In addition, some CSR advocates explicitly reject the consideration of "avoiding bad" as an integral part of CSR. This perspective receives support, for example, by McWilliams and Siegel's (2001, p. 117) statement: "A company that avoids discriminating against women and minorities is not engaging in a socially responsible act; it is merely abiding by the law."

Altogether, in comparison with "avoiding bad," "doing good" seems to be the more attractive approach for demonstrating social responsibility. Since CSR entails the objective of being perceived as a responsible actor, it is comprehensible that "doing good" constitutes the dominant paradigm in the discussion of CSR. However, as the following section exemplifies, the potential advantages of "doing good" associate closely to the prevention of CSI.

### 3.4. The interdependency of responsibility and irresponsibility

Since 2000, non-governmental organizations have awarded the Public Eye Award ([www.publiceye.ch](http://www.publiceye.ch)) annually to the most irresponsible corporation. Past winners of the Public Eye Award, for instance, include The Walt-Disney Company for the labor and human rights violations of its suppliers, Royal Dutch Shell for open gas flaring in the Niger Delta's residential areas, and the Royal Bank of Canada for financing the environmentally destructive oil extraction of tar sands in the province of Alberta, Canada.

A glance at the websites of the three companies mentioned shows that they all strongly declare themselves to be committed to their social responsibility. All three corporations can also demonstrate various activities in the field of "doing good." For example, Disney runs the volunteering program "VoluntEARS," Shell established a foundation which is endowed with US\$400 million, and the Royal Bank of Canada operates the Children's Mental Health Project. The "doing good" activities of these companies in combination with their Public Eye Awards exemplify that corporations can be socially responsible and irresponsible at the same time. Enron is also an obvious case of the simultaneous existence of responsible behavior and irresponsible behavior. On the one hand, Enron actively promoted the well-being of society via "doing good." For instance, the company generously supported educational institutions and non-profit organizations, sponsored art exhibits, and donated money for disaster relief (Enron, 2000). On the other hand, Enron was found to have behaved irresponsibly in many fields, including being involved in insider trading, balance sheet fraud, and the manipulation of the energy market in California (McLean & Elkind, 2003).

The potential coexistence of socially responsible behavior and irresponsible behavior has important implications for a deeper understanding of CSR. The relevance of this coexistence results from the circumstance that the business case for CSR depends on the stakeholders' perception of a corporation's CSR performance. The perceived responsibility of a corporation (pCSR) matters (Lange & Washburn, 2012) because stakeholders' attitudes, such as customer loyalty or employee organizational commitment, are ultimately determined by their subjective perceptions and interpretations of

company behavior, as opposed to direct, objective performance measures (Mahon, 2002; Whetten & Mackey, 2002).

Both responsible behavior and irresponsible behavior are likely to shape pCSR. Responsible behavior increases pCSR, while irresponsible behavior decreases pCSR. In this context, however, it is assumed that irresponsible behavior has a stronger effect on pCSR than responsible behavior. This assumption is supported by psychological research which demonstrates that people show stronger affective and cognitive reactions to negative information than to positive information (e.g. Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; Taylor, 1991). Furthermore, in the simultaneous presence of positive and negative information, negative information is given more weight in the overall evaluation of a particular subject (e.g., Anderson, 1965; Kanouse & Hanson, 1972; Lange & Washburn, 2012). Since responsible behavior represents positive information and irresponsible behavior represents negative information about a company, a positive-negative asymmetry effect for pCSR can be expected.

Empirical studies in the field of marketing give credence to the positive-negative asymmetry effect of responsible behavior and irresponsible behavior. For example, Sen and Bhattacharya (2001) demonstrate that consumers are more sensitive to negative CSR information than to positive CSR information. The asymmetry effect also manifests itself in terms of consumers' willingness to pay. Negative information about a company reduces the willingness to pay more strongly than positive information about a company increases the willingness to pay (Moosmayer, 2012). Likewise, Mohr and Webb (2005) show that negative CSR information has a stronger effect on consumers' evaluation of a company and purchasing intent than positive CSR information.

Based on these considerations, we assume the following relationships. First, "doing good" has positive direct effects on pCSR since it allows corporations to demonstrate their social responsibility visibly. Second, the manifestation of CSI has very strong negative effects on pCSR because irresponsible behavior is not expected. Third, "avoiding bad" has only weak positive direct effects on pCSR because it is self-evident and generally expected that corporations try to prevent CSI. However, since "avoiding bad" reduces the likelihood of CSI, "avoiding bad" has positive indirect effects on pCSR. Fig. 1 depicts the model for pCSR developed on the basis of these relationships.

