CHAPTER 24

ORGANIZATIONAL RESPONSIBILITY: DOING GOOD AND DOING WELL

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The goals of this chapter are to introduce organizational responsibility research and practice to the field of industrial and organizational (I/O) psychology and to encourage I/O psychology researchers and practitioners to embrace organizational responsibility in their research and practice. Although its definition is elaborated in detail later in the chapter, *organizational responsibility* is defined as context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance.

In contrast with other topics included in this handbook, organizational responsibility does not seem to be a topic that receives much attention in the literature of mainstream I/O psychology, or even psychology in general. To assess the accuracy of this assertion, I conducted a search in January 2009 using the PsycINFO database and the key words *corporate responsibility* in all titles and abstracts. The review period covered all items (i.e., books, collections, journals, book chapters, dissertations, conference proceedings, editorials, encyclopedias, handbooks, and textbooks) in all languages included in PsycINFO until that date. There were 52 hits. However, only two of these were for items published in psychology journals (Dumas, 2007; Konczak, 2005). Moreover, neither of these items reported original research; instead, they were book reviews. The remaining 50 items were books, chapters, dissertations, and articles published outside of the field of psychology in journals such as *Business Ethics: A European Review, Journal of Business Ethics, Corporate Communications, Journal of Management Development, Electronic Journal of Business Ethics and Organization Studies,* and *Corporate Reputation Review*. I conducted the same search on the Business Source Premier database, and the result was 1,917 hits. Of this total, 757 items were articles published in academic journals; 486 were published in magazines and other periodicals, such as *The Economist, Fortune,* and *Supply Management;* 547 appeared in trade publications, such as *Accountancy, Communication World, Marketing Magazine,* and *Money Management;* and 127 appeared in other sources, such as books.

Why this difference in publication rates in I/O psychology compared with other organizational studies disciplines? There are at least four reasons. First, organizational responsibility is an issue that is studied typically at the organizational level of analysis. Although it has shifted its emphasis to include the group level of analysis, most I/O psychology research still addresses primarily the individual level of analysis. In fact, an examination of the chapters included in this handbook suggests that the majority of topics address issues that have been studied primarily at the individual level of analysis. Second, related to the level of analysis reason, the terms *organizational responsibility* and *corporate responsibility* are not labels typically used in I/O psychology research. However, because of the interest in the individual

This research was conducted in part while I held the Mehalchin Term Professorship in Management at the University of Colorado Denver and a visiting appointment at the University of Puerto Rico. I thank Kwok Leung, Charles A. Pierce, Sheldon Zedeck, and members of the Personnel/Human Resource Research Group for comments on drafts of this chapter.

level of analysis, there is I/O psychology research related to responsibility initiatives addressing one particular stakeholder group: employees. As is discussed later in this chapter, there are several examples of areas studied in I/O psychology that are directly related to this particular stakeholder group, although the labels corporate and organizational responsibility are not used. Third, an examination of the list of chapters in this handbook also reveals that the majority of topics address internal as compared with external organizational issues. Organizational responsibility is concerned with both internal and external stakeholders. In fact, it seems that more emphasis is usually placed on external (customers, shareholders, community) as compared with internal (employees) stakeholders given that external stakeholders are typically more numerous. Thus, the emphasis of I/O psychology on internal versus external organizational issues can also explain the results of the literature search. Finally, there is a documented science–practice gap in the field of I/O psychology. Specifically, Cascio and Aguinis (2008a) content analyzed the 5,780 articles published in the *Journal of Applied Psychology* and *Personnel Psychology* from January 1963 to May 2007 to identify the relative attention devoted to 15 broad topical areas and 50 more specific subareas. Consistent with the electronic literature search results described earlier, the Cascio and Aguinis (2008a) review revealed that the majority of I/O psychology research is published by academics and does not address important societal issues that involve people and work settings (i.e., human-capital trends). So, a general science–practice gap in the field could also be a reason for a lack of apparent academic interest in the topic of organizational responsibility, which is of great interest and is receiving increasing attention from practitioners.

This chapter takes the position that I/O psychology researchers have unique methodological and theoretical knowledge to help advance research regarding organizational responsibility. It also takes the position that I/O psychology practitioners have unique skills and perspectives to help organizations be more responsible, to document the business case for organizational responsibility and the link between organizational responsibility and important outcomes, and to position themselves at the leading edge of organizational responsibility practice. Accordingly, this chapter attempts to serve as a catalyst so that I/O psychology researchers and practitioners seize an important opportunity to embrace organizational responsibility research and practice with the dual goal to enhance human well-being and maximize organizational performance, which are the objectives of the field of I/O psychology as noted in the mission statement of the Society for Industrial and Organizational Psychology (2009). Also, given the increasing importance of organizational responsibility worldwide, embracing organizational responsibility research and practice is a unique opportunity for the field of I/O psychology to be seen as a relevant and influential discipline that, far from being a cottage industry, addresses important issues of societal concern (cf. Cascio & Aguinis, 2008a).

