

FOCAL ARTICLE

Embedded Versus Peripheral Corporate Social Responsibility: Psychological Foundations

HERMAN AGUINIS

Indiana University

ANTE GLAVAS

University of Notre Dame

Abstract

We propose a new conceptualization to make sense of the vast and diverse body of work regarding corporate social responsibility (CSR): (a) embedded CSR and (b) peripheral CSR. This distinction relies on psychological foundations originating primarily in industrial–organizational psychology and related fields (i.e., organizational behavior, human resource management) and allows for a better understanding of when and why CSR is likely to lead to positive outcomes for employees, organizations, and society. Embedded CSR involves an organization's core competencies and integrates CSR within a firm's strategy, routines, and operations, and therefore affects all employees. In contrast, peripheral CSR focuses on activities that are not integrated into an organization's strategy, routines, and operations (e.g., philanthropy, volunteering). We use our conceptualization to explain the success of CSR initiatives at GE, IBM, and Intel, and to reinterpret the scholarly CSR literature in the fields of marketing, corporate governance and legal studies, and economics. We also describe how our conceptualization can help bridge the much lamented micro–macro and science–practice gaps and helps guide future CSR research as well as organizational interventions.

Corporate social responsibility (CSR) is an issue that enjoys the attention of both researchers and practitioners. On the research side, there is a vast scholarly literature mostly in macro organizational studies such as strategy and corporate governance (e.g., Doh, Howton, Howton, & Siegel, 2010; McWilliams & Siegel, 2000). The scholarly interest in CSR is also reflected by journal editorials (e.g., Devinney, 2009) as well as journal special issues (e.g., Morgeson, Aguinis, Waldman, & Siegel, in press; Orlitzky, Siegel, & Waldman,

2011; Rupp, Wright, Aryee, & Luo, 2011). On the practitioner side, we conducted a search on Google on January 6, 2013 using “corporate social responsibility,” and it resulted in more than 124 million hits. In addition, reporting on CSR initiatives has now become common practice for virtually all major corporations around the world and rankings are compiled and published on a regular basis (e.g., Global Most Sustainable Companies, 2012). Moreover, initiatives such as the United Nations Global Compact (United Nations Global Compact, 2012), of which the Society for Industrial and Organizational Psychology (SIOP) became a member in December 2012 (Scott et al., 2013), suggest that CSR has become an issue of interest to organizations worldwide. Accordingly, due to the interest on the part of both researchers and

Correspondence concerning this article should be addressed to Herman Aguinis.

E-mail: haguinis@indiana.edu

Address: Department of Management and Entrepreneurship, Kelley School of Business, Indiana University, 1309 E. 10th Street, Bloomington, IN 47405-170

practitioners, addressing issues about CSR has great potential in terms of bridging the much-lamented science–practice gap in industrial–organizational (I–O) psychology and related fields (Cascio & Aguinis, 2008).

The scholarly literature on CSR has become increasingly complex. Although several reviews are now available (e.g., Aguinis & Glavas, 2012; Brammer, Hojmoser, & Millington, 2011; Elliot, 2011; Enderle & Murphy, 2009; Pelozo & Shang, 2011), the literature remains highly fragmented. As noted by Waddock (2004), “parallel and sometimes confusing universes exist” (p. 5). In a recently published literature review, Aguinis and Glavas (2012) concluded that these parallel universes exist because researchers have approached CSR through different disciplinary and conceptual frameworks as well as different levels of analysis. Accordingly, a fundamental question still remains unanswered: When and why does CSR lead to positive outcomes for employees, organizations, and society?

In this article, we offer a new lens and conceptualization to make sense of a vast body of CSR work generated by researchers and practitioners: the categorization of CSR into (a) embedded CSR and (b) peripheral CSR. Our conceptualization relies on the psychological foundations of CSR and allows us to reinterpret literatures generated using different theoretical frameworks, levels of analysis, and methodological approaches. In particular, our proposed framework, which relies on theories originating primarily in I–O psychology, organizational behavior (OB), and human resource management (HRM), will serve as a guide to help frame future research as well as interventions regarding CSR. To avoid confusion and given the different definitions available (Carroll, 1999; Pelozo, 2009; Waddock, 2004), we define CSR following Aguinis (2011) and others (e.g., Aguinis & Glavas, 2012; Rupp, 2011; Rupp, Williams, & Aguilera, 2010) as “context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social,

and environmental performance” (Aguinis, 2011, p. 855).

The remainder of our manuscript is organized as follows. First, we provide a definition of embedded and peripheral CSR. Second, we describe the processes and mechanisms (i.e., psychological foundations) underlying CSR. Third, we describe examples of three firms (i.e., GE, IBM, and Intel) that build on their core competencies to integrate CSR within their strategy, routines, and operations. Then, we draw on diverse bodies of scholarly work in the fields of marketing, corporate governance and legal studies, and economics to illustrate how using the embedded versus peripheral CSR conceptualization allows us to get a clearer view of when and why CSR leads to positive outcomes. Finally, we discuss implications of our conceptualization for research and practice.

Embedded Versus Peripheral CSR

Embedded CSR relies on an organization’s core competencies and integrates CSR within a firm’s strategy, routines, and operations. In contrast, peripheral CSR focuses on activities that are not integrated into an organization’s strategy, routines, and operations. Our categorization of embedded versus peripheral CSR relies on the sustainability literature (Laszlo & Zhexembayeva, 2011) but is different from other categorizations that focus on predictors of CSR (i.e., normative versus instrumental) or outcomes of CSR (e.g., substantive versus symbolic). Instrumental (i.e., cost-benefit based) and normative (i.e., value-based) motives (e.g., Garriga & Melé, 2004; Swanson, 1995) can both be found in each category of embedded and peripheral. For example, consider the case of philanthropy and volunteering, which are examples of peripheral CSR. These activities can be based on normative (i.e., they are the right thing to do) or instrumental (i.e., there are financial benefits derived from them) motives. Our categorization is also different from substantive versus symbolic CSR (e.g., David, Bloom, & Hillman, 2007;

Tenbrunsel, Wade-Benzoni, Messick, & Bazerman, 2000), which is based on the degree of congruence between intentions and actions. For example, Arya and Zhang (2009) provided an illustration of substantive CSR in South Africa where transferring of a large stake to Black investors by a White-owned corporation was perceived to be genuine (i.e., substantive CSR); but, CSR was not embedded because it was not connected to the daily operations and practices of the firm.