The model provides a framework to encourage empirical investigations into these relationships. The aspects of the postulated framework could be examined by exposing participants to hypothetical scenarios with randomized descriptions of responsible and irresponsible corporate behavior. While some previous studies have compared the effects of company descriptions with either positive or negative CSR-related information (e.g., Mohr & Webb, 2005; Sen & Bhattacharya, 2001), no studies exist that simultaneously provide both positive and negative information in a scenario and test the differential and combined effects on pCSR. This type of scenario approach seems to be a promising way to examine empirically the differential effects of previous "doing good" and "avoiding bad" activities given the occurrence of a publicly visible CSI

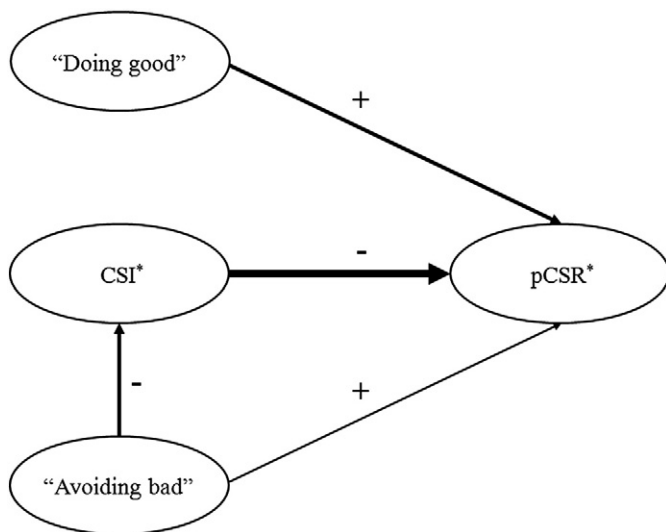


Fig. 1. "CSR-CSI framework". \*CSI: corporate social irresponsibility; pCSR: perceived corporate social responsibility.

event. By the same token, it would also be fruitful to examine the differential effects of intentional versus unintentional CSI on pCSR. Based on attribution theory (e.g., Lange & Washburn, 2012), we would expect more pronounced negative reactions to intentional CSI than to unintentional CSI.

#### 4. Implications and conclusion

The current discussion of CSR is predominantly concerned with the additional contributions that corporations make to the well-being of society. In particular, this is reflected in the strong focus on the idea of "doing good." Accordingly, "doing well by doing good" is a frequently encountered credo for corporations in business practice and business research. Indeed, CSR in the sense of "doing good" can contribute to a fruitful interplay between business and society. In addition, "doing good" offers corporations a variety of opportunities to benefit from CSR – ranging from enhanced customer loyalty to the penetration of new markets. However, corporations do not only have the social responsibility for "doing good" but also the social responsibility for preventing CSI and hence, for abstaining from activities that disadvantage and/or harm others. Thus, CSR entails both "doing good" and "avoiding bad." Nevertheless, both in theory and in practice, the issue of CSI and the associated responsibility for "avoiding bad" are only rarely addressed in an explicit manner.

At first glance, compared with "avoiding bad," "doing good" appears to be better suited for corporations to demonstrate their social responsibility. Preventing CSI has a self-evident nature and thus, represents behavior that is taken for granted. Therefore, "avoiding bad" is rarely rewarded by stakeholders. By contrast, "doing good" allows corporations to over-fulfill societal expectations and thus, build up a positive image as a responsible actor. However, "avoiding bad" is a central precondition for being able to benefit from "doing good" in the long run.

The relevance of "avoiding bad" ensues from the condition that a corporation cannot be perceived as a responsible actor if it is unable to prevent CSI. Hence, the perception of the social responsibility of corporations is influenced by both responsible behavior and irresponsible behavior. Due to the positive–negative asymmetry effect, irresponsible behavior has a stronger effect on pCSR than responsible behavior. This asymmetry effect implies that the negative effects of CSI cannot simply be offset by "doing good." In reference to the subtitle of an article concerned with the judgment of persons by Riskey

and Birnbaum (1974), "Two rights don't make up for a wrong", two "doing good" projects do not make up for an act of CSI. This view is supported by Minor and Morgan (2011) in the context of corporate reputation. Even the best "doing good" strategy does not lead to a responsible image if, at the same time, a corporation behaves irresponsibly. Thus, the prevention of CSI constitutes the bottom line of CSR. Without the ability to prevent CSI, CSR cannot realize its full economic potential or may even be completely ineffective.

Both academics and practitioners have gravely neglected the fact that preventing CSI is a central precondition for corporations to be perceived as socially responsible in the long run. While, at present, corporations are frequently positioned well in terms of "doing good," they often fail to prevent CSI. On an almost daily basis, the media report small and large examples of irresponsible behavior. This situation indicates that, on the one hand, the prevention of CSI poses enormous challenges in practice and hence, constitutes a complex management task. On the other hand, the recurrent involvement of corporations in CSI suggests that corporations frequently lack the CSR competencies that are required to prevent CSI (Lin-Hi & Blumberg, 2012b). In light of the occasionally severe negative economic effects of CSI, there are good reasons to devote more attention to the management of "avoiding bad."

The strong negative effects of CSI on pCSR entail the task of identifying management approaches that can effectively prevent CSI. In addition, there is a need for further research on the relationship between CSR ("doing good" and "avoiding bad") and CSI with respect to pCSR. This also implies that the question of how corporations can reduce the negative effects of CSI on their perceived social responsibility needs to be addressed. Altogether, expanding the discussion of CSR to include explicitly the issue of CSI is worthwhile.

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