This chapter's value position that I/O psychology researchers and practitioners can help organizations do good and do well is also consistent with the foundational scientist–practitioner model of I/O psychology, because this model considers that the impact of organizational decisions on various stakeholders such as owners and investors, customers, employees, suppliers, and community is a central issue (e.g., Cascio & Aguinis, 2008a; Guion, 1965; Murphy & Saal, 1990). For example, Zedeck and Goldstein (2000) noted that "one of the implications of our adopting the scientist–practitioner model is that we are active in researching and resolving social issues and questions. In this regard, I/O psychologists should use the scientific method to develop research that is responsive to these issues and questions" (p. 394).

The chapter is organized as follows. The first section provides a historical overview of the concept of organizational responsibility and a definition of the concept, including a discussion of each of the definition's components. Then, it briefly describes some important changes in 21st-century organizations worldwide and how increased accountability has heightened the relevance of organizational responsibility. The following section describes benefits and the business case for organizational responsibility. Then, the chapter addresses issues of implementation and introduces the new concept of strategic responsibility management, followed by illustrations of organizational responsibility initiatives in

three organizations. Throughout the chapter, but particularly in the last section, Selective Past and Future Contributions of I/O Psychology to Organizational Responsibility Research and Practice, there is a discussion of how the field of I/O psychology has contributed and can contribute even further to organizational responsibility research and practice.

WHAT IS ORGANIZATIONAL RESPONSIBILITY?

This chapter uses the more encompassing term *organizational* instead of the narrower term *corporate* to emphasize that responsibility refers to any type of organization (e.g., publicly traded, privately owned, governmental, nongovernmental, entrepreneurial). In addition, although it was initially seen as the exclusive realm of large corporations, this chapter discusses organizational responsibility as not only possible but also necessary for startups, small, and medium-sized organizations if they want to be successful in today's globalized and hypercompetitive economy (Enderle, 2004). Finally, this chapter uses the broader term *responsibility* instead of the narrower phrase *social responsibility* to highlight that responsibility refers to several types of stakeholders, including employees and suppliers, and issues that subsume but also go beyond topics defined as being in the social realm (e.g., the natural environment).

Some Historical Background

Historically, researchers and practitioners have used a myriad of labels to refer to organizational responsibility. Some of these include *corporate social responsibility, boundary-spanning organizational functions, corporate citizenship, corporate sustainability, sustainable entrepreneurship, environmental stewardship, corporate ethics, business ethics, corporate social performance,* and *sustainable development.* One reason for the diversity of labels and definitions is that these labels, and their associated definitions, have evolved over time (Carroll, 1999; Meehan, Meehan, & Richards, 2006). Specifically, the concept of organizational responsibility has evolved from early conceptualizations of philanthropic, social action, and charitable programs (e.g., Buehler & Shetty, 1976) that involve "voluntary restraint of profit maximization" (Andrews, 1973, p. 57) to actions that can have a tangible positive effect on the organization's competitive advantage and long-term sustainability (e.g., Cochran, 2007; Hollender, 2004). Also, the definition has evolved from a legal approach of complying with rules and regulations to a legitimacy approach that involves doing the right thing beyond legal minima (Leisinger, 2007; Pierce & Aguinis, in press). Over the past half century, organizational responsibility has been defined and operationalized using economic indicators of performance related to customers and products (e.g., Johnson & Greening, 1999); in terms of social issues related to employee relations, diversity issues, and community relations (e.g., Enderle, 2004); and in terms of environmental issues (e.g., Hillman & Keim, 2001). In other words, definitions of organizational responsibility have included one or more dimensions of what has been referred to as the triple bottom line of economic, social, and environmental performance (Elkington, 1998; Henriques & Richards, 2004).

In what is considered one of the first definitions of the concept, Bowen (1953) noted that organizational responsibility is "an obligation to pursue those policies, to make those decisions, or to follow those lines of action that are desirable in terms of the objectives and values of our society" (p. 6). In an often cited definition, Carroll (1979) noted that organizations that engage in socially responsibly practices consider "economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time" (p. 499). Wood (1991) expanded the definition of organizational responsibility to "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships" (p. 693). Accordingly, from an operationalization standpoint, to assess an organization's degree of responsibility, one must examine

> the degree to which principles of social responsibility motivate actions taken on behalf of the company, the degree to which the firm makes use of socially responsive processes, the existence and nature of policies and programs designed

> to manage the firm's societal relationship, and the social impacts (i.e., observable outcomes) of the firm's actions, programs, and policies. (p. 693)

More recently, Waddock (2004) defined organizational responsibility as "the strategies and operating practices a company develops in operationalizing its relationship with and impacts on stakeholders and the natural environment" (p. 10).