For CSR to be embedded, it needs to be part of the organization's strategy and its daily routines and operations. There are many examples of firms that engage in CSR initiatives by integrating them into their strategy *or* daily practices and routines, but not both. Accordingly, in all of these cases, CSR is peripheral and not embedded. Consider the very popular issue of eco-efficiency, which involves an organization's effort to cut costs while also reducing its environmental impact. Although this is a noble initiative and most eco-efficiency programs are part of daily routines (e.g., employees use motion detectors to activate light switches throughout the building), they are not directly tied to an organization's strategy and its core competencies. Similarly, CSR is peripheral and not embedded when such initiatives are related to strategic goals but not part of a company's daily operations and routines. For example, Petco, through the Petco Foundation, has helped millions of orphaned animals find homes (Petco, 2012). This program fulfills a noble purpose by helping animals avoid being euthanized and is also good for business because Petco now has millions of new customers it can serve with its products. Although the Petco Foundation creates shared value for both society and the business, it is an illustration of a firm engaging in peripheral and not embedded CSR. The reason is that the work is coordinated by the Petco Foundation, which was founded by Petco but is separate from the corporation, and CSR is not integrated into the daily practices and routines of the firm. Put simply, although

there are business benefits, the activity does not generate business revenue directly.

Our conceptualization of embedded CSR opens up an opportunity for I–O psychology to bridge the much-lamented micro–macro divide (Aguinis, Boyd, Pierce, & Short, 2011). Because CSR is traditionally viewed as a macro field that is closely related to strategy (Lee, 2008), we can draw parallels with the propositions put forward by Ployhart (2012a, 2012b) regarding bridging strategy with fields that focus mainly on micro issues (i.e., I–O psychology, OB, and HRM). Specifically, Ployhart (2012a, 2012b) made a distinction between strategy and I–O psychology, explaining that the I–O psychology approach is to try to find results that can be generalized across firms and contexts (i.e., context generic). In contrast, in strategy, researchers usually seek results that are context specific because firms strive for competitive advantage and avoid implementing anything that is generalizable. Although subtle, this difference has caused an important divide that can be bridged through multilevel theory and methods (Aguinis, Gottfredson, & Culpepper, 2013). This distinction is especially important for embedded and peripheral CSR. Peripheral CSR is context generic and can be implemented by any organization. For example, setting up a corporate foundation that focuses on helping those in need can be done by many firms, as the Petco example mentioned earlier. However, embedded CSR is by its nature context-specific because the organization needs to build on its unique core competencies to implement CSR. Therefore, if CSR is embedded, it offers the opportunity for I–O psychology to contribute to our understanding of context-specific conditions and mechanisms of CSR.

Psychological Foundations of Embedded Versus Peripheral CSR

Scientific fields addressing macro-level issues such as economics have initially developed without giving a prominent role to their microfoundations, which are the

foundations of a field based on individual actions and interactions (Foss, 2011; Mollick, 2012; Ployhart, 2012a). CSR research is rooted in several macro-level fields of study including strategy and corporate governance. Accordingly, it is not surprising that its main focus thus far has been the institutional level (i.e., addressing regulatory elements such as laws and standards as well as normative and cultural-cognitive elements that are shaped by society, consumers, and stakeholders external to the firm; Scott, 1995), whereas in the last few decades it has somewhat shifted attention to the organizational level of analysis (Aguinis & Glavas, 2012). Accordingly, Aguinis and Glavas (2012) concluded that the most important knowledge gaps they identified in their literature review of CSR relate to the need to expand our understanding of individual-level issues because, as is the case with all types of organizational initiatives, it is individuals who actually strategize, make decisions, and are responsible for their execution (Aguinis, 2011).

Our conceptualization of embedded and peripheral CSR draws on the micro literature and answers calls to examine the *psychological foundations of CSR* (Aguinis & Glavas, 2012). We do so by relying on research that has originated primarily in I–O psychology, OB, and HRM. Specifically, the meaningfulness literature suggests that different organizational members care about different issues. This literature defines three kinds of orientations toward work based on the meaningfulness that individuals find in work (Bellah, Madsen, Sullivan, Swidler, & Tipton, 1985; Wrzesniewski, 2003). The first is based primarily on material benefits and job security. The second is a career orientation where the focus is on advancement and the ensuing rewards. Such benefits satisfy higher-order needs such as self-esteem (Bellah et al., 1985). The third is a calling orientation in which work is seen as making the world a better place—as is the case with CSR. Meaningfulness is neither static nor a fixed property of a job or organization; rather, it is subjective and is

a subset of sensemaking (Pratt & Ashforth, 2003). As such, meaningfulness can be interpreted from two lenses: (a) meaningfulness *at work*—meaningfulness stems from membership in the organization and not necessarily from what one does (e.g., my organization is committed to social responsibility, but my job does not directly contribute to social responsibility); or (b) meaningfulness *in work*—meaningfulness stems from what one does (e.g., my organization is not really socially responsible, but my job contributes to social responsibility). Often an organization can be considered to be socially responsible at a macro-level of analysis while individual jobs might not be able to directly contribute to bettering society and/or the environment. In such organizations, often the social and environmental responsibilities are confined to a small group of individuals or a specialized unit such as a Corporate Social Responsibility Department. But employees might still find pride working for such organizations due to sharing an identity regardless of their particular jobs (Basu & Palazzo, 2008; Turban & Greening, 1996), which would correspond to meaningfulness at work as described by Pratt and Ashforth (2003). On the other hand, if CSR is embedded, it potentially leads to both meaningfulness *at* as well as *in work*.