Organizational Responsibility: Definition

On this basis of and expanding on the definitions offered thus far, this chapter defines *organizational responsibility* as context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance. This definition includes several important components. First, as noted earlier, the definition refers to all types of organizations regardless of ownership structure, mission, and size. For example, although their focus is not on economic performance, even governmental and nongovernmental organizations need to be managed in financially sound ways to survive. Second, this definition goes beyond a more passive underlying value position of "not doing harm" to a more proactive position of "doing the right thing." Third, this definition subsumes the concept of ethics because voluntary actions or patterns of behavior that have the potential to harm or alter the welfare of others are considered unethical (T. M. Jones, 1991). By taking into account stakeholders' expectations, an organization reduces the chances of causing harm. Accordingly, organizational responsibility leads to more ethical actions and policies. Fourth, also related to stakeholders, an important component of this definition is that their expectations are taken into account. *Stakeholders* are "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). Thus, stakeholders can include owners and investors, employees, external contractors, suppliers, customers, partners in various collaborations, and the surrounding community. Considering their expectations means going from stakeholder analysis or stakeholder management to stakeholder engagement. Although managers typically think about employees and other internal issues (Moir, 2007), considering stakeholders' expectations more broadly forces management to think about external stakeholders as well. Because there are both internal and external stakeholders, organizational responsibility is driven both internally and externally, and organizational responsibility initiatives do not take place only reactively as a consequence of external forces but also proactively as a consequence of internal and external stakeholders' expectations. Responsible organizations go beyond merely disseminating organizational information and, instead, communicate with stakeholders in an ongoing two-way process (Burchell & Cook, 2006). In fact, there is a "oneness" with consumers, and organizations are not seen as separate from their audiences (Yan, 2003). Unless there is stakeholder engagement, organizational responsibility risks becoming an inconsequential statement posted on an organization's Web site.

Finally, the definition refers to the triple bottom line of economic, social, and environmental performance. This is an important issue to consider because there are numerous examples illustrating what seem to be incompatibilities among these three types of performance. For example, can a mining company still be highly profitable if it adheres to strict environmental codes and respects the wishes of the surrounding communities (Alexandrescu, 2007)? Can a cloth manufacturer maximize profits and yet provide fair wages and good working conditions to employees in its sweatshops abroad (Varley, 1998)? In addition to what seem to be incompatibilities of economic, social, and environmental priorities from an operational and practical standpoint, there are objections that are more philosophical and value-based in nature. For example, the traditional definition of organizational success is to maximize shareholder value (M. Friedman, 1993; Jensen, 2001). Accordingly, it has been argued that management, particularly in financial organizations, has an obligation to maximize stockholder value and that doing otherwise violates management's legal, moral, and fiduciary obligations (Haigh & Jones, 2007). In contrast, organizational responsibility implies that organizations are social institutions that should create value for internal and external stakeholders and that owners and investors are only one of several

groups of stakeholders. Similarly, using an institutional theory perspective, some have argued that governments, unions, and civic and religious organizations are better vehicles for organizational responsibility initiatives and that managers do not have the training, motivation, skills, or time to perform those functions (Haigh & Jones, 2007).

The skepticism regarding the simultaneous maximization of economic, social, and environmental performance also stems from critics who argue that organizational responsibility is a ploy of corporations to "look" good, a mere public relations campaign to protect organizations' reputations and profit margins. The potential incompatibility between economic and social goals and values is a recurring theme in the history of the field of I/O psychology (e.g., Baritz, 1960). As noted rather forcefully by Hersey (1932), "The psychologist . . . who goes into an industrial establishment for the sole purpose of increasing production, rather than bettering the adjustment of the individual members of the concern . . . is a traitor to his calling" (p. 304). The skepticism about the simultaneous maximization of what seem to be incompatible goals is reflected well in the following quote, attributed to Groucho Marx: "What you need to succeed in business is honesty. Fake that and you've got it made."