Peripheral CSR might lead to adverse effects if there is a disconnect between meaningfulness at work compared to *in work*. If an organization is projecting an image of being socially responsible but one's job is not connected to social responsibility, employees might find a lack of congruence and authenticity, which could result in less identification with the organization (Glavas & Godwin, 2013). In addition, an employee's perception of fit between their personal and organizational values could be affected negatively, which is important because fit is related to job satisfaction and turnover (Edwards & Cable, 2009; Kristof, 1996; Ostroff, Shin, & Kinicki, 2005) as well as organizational commitment (Kristof, 1996; Ostroff et al., 2005) and organizational identification (Edwards

& Cable, 2009). Moreover, the lack of congruence between the organization appearing to be committed to social responsibility and what an employee actually does could be perceived as greenwashing and unethical (Laufer, 2003), which in turn could lead to employee misbehavior (Vardi, 2001). In summary, peripheral CSR seems to have mixed effects. Some individuals may find meaningfulness at work and be influenced positively. However, others might perceive peripheral CSR to be greenwashing and not truly genuine. Thus, it is no surprise that the extant literature has been inconclusive on the findings of CSR–outcomes relationships (Aguinis & Glavas, 2012).

In contrast to peripheral CSR, when CSR is embedded, the disconnect between meaningfulness *at* versus meaningfulness *in* work is minimized. Specifically, CSR has a positive effect on employees such as enhancing organizational commitment (Maignan, Ferrell, & Hult, 1999), organizational citizenship behaviors (Jones, 2010; Lin, Lyau, Tsai, Chen, & Chiu, 2010; Sully de Luque, Washburn, Waldman, & House, 2008), retention (Jones, 2010), and engagement (Glavas & Piderit, 2009). But, as mentioned earlier, the underlying mechanisms through which CSR influences employees have rarely been explored (Aguinis & Glavas, 2012). Relying on the psychological foundations of CSR, we argue that psychological constructs such as organizational identity, organizational justice, values congruence, as well as the previously mentioned meaningfulness and calling literatures, constitute underlying mechanisms and processes through which CSR leads to important outcomes for employees, organizations, and society.

In short, the literature on meaningfulness suggests that working for socially responsible organizations helps employees feel that their work serves a greater purpose (Rosso, Dekas, & Wrzesniewski, 2010). Relatedly, Wrzesniewski (2003) posited that individuals who have a stronger calling orientation will be influenced more positively by working for a greater purpose. Moreover, CSR also could lead to increased values

congruence. For example, Graves and Waddock (2000) concluded that because socially responsible organizations care for key stakeholders, employees for whom caring is an important value will experience greater person–organization fit.

Now, consider the literature on organizational justice. If organizational justice is expanded to include perceptions of whether stakeholders are treated fairly (i.e., CSR), then employees will be influenced positively (Rupp, 2011; Rupp, Ganapathi, Aguilera, & Williams, 2006). In addition, Rupp (2011) made an important contribution by clarifying that employees are not only affected by how the organization treats them but also by how the organization treats others. The I–O psychology literature has thus far primarily focused on employee reactions based on how they themselves perceive being treated by the organization (e.g., perceived organizational support). However, CSR offers an expanded perspective that includes effects of organizational policies and practices on internal as well as external stakeholders.

Next, consider the literature on organizational identification. Turban and Greening (1996) found that prospective employees identify more strongly with socially responsible organizations, which in turn leads to greater attraction of talent to the organization. Moreover, Dutton, Roberts, and Bednar (2010) proposed that one of the pathways of identification with an organization is through a virtue perspective. Organizations that embed CSR can be perceived as being inherently good and thus virtuous. Specifically, an employee whose self-concept is aligned with being a good person would identify more strongly with a socially responsible organization.

Finally, another psychological mechanism that underlies outcomes of embedded CSR is that employees are able to present more of their whole selves at work. Often employees live out only part of themselves at work while outside of work they live out other values through their roles as parents, friends, community contributors, and so forth. As Kahn (1990) put forward,

Table 1. *Embedded Corporate Social Responsibility (CSR): Definition, Underlying Mechanisms and Processes (i.e., Psychological Foundations of CSR), and Outcomes*

Definition	Relies on an organization’s core competencies and integrates CSR within a firm’s strategy, routines, and operations.
Underlying mechanisms and processes (i.e., psychological foundations of CSR)	<ul style="list-style-type: none"> ● Fulfillment of internal and external stakeholder needs ● Enhancement of consumer and employee pride ● Enhancement of consumer and employee identification ● Improvement of consumer and employee values congruence ● Increase in meaningfulness in and at work ● Enhancement in perceptions of organizational justice ● Enhancement of positive selves (e.g., improved self-concept) ● Improved ability for individuals to present more of their whole selves
Selected outcomes for employees, organizations, and society	<ul style="list-style-type: none"> ● Improved employee engagement, job satisfaction, organizational commitment, organizational citizenship behaviors, attraction, and retention ● Increased consumer purchase intentions ● Improved reputation for firms ● Increased financial performance for firms ● Improved societal benefits ● Improved environmental benefits

individuals who are able to live out their whole selves more fully at work are more engaged.

Table 1 summarizes underlying mechanisms and processes (i.e., psychological foundations of CSR) and positive outcomes of embedded CSR for employees, organizations, and society. Next, we use our conceptualization of embedded CSR to understand the mechanisms that explain, at least in part, the success of CSR initiatives at General Electric (GE), International Business Machines (IBM), and Intel.

Embedded CSR in Practice

GE, IBM, and Intel are examples of firms that build on their core competencies to integrate CSR within their strategy, routines, and operations. In each of these firms, CSR is not viewed as separate from overall organizational strategy and daily operations—what we label peripheral CSR. Rather, all policies and actions are affected by CSR throughout the entire

firm and at all levels ranging from the individual to the entire organization. Next, we describe illustrative initiatives in more detail. We emphasize that the following examples are not meant to portray these particular companies as being perfectly socially responsible. In other words, we are not discussing the degree to which CSR is embedded firm wide. Rather, these cases are meant to illustrate the approach used toward CSR and thus the usefulness of the distinction (i.e., embedded vs. peripheral) to understand when and why CSR leads to positive outcomes.