Regarding the triple bottom line, Table 24.1 includes a nonexhaustive list of indicators for each of the three dimensions of performance. In terms of a measurement system, as traditionally defined in I/O psychology research, each dimension can be conceptualized as a latent construct with several observable indicators. For example, the economic dimension can include maximizing short-term and long-term profits as well as owner and investor wealth, and each of these indicators can be measured using a dollar metric. The economic dimension can also include additional indicators such as expectations of other stakeholders, including customers and employees, which would be measured using surveys or interviews. Regarding employees, variables to measure include the extent to which an organization creates new jobs and a safe working environment, pays fair wages, and provides benefits and learning opportunities. As is discussed later in this chapter, employees

TABLE 24.1

Triple Bottom Line: Dimensions and Indicators

Dimension	Indicator
Economic performance	Maximize short-term and long-term profit
	Improve productivity (quality of production factors, production processes, and products and services)
	Increase the wealth of owners and investors
	Respect suppliers
	Be fair to competitors
	Regarding employees
	Preserve/create jobs
	Create a safe working environment
	Pay fair wages, provide benefits (e.g., health, retirement, work–life balance)
	Provide learning opportunities and empowerment
	Treat employees fairly and without discrimination (i.e., based on performance-related factors)
	Serve customers
Social performance	Preserve and foster health
	Respect the spirit and letter of laws and regulations
	Respect social customs and cultural heritage
	Engage selectively in cultural and political life
Environmental performance	Consume fewer natural resources
	Burden the environment with fewer effluents

Note. From "Global Competition and Corporate Responsibilities of Small and Medium-Sized Enterprises," by G. Enderle, 2004, *Business Ethics: A European Review, 13,* p. 54. Copyright 2004 by Blackwell Publishing. Adapted with permission.

have been the primary and almost exclusive stakeholder emphasis of I/O psychology. Regarding the social dimension, some indicators include respecting the spirit and letter of laws and regulations and respecting social customs and cultural heritage (again, these variables can be measured using surveys or interviews or through archival data). Finally, regarding environmental performance, indicators include the consumption of natural resources and burdening the environment with effluents. In short, the extent to which an organization is organizationally responsible is not a dichotomy (i.e., yes or no). Instead it is a matter of degree, and conducting an assessment of organizational responsibility involves measuring several dimensions (i.e., latent constructs) via their multiple observable indicators.

Because stakeholders' expectations are context specific and can change from group to group and also from location to location, it can sometimes be difficult to find a set of policies and actions that can universally be labeled as responsible. The most comprehensive initiative to create such a set of policies and actions is known as the United Nations Global Compact (United Nations Global Compact, 2008). Note that the Global Compact is not a regulatory entity because it does not monitor or enforce organizational policies and actions. Rather,

> The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. (Overview of the UN Global Compact, 2009)

As of January 2009, the Global Compact initiative included 4,700 corporate participants and stakeholders from more than 130 countries. The Global Compact is a framework for organizations that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment, and anticorruption. These 10 principles are included in Exhibit 24.1. Although not classified as such, each of these 10 principles can be considered as part of one or more of the three dimensions of economic, social, or environmental performance included in Table 24.1. Specifically, Principles 1–2 (human rights) refer to the social dimension, Principles 3–6 (labor) refer to the economic dimension, Principles 7–9 (environment) refer to the environmental dimension, and Principle 10 (anticorruption) refers to the social and economic dimensions. As such, these principles provide good general guidelines for organizations that wish to pursue more responsible policies and actions. Given its global scale and emphasis on the triple bottom line, organizational responsibility is considered a "movement" that tries to achieve social justice at a global level (Amalric, Kennedy-Glans, Reddy, O'Sullivan, & Treviño, 2004). It is seen as an option to the mainly economically driven "market" or to the mainly socially driven state.

Given the skepticism described earlier about the presumed incompatibility of pursuing economic, social, and environmental goals simultaneously, a legitimate question is, Why should organizations attempt to engage in policies and actions that are responsible? The reasons are diverse and include a desire to comply with basic mandatory legal requirements, increase profits, improve employee retention and commitment, address public scrutiny and accountability, attempt to lure younger generations of young and affluent consumers, deal with increased and constant worldwide media coverage, improve investor relations, enhance branding value and reputation, address risk management, do good for society as a whole, enhance competitive advantage, improve organizational legitimization and trust, or, simply put, organizational responsibility "is the right thing to do" (e.g., Amalric & Hauser, 2005; Bansal & Roth, 2000; Haigh & Jones, 2007; Holcomb, Upchurch, & Okumus, 2007; Kotler & Lee, 2005; Leisinger, 2007; Mueller, 2007; Yan, 2003). The next two sections answer this thorny question in detail by describing two key factors that motivate organizations to implement responsible policies and actions: (a) increased accountability and (b) the relationship among social, environmental, and economic performance.

Exhibit 24.1
United Nations Global Compact: The Ten Principles

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

The Universal Declaration of Human Rights
The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
The Rio Declaration on Environment and Development
The United Nations Convention Against Corruption

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment, and anticorruption:

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Note. From *The Ten Principles,* by the United Nations Global Compact (http://www.unglobalcompact.org/AboutheGC/TheTenPrinciples/). Copyright by the United Nations Global Compact. Reprinted with permission.