GE

GE products generate 25% of the world’s daily electricity. Therefore, GE is uniquely positioned to have an impact on environmental and societal issues worldwide. GE has used its core competencies to not only tackle these issues but also create business value. For example, ecomagination represents GE’s commitment to imagine and

build innovative answers to today's environmental problems while driving economic growth (GE, 2012a). It is not only a major part of the company today, but GE's most strategic investment given that its commitment to grow ecomagination is twice the rate of total company revenue.

Examples of some of GE's products in renewable energy are solar, wind, engines, and hybrid locomotives. In addition, GE is known for its lighting products, especially their light-emitting diodes (LEDs) that not only greatly reduce the amount of energy usage but also contain no mercury (which is harmful to the environment) or glass (which reduces the burden of disposal or recycling), and is produced locally where possible (GE, 2012b). In addition, there are numerous other solutions that GE provides such as smart grid technologies, desalination and water reuse solutions, and photovoltaic cells. The result has been a great success as seen in the generation of \$85 billion in sales of ecomagination products (GE, 2012c).

What makes ecomagination unique is that it is not housed in a separate division or a separate product line. Rather, it is embedded into GE's existing divisions such as Energy, Technology, and Consumer & Industrial. As a result, there is a recursive effect of the positive impact of CSR on employees as well as the impact of employees on CSR. As previously mentioned, CSR influences employee commitment to the organization through pathways such as meaningfulness, identity, and values congruence. As employees become more committed to the organization, they participate more actively in CSR initiatives. As noted by Frank Mantero, director of corporate citizenship at GE, "[embedded CSR] gives the employees that type of ownership to affect the change that goes beyond the awareness of ecomagination. From a morale standpoint, it has been a great program" (Daniels & Lacono, 2010). The latter part of Mantero's quote points to one of the most powerful outcomes of embedded CSR. Not only are employees more committed to CSR, but employees themselves are affected in positive ways.

GE has embarked on several initiatives in order to integrate ecomagination into the mindset of its employees (Daniels & Lacono, 2010). One such initiative is Energy Treasure Hunts, which engages employees and also identifies projects that drive energy efficiency (GE, 2012d). Since GE began implementing the process, projects identified during these events have contributed to reductions in excess of 250,000 metric tons of CO₂ and savings in excess of \$130 million. Moreover, it is programs like Energy Treasure Hunts that helped employees see opportunities for solving environmental issues while also creating business value. Consider the case of a plant in Hungary where employees found that waste heat of air compressors could be used for heating the building and also that heat could be generated from biogas that results from local waste. As a result, 95% of the energy of the plant now comes from renewable sources. After numerous internal treasure hunts, GE decided to extend its program to include communities by having their employees act as consultants to schools, hospitals, libraries, airports, and other organizations. The success of ecomagination has also spurred other initiatives within GE such as healthymagination in which GE committed \$6 billion to launch 100 innovations that cut costs while improving access and quality to health (GE, 2012e).

Another indication of the high degree of CSR embeddedness is the type of people who GE targets as future employees. More precisely, GE specifically seeks out those who want to make a difference in the world (GE, 2012f). As a result, GE is working toward building a culture in which employees are driven toward a higher purpose (GE, 2012e). In addition to advantages in attracting talent, once at GE employees are able to find more meaning at work because they feel their work is contributing not only to the financial benefit of the company but also toward the betterment of society and the environment. Work becomes more than simply a "9 to 5" job. Because GE recruits those employees

for whom purpose is important, work becomes aligned to the self-concept of the employees. On the basis of organizational identity theory, the greater the alignment to self-concept, the more strongly the employee will identify with the organization (Dutton, Dukerich, & Harquail, 1994). Then, as employees identify more strongly with the company, they also become more committed and satisfied at work.

IBM

IBM is a company that builds on its core competencies of technology and consulting to provide solutions to societal and environmental problems that, in turn, create business value. IBM's Smarter Planet Program is providing solutions to energy usage, water waste, traffic, food waste, building, and healthcare. A key component of such solutions is efficiency in information systems. IBM not only provides the information systems but also the solutions on how to manage information (e.g., information technology and analysis for smart grids). For example, more than 25% of the food in the United States is wasted (Environmental Protection Agency & United States Department of Agriculture, 2012). By providing information systems that allow for a reduction in food waste, IBM is able to address the societal issue of hunger as well as a major environmental issue because 20% of methane emissions are generated from food waste in landfills (Environmental Protection Agency & United States Department of Agriculture, 2012).

Under the umbrella of the Smarter Planet Program, IBM launched an initiative called Smarter Cities. In a keynote speech during the launching of this program, then IBM CEO Sam Palmisano stated that IBM is working to tackle challenges caused by urbanization with over 70% of the population being expected to live in cities by the year 2050 (Palmisano, 2009). Coupled with population growth, the sizes of our cities will at least double in the coming decades, resulting in numerous environmental and societal challenges involving the efficient

use of building materials, energy, utilities, and water. In addition, there will be other challenges that receive less media attention such as transportation congestion, which not only leads to increased emissions but also accounts for up to 3% loss of total GDP. By diminishing traffic through IBM's solutions, cars are on the road for a shorter length of time, people have more time to spend productively, transportation of goods is more efficient, and the resulting savings provide an opportunity for IBM to enhance its financial bottom line. Although transportation congestion is perhaps not one of the typical issues often associated with environmental issues, it is just one example of how many different aspects of our lives contribute to environmental outcomes. Each one of these environmental problems is also a business opportunity for companies such as IBM.

IBM has also realized that positive outcomes will only be achieved if CSR is integrated throughout the organization—what we label embedded CSR. A report based on a study that IBM conducted on the model of the enterprise of the future notes that “engaging the workforce in these (CSR) efforts can have a positive impact on both employee attraction and retention, yet many companies have not engaged the workforce around this topic. Greater employee involvement in environmental and workforce development issues can provide notable benefits to the organization, as well as a platform to grow future employee leaders” (IBM, 2008, p. 4).

Although most companies have value statements and there is a substantial body of scholarly work on the benefits of values alignment (e.g., Edwards & Cable, 2009; Kristof, 1996; Ostroff et al., 2005), in reality most value statements are just words on a piece of paper or a company's website, and the only true value is financial gains for the company. When CSR is embedded, the values become real. For example, one of IBM's values is “innovation that matters, for our company and for the world” (Palmisano, 2012). As stated by former IBM CEO Sam Palmisano (Palmisano, 2012):

In today's world, where everyone is so interconnected and interdependent, it is simply essential that we work for each other's success. If we're going to solve the biggest, thorniest and most widespread problems in business and society, we have to innovate in ways that truly matter. And we have to do all this by taking personal responsibility for all of our relationships—with clients, colleagues, partners, investors, and the public at large. This is IBM's mission as an enterprise, and a goal toward which we hope to work with many others, in our industry and beyond.

Moreover, the values of IBM were created bottom up, by individuals in a process in which 319,000 employees participated (Palmisano, 2012). Therefore, the values become real because CSR is truly embedded. As employees find greater values congruence, there is an increase in job satisfaction and retention (Edwards & Cable, 2009; Kristof, 1996; Ostroff et al., 2005) as well as commitment (Kristof, 1996; Ostroff et al., 2005) and identification (Edwards & Cable, 2009). If CSR was merely window dressing (i.e., peripheral CSR), then it would be questionable to employees if the values were real, which could even result in negative impacts on employee identification (Glavas & Godwin, 2013).

Intel

Intel is the world's largest semiconductor chip maker (IC Insights, 2011) with the majority of revenue resulting from the design and production of chips for personal computers and servers (Barrett & Niekerk, 2013). What drove Intel to integrate CSR into its business was the principle called "Moore's law." Gordon E. Moore, co-founder of Intel, forecast that the number of transistors on a semiconductor chip would double roughly every 2 years (Moore, 1965). To move the industry forward, Intel aggressively pursued Moore's law, which inherently meant that along with the increase of the number of transistors on

a chip, the amount and size of materials used would need to be drastically reduced. Otherwise, the original computers that took up entire rooms might need to take up the space of an entire building. At present, the second billion PCs and servers consume 50% less energy and deliver 17 times the computing capacity of the first billion PCs and servers that were installed. Moreover, servers today consume 95% less energy than servers 15 years ago.

Intel integrates CSR into its strategy and daily practices. The "enrichment of lives of every person on earth" is part of the core vision of Intel, and one of its four key strategic areas is "to care for our people and planet" (Corporate Responsibility, 2011). As explained by Craig R. Barrett, retired Intel chairman and CEO, and Gary Niekerk, Intel director of Corporate Citizenship, the strategy and vision are operationalized through every facet of the organization (e.g., management systems, tools, and culture; Barrett & Niekerk, 2013). For example, performance management systems incorporate CSR and influence compensation. "Design for the environment" is a collaborative approach between departments in order to ensure that CSR is built into every aspect of engineering, manufacturing, and R&D. Perhaps the integration of CSR is seen most clearly in the building of Intel's multibillion dollar factories called "Fabs." The principles of CSR are built into the core of the design process and affect every decision rather than being an afterthought or just one of the items on the checklist. In addition to benefits in energy reduction, material usage in building, and clean air—all of which are important to the manufacturing of semiconductor chips—water usage is reduced by 40% and all water used in production is subsequently reused multiple times. First, it is reused in the factory and then it is put back into the public system for purposes such as landscaping. Intel can do this because they purify the water using the ultrapure water (UPW) process, which leads to water that is 10,000 times cleaner than tap water. The result is savings of \$1

billion per year on water alone. Due to CSR being built into the core of Fabs, these factories are welcomed by communities that give Intel a “license to operate.” One such example was in Chandler, Arizona, where the Intel Fab was welcomed while the local community lobbied against and denied the opening of any Walmart (Barrett & Niekerk, 2013).

Another indication of embeddedness is that CSR is also integrated into the financial systems. Financial goals and individual compensation are tied to the implementation of CSR (Barrett & Niekerk, 2013). As a result, employees become engaged organization wide. As just one example, 11 teams that engaged in an internal Intel program were able to save \$136 million through initiatives that were friendly toward the environment but also cut costs (Barrett & Niekerk, 2013). In addition, CSR is also integrated within other areas and functions such as human resources. As a result, cost cutting—which is often a typical goal of CSR—becomes just the tip of the iceberg because the return on employee productivity is potentially much higher. If employee productivity can improve even 1%, the impact on the bottom line is enormous. As we know from the literature on performance management, firms usually get the types of employee behavior that they reward (Aguinis, 2013). If companies say they hope for one thing (e.g., CSR), but in reality, if they reward something else (e.g., profit), then employees will tend to mostly focus on what is rewarded (Kerr, 1975). A classic example is Enron, which tried to portray an image of being socially responsible and actually won multiple awards, but in the end employees were driven primarily by financial profit at all costs (Sims & Brinkman, 2003). Intel provides an example of how to embed CSR with its performance management system. Not only does rewarding employee involvement in CSR lead to greater employee engagement in CSR, it also signals to employees that the company truly “walks the talk.” As a result, employees find a deeper set of values present at work and are able to identify more of

their whole selves with their jobs. Work becomes more meaningful as there is a deeper purpose that goes beyond only creating financial profit. Employees are motivated in every action to also see how they can improve society and the environment.

In summary, GE, IBM, and Intel illustrate different approaches to CSR. Once again, we highlight that we do not intend to portray these particular companies as being perfectly socially responsible. However, each company has different core competencies and therefore unique strategies for implementing CSR. In the case of GE, the starting point was its products. With IBM, it was its services. For Intel, it was internal processes designed to use less energy, water, and, in the end, create a more environmentally friendly product. But, the common denominator is that these three firms used their core competencies to integrate CSR within their strategies, routines, and operations. Our conceptualization of embedded CSR allows us to shed light on the underlying psychological mechanisms and processes (e.g., employee engagement, meaningfulness, organizational identification, values congruence) that serve as explanatory mechanisms for when and why CSR leads to positive outcomes for employees, organizations, and society. Next, we turn to using our conceptualization of embedded and peripheral CSR to shed light on what seem to be inconsistent findings in the scholarly literature.