ACCOUNTABILITY: AN IMPORTANT CATALYST FOR ORGANIZATIONAL RESPONSIBILITY

The 21st-century organization is radically different from its 20th-century counterpart (Cascio & Aguinis, 2008b). One of the most important changes has been caused by the use of the Internet. The Internet allows individuals inside and outside of the organization to access a mind-boggling array of information instantaneously and from almost anywhere. In contrast to just a few years ago, information about organizations and their policies and actions can now be accessed around the globe almost without delay. For example, companies such as Nike and Gap have made important efforts to reduce the abuse of workers in their contract factories in Indonesia and El Salvador, respectively, given the intense public scrutiny led by activist groups who used the Internet to disseminate information (Varley, 1998). Web sites such as youtube.com have been used to show clips of executives from Enron, WorldCom, and ImClone being led away in handcuffs with great fanfare (Greenfield, 2004). There are numerous examples of organizations such as BP, Shell, ExxonMobil, and Starbucks that have adopted more responsible practices owing in part to how the Internet has allowed people to share information quickly and inexpensively (Hollender, 2004; van Tulder & van der Zwart, 2006; Waddock & Bodwell, 2004).

Another important consequence of the Internet is that the 21st-century organization looks like a web instead of a pyramid, with an intricately woven form that connects various stakeholders, such as partners, employees, external contractors, suppliers, and customers, in various collaborations (Cascio & Aguinis,

2008b). The 21st-century organization is boundaryless and global because it uses talent and resources wherever they are available around the globe, just as it sells products and offers its services wherever demand exists around the globe. As noted by Cascio and Aguinis (2008b),

> The new global organization might be based in the United States but does its software programming in Sri Lanka, its engineering in Germany, and its manufacturing in China. Every outpost will be connected seamlessly by the Net, so that far-flung employees and freelancers can work together in real time. (pp. 135–136)

Regardless of the extent to which an organization engages in organizational responsibility initiatives, one important implication is that the various stakeholders are becoming increasingly interdependent, and given the flow of information and work, it is difficult to distinguish employees from nonemployees and internal from external stakeholders.

The availability of information and increased stakeholder engagement have led to a wave of accountability that permeates organizations ranging from universities to governmental and nongovernmental organizations, up to multinational corporations. For example, universities in the United States control about $400 billion in capital and have been under pressure for several decades to invest their endowments in ways that prevent or correct social injury (i.e., activities that violate rules of domestic or international law intended to protect individuals against deprivation of health, safety, or basic freedoms; Responsible Endowment Coalition, 2009; Simon, Powers, & Gunnemann, 1972). In addition, many governmental organizations now implement performance management systems that hold managers and employees, and their organizational units, accountable for how they spend taxpayer money, and many organizations also invest resources in initiatives that are perceived to be important in their communities (Aguinis, 2009).

In short, the 21st-century organization finds it increasingly difficult to hide information about its policies and actions. In addition, the 21st-century organization is increasingly dependent on a global network of stakeholders who have expectations about the organization's policies and actions. These two factors have led to increased accountability, which is an important motivator for organizations to act responsibly.

BENEFITS OF ORGANIZATIONAL RESPONSIBILITY

On the basis of anecdotal information, Vogel (2005a, 2005b) concluded that although there may be a business case for virtue, there is little support for the claim that more responsible firms are more profitable, and engaging in organizational responsibility initiatives involves very difficult trade-offs. Similarly, others have argued that in some situations, engaging in the responsible activities can actually reduce the market value of a firm (Barnett, 2007; Mackey, Mackey, & Barney, 2007). In contrast to these claims, however, the preponderance of the empirical evidence accumulated thus far suggests that pursuing social and environmental goals is related to positive economic results. In other words, there are clear benefits for organizations that choose to pursue the triple bottom line instead of economic performance exclusively, and organizations can both do good and do well. Although some refer to an antagonistic relationship between organizational profit and productivity objectives on the one hand and societal goals and considerations on the other, this seems a false dichotomy (Haigh & Jones, 2007). Organizations are successful in the long run only if they do both: please shareholders and also please other stakeholders. The challenge is "how to ensure that the firm pays wider attention to the needs of multiple stakeholders whilst at the same time delivering shareholder value" (Moir, Kennerley, & Ferguson, 2007, p. 388).

In support of the positive relationship among social and environmental performance and economic performance, consider the following results from several surveys (note that implementing an experimental design to examine these relationships is virtually impossible, so the precise directionality and causality of these relationships has not been established unequivocally). Capriotti and Moreno (2007) described a consumer study conducted in Spain and

found that 75% of consumers have penalized or were willing to penalize companies they perceived as not being socially responsible. In addition, a separate consumer study, conducted in the United Kingdom, found that more than 75% of consumers consider an organization's level of social responsibility to be important, and about 90% of employees believe their organizations should be socially responsible. From an organizational strategy perspective, results from a 2002 survey by PricewaterhouseCoopers including 1,200 CEOs from 33 countries (Simms, 2002; Verschoor, 2003) revealed that about 70% of global chief executives think that corporate social responsibility is vital to their companies, even during an economic downturn. In fact, some argue that organizational responsibility is even more crucial during difficult economic times. Specifically,

> The financial crisis and the subsequent economic downturn represent a significant upheaval in the evolution of markets and the private sector. Restoring trust and confidence, and shifting to a long-term paradigm of economic value creation in the spirit of universal values should therefore be viewed as the central imperatives. To restore momentum towards sustainable and inclusive global integration, it is more important than ever to build market legitimacy and political support based on sound ethical frameworks such as the UN Global Compact. ("The Global Economic Downturn," 2008)

Similarly, Tim Smith of Walden Asset Management noted that "work on corporate responsibility issues does not stop just because we're in a financial crisis . . . more attention is being paid to the fact that social, environmental and ethical issues have an impact on financial value" (Hyatt, 2008). These statements are consistent with results from surveys that found that 91% of CEOs report that corporate social responsibility management creates shareholder value, and 80% of CEOs agree that nonfinancial indicators such as environmental and social performance metrics are essential to characterizing future financial performance (S. L. Friedman, 2003).

There is also evidence that emphasis on organizational responsibility is increasing worldwide. For example, Holcomb et al. (2007) reported that 90% of corporate Web pages address at least one issue related to organizational responsibility (e.g., community involvement, environmental concerns, public educational support), and more than 65% of the world's largest companies use the Internet to report on organizational responsibility issues. Similarly, of the Fortune Global 250 firms (the first half of the Fortune Global 500), 161 have published nonfinancial reports addressing sustainability and corporate social responsibility issues (Fortanier & Kolk, 2007).

Other data that are likely to be less subjective in nature also point to the benefits of organizational responsibility. For example, a study of 602 companies in the Morgan Stanley Capital International World Index that have been included in the Oekom Corporate Responsibility Ratings showed that the 186 companies that received the highest responsibility ratings outperformed the 416 companies that received the lowest ratings by 23.4% between January 2000 and October 2003 (Hollender, 2004). The Oekom ratings are based on the Frankfurt-Hohenheim Guidelines, which are criteria used to evaluate companies, and even countries, along the environmental, social, and cultural sustainability dimensions (Hoffmann, Scherhorn, & Döpfner, 2000). The Frankfurt-Hohenheim Guidelines are often referred to as the world's most comprehensive set of criteria for the ethical assessment of companies, and they are based on 200 sector-specific indicators (Baue, 2004) related to the dimensions and indicators included in Table 24.1.

Another comprehensive study that used objective organizational performance data is a meta-analysis of 52 independent studies demonstrating that there is a positive relationship between social/environmental performance and financial performance (Orlitzky, Schmidt, & Rynes, 2003). This meta-analysis found an average correlation between corporate social/environmental performance and corporate financial performance of $\rho = .36$. This correlation was obtained after correcting for sampling error and measurement error in the predictor and criterion measures and was based on 388 separate correlations and a total sample size of 33,878. The average relationship between cor-

porate social/environmental performance and financial performance remained positive when it excluded correlations computed using reputation measures for social/environmental performance and surveys for financial performance (i.e., $\rho = .15$). In addition, a separate meta-analysis (using part of the same database) found that this relationship does not depend on firm size (Orlitzky, 2001). It is also noteworthy that the average correlation between social performance and financial performance was $\rho = .47$, whereas the average correlation between environmental performance and financial performance was $\rho = .13$. In sum, there is a universally positive relationship between social and environmental performance and financial performance, but the strength of this positive relationship varies depending on how one operationalizes social and/or environmental performance and financial performance.

In a study using a different methodological approach, Ambec and Lanoie (2008) conducted an extensive qualitative literature review focusing exclusively on the benefits of environmentally responsible practices. The overall conclusion was that benefits of such practices are related to both increased revenues and cost reduction through separate mechanisms. Specifically, better environmental performance is related to increased revenues owing to better access to certain markets, better product differentiation, and better pollution-control technology. Also, better environmental performance is related to a reduction in cost owing to better risk management and relations with external stakeholders, lower cost of material, energy, and services, lower cost of capital, and lower cost of labor.