Reexamining the Marketing, Corporate Governance and Legal Studies, and Economics Literatures Through an Embedded Versus Peripheral CSR Framework

The extant literature has been inconclusive regarding the nature of the relationship between CSR and financial and other types of outcomes (Aguinis & Glavas, 2012; Margolis & Walsh, 2003; Peloza, 2009; Wood, 2010). In this section, we draw on diverse bodies of scholarly work in the fields of marketing, corporate governance and legal studies, and economics to

illustrate how using the embedded versus peripheral CSR conceptualization allows us to get a clearer view of when and why CSR leads to positive outcomes. Moreover, although the literature is highly fragmented in terms of theoretical orientations, fields of study, and levels of analysis, using our conceptualization to reexamine these highly heterogeneous and diverse research domains allows us to make sense of these large bodies of scholarly work. As we will explain in the following section, individuals are at the core of the CSR decision-making process whether they be managers or consumers. Therefore, research results about CSR originating in the fields of marketing, corporate governance and legal studies, and economics can better be understood by exploring psychological foundations that rely on theories originating primarily in I–O psychology, OB, and HRM.

Marketing

Peloza and Shang (2011) offered a review of the CSR literature that originated mainly in the field of marketing, finding that CSR leads to mixed outcomes—which the authors posit could be resolved if CSR was classified more precisely in terms of the type of relationship a firm has with a consumer. In line with the premise of our article, they noted that the 65% of studies that were related to philanthropy may have reported negative financial results because firms that tie donations to sales might be seen as self-serving, which results in negative outcomes. Although we still know little about how CSR creates value for consumers (Green & Peloza, 2011), social attributes of products affect consumer purchasing behavior even when other tangible (e.g., quality-based components) and intangible (e.g., brand, country of origin) attributes are taken into consideration (Auger, Devinney, Louviere, & Burke, 2010). Moreover, there are a few themes we have found in the literature that explain why there are mixed results of the effect of CSR on consumers. One likely reason is the confusion stemming from a

lack of definition of what constitutes CSR (Frankental, 2001). Moreover, Frankental (2001) concluded that consumers also have a difficult time differentiating between the true intentions of firms and whether CSR is greenwashing—manipulating stakeholders to believe that the corporation is caring for the well-being of stakeholders. Becker-Olsen, Cudmore, and Hill (2006) found that when CSR is not perceived to be genuine (e.g., greenwashing), the effect on consumers is negative. However, Ellen, Webb, and Mohr (2006) found that consumers do not see self-interest of the firm as being negative—it is only if the CSR efforts help the firm but do not really help society (e.g., greenwashing). Moreover, the authors found there is actually a negative effect on purchase intentions if there is low alignment between CSR efforts and the company's core business because it is viewed as bad business. In other words, because consumers view CSR as being peripheral (e.g., not aligned with core business, viewed as greenwashing), there is a negative financial impact on the company because they are less willing to purchase the company's product and/or services. Put simply, consumers prefer to see a "win–win" approach in which products help both the company and society/environment at the same time.

Taken together, our reexamination of empirical results originating from the field of marketing suggests that peripheral CSR leads to mixed, and often negative, outcomes. Using our conceptualization, it seems that consumers will punish companies for peripheral CSR because they perceive it not being tied to the core business. Alternatively, consumers will hold socially responsible companies to even higher standards of quality and expect that if companies attempt to be socially responsible, they should do so by embedding CSR. For example, Bhattacharya and Sen (2003) found that if the company is perceived to have values of CSR embedded in the organization and is viewed as being genuine about its intentions (i.e., CSR is embedded rather than peripheral), values congruence between the company and the consumer

will increase leading to greater pride in and identification with the company. As a result, purchase intentions and financial revenue increase. Similarly, Sen and Bhattacharya (2001) found that fit between consumers and the organization drove purchase intentions. In short, consistent with our conceptualization, the extant evidence suggests 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 (i.e., embedded CSR).

Corporate governance and legal studies. In the corporate governance as well as legal studies literatures, there has been a debate regarding the role of the firm in society. The law, as it currently stands in the United States and other countries, states that the firm's role is to work in the interest of shareholders (Velasco, 2010). Accordingly, in the context of corporate governance, directors have freedom and discretion, but it is only in choosing the means, not the ends (Velasco, 2010). Stated differently, they can choose to serve the interest of society as a whole. But, if this choice is to the detriment of shareholders, then it is against the law. Therefore, managers advocating a CSR agenda should do so keeping in mind how such initiatives can also benefit the economic interests of the firm.

As a result of the debate on the theory of the firm, managerial discretion has been an important research focus. The basic premise has been one of agency theory and that managers need to be controlled because they will otherwise act in self-serving ways and not in the interest of the firm and its stakeholders (Aguilera & Jackson, 2003; Davis, Schoorman, & Donaldson, 1997). However, other perspectives have emerged such as that of stewardship theory, which does not refute but rather complements agency theory and managerial hegemony by explaining that managers might also work in the interest of the collective (Davis et al., 1997). This view is in line with findings that managers may have values that are aligned with CSR (e.g., Sully de Luque et al., 2008; Swanson, 1999).

Therefore, the extent to which boards of directors allow managerial discretion mediates the relationship between values and CSR (Buchholz, Brown, & Shabana, 2008). The danger of discretion has been that managers might invest heavily in CSR at the expense of the firm (Jensen, 2002). As Baron (2008) explained, moral hazard could exist if society rewards CSR not only in the marketplace but also in a more societal context (e.g., gaining a personal positive image in the community as a result of spear-heading corporate philanthropic efforts), because managers might be motivated to carry out CSR even when there is no value to the firm.

In summary, reexamining the corporate governance and legal studies literatures using our conceptualization of embedded versus peripheral CSR allows us to address a key issue in this literature: the debate on the role of the firm in society and the corresponding role of managers in deciding on the societal actions and policies of firms. An embedded CSR perspective allows firms to mitigate the tension related to how much of a cost it is to the firm to give to society compared to the benefit the firm receives—as is the case with peripheral CSR. With embedded CSR, all choices are made in the interest of all key stakeholders (e.g., society as well as shareholders). When CSR is embedded, there is no trade off between actions that benefit the firm versus those that benefit society. If the firm contributes to society, it must do so in a way that it is both integrated into the core business and also generates revenue for the firm.