Numerous organizations are very much aware of the benefits of being responsible. This is why many create a position of "corporate responsibility officer" (Marshall & Heffes, 2007). However, although this specific title exists, more common titles are vice president or director of corporate social responsibility. Regardless of the title, which can also be chief compliance officer, chief ethics officer, or investor relations officer (Marshall & Heffes, 2007), the point is that organizational responsibility is seen as an important ingredient of business strategy. Job announcements for such positions include a variety of responsibilities addressing both strategic and operational issues, such as the following:

- work collaboratively with internal business partners to communicate the human rights compliance program expectations;
- facilitate regular update meetings with key internal partners;
- develop and maintain strong industry relationships to benchmark best practices;
- use benchmarking and research skills to identify and communicate risks and challenges that can affect the brand;
- create a unified innovative approach to green and community impact initiatives;
- adopt operating policies that exceed compliance with social and environmental laws;
- develop relationships and interact successfully with senior executives;
- provide corporate social responsibility consultation and project management services to brand name customers;
- conduct training for corporate social responsibility monitoring firms, suppliers, and brand names and provide support to internal and external training programs;
- interact with a cross-functional set of internal departments (Communications, Finance, Human Resources, Operations, Operations Services, Marketing, Sales, and Transportation) and outside customers and represent the company regarding organizational responsibility issues; and
- work with both internal and external resources to identify opportunities and projects that allow us to improve our sustainability position.

IMPLEMENTING ORGANIZATIONAL RESPONSIBILITY: STRATEGIC RESPONSIBILITY MANAGEMENT

Now that we have defined organizational responsibility and described its benefits on the basis of several different sources and data collection methods, the next question is, How do we implement organizationally responsible policies and actions? First, it is clear that there is an important risk for organizations in

terms of their reputations of communicating about organizational responsibility and not doing enough (Hillenbrand & Money, 2007; see also chap. 10, this volume). However, implementation is not easy. Essentially, it is an organizational change process that requires commitment, time, and resources. organizational responsibility is an ongoing process and should not be viewed as separate from overall organizational strategy (Molteni, 2006), just as I/O psychology research on diversity or ethics cannot be separated and isolated as initiatives that emanate from, and are owned by, the diversity or ethics department or unit (e.g., Kravitz et al., 1997). Implementing organizational responsibility means that all policies and actions are affected throughout the entire organization and at all levels of analysis (i.e., individual, group, and organization). Moreover, Davis (2004) argued that we should do away with the expression *corporate social responsibility* because it gives the impression that it is something separate from strategy and from the reality of a business.

Implementing organizational responsibility is different from making the naive recommendation that organizations need to be managed democratically in the sense that a majority of stakeholder votes wins. As noted by Dalton, Hitt, Certo, and Dalton (2007), "it is not sensible that a large corporation be managed by consensus, as there are few enterprise equivalents to the town hall meetings" (p. 37). Also, walking the talk of organizational responsibility does not suggest that economic performance, or other nonfinancial indicators directly related to an organization's products and services (e.g., citizenship satisfaction), should not be an organization's primary goal; after all, this is the reason for its existence. This chapter argues that capitalism with a human face (Leisinger, 2007) is not only the right thing to do, but it is also good for business.

Embracing organizational responsibility requires a cultural change similar to embracing performance excellence (Aguinis & Pierce, 2008) or quality (Waddock, Bodwell, & Graves, 2000). Organizational responsibility is not something an organization simply does; it is what an organization is. It provides a road map for making decisions about new markets and products, processes, and initiatives. As such, the implementation of organization-wide initiatives that have been informed by I/O psychology research, such as performance management (Aguinis, 2009) or total quality management (Waddock et al., 2000), provides a useful model that can be extrapolated, adapted, and labeled *strategic responsibility management*. Strategic responsibility management includes the following sequence of steps (see Figure 24.1):

- *Step 1:* Creating a vision and values related to responsibility
- *Step 2:* Identifying expectations through stakeholders' dialogue and prioritizing them
- *Step 3:* Developing initiatives that are integrated with corporate strategy
- *Step 4:* Raising internal awareness through employee training
- *Step 5:* Institutionalizing strategic responsibility management as a way of doing business on an ongoing basis by measuring and rewarding processes and results

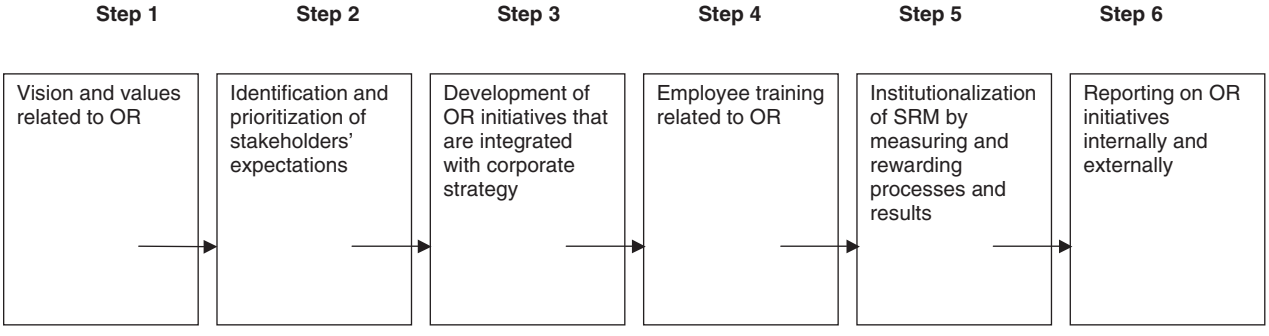

FIGURE 24.1. Sequence of steps involved in strategic responsibility management (SRM). OR = organizational responsibility.