Economics

Kitzmueller and Shimshack (2012) conducted a literature review and critical analysis of how economists view CSR. On the basis of the role of shareholder and stakeholder preferences, Kitzmueller and Shimshack (2012) categorized CSR as strategic, not-for-profit, or the result of moral hazard. Moreover, they found that when CSR is strategic, it leads to benefits for the firm, mostly through increased consumer

demand. In addition, using economic modeling, Bénabou and Tirole (2006) found that if CSR is treated separately (i.e., CSR is peripheral), it might actually create doubt as to the true intentions of the firm. Using our conceptualization, peripheral CSR can both decrease prosocial behavior within the firm as well as be punished in the marketplace. On the other hand, when CSR is embedded, there are no negative effects because CSR is not treated as something separate from the core business of the firm.

To summarize this section, our distinction between embedded and peripheral CSR allows us to reexamine past findings in a highly diverse and heterogeneous body of scholarly literature by focusing on psychological foundations. First, in the field of marketing, research has shown that consumers punish companies if CSR is not perceived to be tied to the core business and benefit the company (i.e., peripheral CSR). On the other hand, with embedded CSR, consumers find greater value congruence and identification with the company (Bhattacharya & Sen, 2003; Sen & Bhattacharya, 2001). In corporate governance and legal studies, the key issues revolve around the tension between shareholder interests and those of other stakeholders—and how managers resolve this tension. The notion of embedded CSR allows for a way to resolve this tension as well as mitigate the danger for moral hazard because all choices are made so that they satisfy the needs of both shareholders and also other key external stakeholders. From an economics perspective, peripheral CSR was found to lead to negative or, at best, mixed results. On the other hand, embedded CSR influences reputation and financial performance of firms positively through underlying psychological foundations of individuals in the marketplace. For example, consumers find greater alignment (e.g., values, identity) with companies that truly integrate CSR into their core business.

Discussion

We offered a categorization of CSR into embedded and peripheral. We relied on

theories originating in I–O psychology, OB, and HRM and described underlying mechanisms and processes that collectively we labeled psychological foundations of CSR. We used these psychological foundations of CSR to help explain when and why embedded CSR leads to positive outcomes. We then applied the categorization to practice, specifically to three mini cases of CSR as implemented in GE, IBM, and Intel. Then, we used our conceptualization to reexamine and make sense of highly heterogeneous and diverse streams of CSR research in marketing, corporate governance and legal studies, and economics, which comprise bodies of scholarly work that cover different theoretical approaches, levels of analysis, and methodological orientations. By focusing on the role of individuals (i.e., consumers, managers), knowledge originating in fields that address microlevel issues such as I–O psychology, OB, and HRM can help explain when and why CSR leads to specific outcomes.

Our conceptualization can help explain, at least in part, the inconsistent results reported to date regarding the relationship between CSR and financial and other types of outcomes. For example, Orlitzky, Schmidt, and Rynes (2003) conducted a meta-analysis including 52 separate primary-level studies and reported substantial variance in the CSR-financial outcomes correlation, although several potential moderating effects were also taken into consideration. We examined the 52 studies included in the Orlitzky et al. (2003) meta-analysis and were able to classify 10 studies as addressing peripheral CSR, but it was not clear if the type of CSR implemented in the other 42 studies was peripheral or embedded. Orlitzky et al. (2003) may have obtained different results had it been possible to more clearly distinguish between peripheral and embedded CSR. In a separate meta-analysis, Margolis, Elfenbein, and Walsh (2009) reported that the relationship between CSR and financial performance is at best very small. Margolis et al. (2009) categorized CSR into the following types: corporate

policies, disclosure, environmental performance, philanthropic donations, revealed misdeeds, self-reported social performance, observers perceptions, third-party audits, and screened mutual funds. Similar to the Orlitzky et al. (2003) meta-analysis, it is difficult to ascertain which CSR initiatives were peripheral and which embedded. Therefore, it is no surprise that the extant literature on CSR has been inconclusive as to the CSR-outcomes relationship.

Implications for Theory and Research

Very little CSR research has been conducted using a microlevel of analysis that relies on I–O psychology, OB, and HRM (Aguinis & Glavas, 2012). Accordingly, the studies that were included in the meta-analyses mentioned earlier synthesized research that, for the most part, has adopted a macrolevel of analysis. Consequently, it has not been possible to study microfoundations of CSR at a meta-analytic level. One important implication of our manuscript is that, to study effects of peripheral and embedded CSR, it will be necessary to use measures that consider the psychological foundations of CSR. The Kinder, Lydenberg, Domini, & Co. (KLD) measure of CSR, which is one of the most widely used in business and society research (Wang & Choi, 2013), was created such that it assigns scores of “0” (does not exist) or “1” (exists) to dimensions that constitute a specific strength or concern regarding the following 13 issues: community, corporate governance, diversity, employee relations, environment, human rights, product, alcohol, tobacco, gambling, firearms, nuclear power, and military contracting. None of these categories measures embedded CSR. Moreover, although we have conceptualized embedded versus peripheral CSR as two extremes of the same continuum, an anonymous reviewer suggested that there could be a continuum for embedded CSR (i.e., low to high) and another one for peripheral CSR (i.e., also from low to high). A recently published volume on managing human resources for

environmental sustainability describes several measures specifically created to assess and improve a firm’s environmental impact (e.g., ISO 14000 certification, European Eco-Management and Audit Scheme; Dow Jones Sustainability Index; Jackson, Ones, & Dilchert, 2012). Thus, our manuscript points to the need to develop measures that assess the peripheral versus embedded CSR distinction.

A second implication regarding future research is that CSR is often analyzed from one level of analysis only. Aguinis and Glavas (2012) found only one empirical study that was truly multilevel in nature that was conducted at the institutional, organizational, and individual levels of analysis. Embedded CSR is multilevel by definition. Accordingly, future research should adopt a multilevel perspective. Specifically, employee values, attitudes, and behaviors are nested within organizations striving to be socially responsible. Then, those same organizations are nested within a particular cultural and societal context. Accordingly, multilevel research is needed to address this type of nested data structure (i.e., hierarchical; Aguinis et al., 2013).

Our conceptualization of embedded CSR also allows for a substantial expansion of multidisciplinary research regarding CSR. If organizations treat CSR as separate from their core business, then scholars are likely to perceive CSR as something that is a topic that should be studied as a separate organizational function. However, if CSR is integrated throughout the core business, then it permeates accounting, finance, human resources, marketing, operations, sales, and strategy. As such, scholars who have not yet done so can now contribute their own research to our knowledge about CSR. Moreover, a multidisciplinary approach can also benefit different existing research streams. For example, Aguilera and Jackson (2003) argued that agency theory has been undersocialized and does not take into account the influence of institutional embeddedness. On the other hand, institutional theory is oversocialized and does not consider the meso and micro

levels of analysis, specifically the conflicts and coalitions between stakeholders at the firm level. Also pointing to the need for multidisciplinary and multilevel research, Hainmueller and Hiscox (2012) found that individual differences (e.g., gender) influence how individuals react to CSR. In other words, future CSR research should be multidisciplinary in nature.

Finally, our conceptualization of embedded CSR answers numerous calls for the expansion of I–O psychology research. As Kozlowski and Klein (2000) put forward, emergence is a process through which lower-level phenomena influence higher-level phenomena. Previously, scholars have called for studies of how CSR affects individuals (e.g., Aguilera, Rupp, Williams, & Ganapathi, 2007; Aguinis, 2011). In addition, I–O psychology can play a role in producing knowledge about how individuals in an organization affect CSR. For example, we do not have sufficient knowledge regarding why and how the values and personalities of employees influence organizational processes such as CSR. In addition, as noted by Ployhart (2012a), I–O psychologists should continue to engage in valuable research at the individual and small group behavior levels; however, by expanding our horizon to also consider strategic issues, we can broaden the field's impact and relevance. Answering the call of Boudreau (2012) for I–O psychology to branch out to other disciplines, CSR offers an opportunity to bridge I–O psychology with other fields such as marketing, corporate governance and legal studies, and economics, among others. Also, CSR addresses another need, which is to link I–O psychology to business processes (Curtis, 2012). If CSR is embedded, then it is naturally integrated into the business processes.

Implications for Practice

First, an important challenge for practice is that CSR is often treated as the agenda of the C-suite or a few selected individuals (e.g., CSR department or corporate foundation), yet many organizations want to implement

CSR organization wide. Our conceptualization and application to specific companies illustrates the advantages of adopting an embedded approach to CSR.

Second, a distinction between embedded and peripheral CSR allows managers and their organizations to more clearly identify not only the benefits of CSR but also the mechanisms through which CSR influences the organization and its stakeholders. In addition, a clearer integration of CSR into a company's core business (i.e., embedded CSR) allows for a clearer assessment of what the company is doing regarding CSR. Coupled with transparent communication, stakeholder trust is more easily achieved. With peripheral CSR, it is difficult to assess the extent to which a firm is socially responsible.

Third, another implication for practice is that our conceptualization addresses the tension of managers between serving the interests of the firm and those of society. Conley and Williams (2005) conducted a field study of the CSR movement in the United Kingdom. Although it became clear from the interviews that stakeholders feel CSR is much more than a passing trend, the interviewees felt that there is still tension between caring for stakeholders and economic benefits. On the one hand, interviewees felt that long-term CSR is in everyone's best interest but, if CSR does not pay off in the short term, it leads to a potential conflict of interest with shareholders. These results support the assertion of Margolis and Walsh (2003) that managers face a tension between interests of the firm and society. One of the reasons for this tension is that the notion of a socially responsible corporation is potentially an oxymoron because of the naturally conflicted nature of the firm. Specifically, as noted by Devinney (2009, p. 54),

it is my argument that the failure to find the holy grail of CSR—“doing well by doing good”—is that none of the studies examining CSR activities versus performance provide a well articulated model

as to how the activities flow through to capitalized performance measures . . . If we cannot map the path that shows how financial, organizational, and social performance is influenced by CSR activities, these activities will be imperfectly manageable, and investments in CSR will be inefficient and wasteful.

In other words, if CSR is to lead to positive outcomes, it seems that the path toward bypassing the tension of interests is to fully integrate CSR into financial and organizational systems—what we labeled embedded CSR. In that way, CSR is discussed openly and transparently and shareholders and the board will be fully aware of such initiatives before moving forward with implementation.

Concluding Remarks

Our conceptualization of embedded and peripheral CSR allows us to reinterpret a vast and highly heterogeneous scholarly literature originating in a diverse set of fields using different theoretical lenses as well as methodological orientations. Also, our conceptualization integrates the practitioner and scholarly literatures on CSR thereby helping narrow the much-lamented science–practice gap in I–O psychology and related fields. The deleterious consequence of this gap was noted by Cascio and Aguinis (2008), who concluded that “if we extrapolate past emphases in published research to the next 10 years, we are confronted with one compelling conclusion, namely, that I–O psychology will not be out front in influencing the debate on issues that are (or will be) of broad organizational and societal appeal” (p. 1074). Moreover, our conceptualization addressing the psychological foundations of CSR includes an integration of micro (i.e., I–O psychology, OB, HRM) and macro (e.g., corporate governance, economics) research streams thereby helping narrow the existing micro–macro divide in organizational studies (Aguinis et al., 2011). Taken together, our contributions allow practitioners to

understand conditions under which CSR really matters and why as well as encourage researchers to think about CSR using a different lens, which will hopefully lead to innovative multilevel and multidisciplinary research agendas. As noted by Ployhart (2012a), “I–O psychology has much to offer in the understanding of competitive advantage, and moving into a strategic adjacent possible has many benefits for us” (p. 79). In closing, I–O psychology has as much to contribute to CSR as CSR can contribute to I–O psychology science and practice (Aguinis & Glavas, 2013).

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