- *Step 6:* Reporting on the status of the dialogue and the initiatives through a yearly organizational responsibility report that is made available internally and externally

I/O psychology researchers and practitioners are in a unique position to create and disseminate knowledge on how to best implement strategic responsibility management. First, there is a need to create a shared vision and set of values about responsibility. Organizations cannot go down the organizational responsibility path without considering management's personal values. Like any other organization-wide intervention (Aguinis, 1993), organizational responsibility requires championship from senior management and organization-wide ownership (Middlemiss, 2003). There are several reviews of the I/O psychology literature (e.g., Vol. 3, chap. 20, this handbook), as well as sources in fields such as executive education (e.g., Mirvis, 2008), that address the issues of organizational change and the importance of considering management's personal values in this process.

Second, stakeholder engagement is crucial, but we need to define how and to what extent and in what capacity stakeholders are engaged (Greenwood, 2007). We also need to define how various organizational responsibility policies and actions are directly related to each stakeholder group. These are areas to which I/O psychology can clearly contribute given the vast literature on employee engagement (e.g., Maslach & Leiter, 2008). In terms of the identification of stakeholders, they can be mapped on a chart to indicate their relative importance, and management can prioritize organizational responsibility issues based on how likely they are to affect the business (Hillenbrand & Money, 2007). For example, Table 24.2 includes a set of business principles as well as specific policies and actions related to various stakeholders at Orange Communications Switzerland (2002). Orange Communications Switzerland is a subsidiary of the France Telecom Group and the second largest provider of mobile telephony in Switzerland, with more than 1.5 million customers and 1,000 full-time employees (Key Figures, 2009). The company acknowledges that

> every company impacts on different groups of persons, society and the environment. Corporate Social Responsibility considers these impacts of business on society, and seeks opportunities to combine business objectives with social growth. CSR is a cross-functional activity with deep strategic implications, and stretches across a variety of fields and activities. . . . The commitment to corporate social responsibility is a strategic decision, deliberately chosen outside of any legal obligations. This is opening a new dimension of doing business, and shows gradually new and challenging perspectives for the relation between business and society. (Corporate Social Responsibility, 2009)

Table 24.2 provides useful information in terms of the stakeholder groups related to the various principles. Also, this table addresses the third step in the strategic responsibility management process mentioned above, because organizational responsibility is fully integrated into the organization's strategy. In other words, being responsible is fully integrated within general business principles, and organizational responsibility initiatives are not seen as separate from the organization's core strategic initiatives.

The fourth step includes training of all organizational members all the way up to top management about organizational responsibility and responsibility management. This training can include how strategic responsibility management works, what is expected of employees, and how employees will benefit from strategic responsibility management. In terms of specific content, at a minimum, training should provide answers to the following questions (Aguinis, 2009):

- What is strategic responsibility management? Answering this question involves providing general information about strategic responsibility management, how it is implemented in other organizations, and its general goals.
- How does strategic responsibility management fit in our strategy? To answer this question, training should include information on the relationship between strategic responsibility management and strategic planning. Specifically, information is provided on how strategic

TABLE 24.2

Stakeholders, Illustrative General Business Principles, and Illustrative Specific Policies and Actions at Orange Communications Switzerland (2002)

Stakeholders	General business principles	Specific policies and actions
Employees and contractual partners	We provide our employees and contractual partners with a healthy, fair, and safe work environment. We support every employee, throughout their working life, in the development of skills that promote both personal and professional development. We promote a working environment of mutual respect, joint responsibility, and trust, and free of any form of harassment.	■ Courses to ensure a safe working environment and to increase knowledge in order to prevent occupational accidents ■ Five-day paternity leave and paid birth and child benefits for all employees, although this is not a general requirement throughout Switzerland ■ Ethical principles and any conduct in the team in violation of our values are evaluated and handled as part of the management by objectives process (individual objectives) ■ Courses available on the Intranet on work–life balance ■ Tetanus immunization offered to all field staff
Customers	We provide our customers with quality, added value, and excellent service. We implement responsible marketing processes.	■ The three PostPay price plans—Prima, Optima, and Maxima—are based on comprehensive knowledge of the needs of mobile technology users. ■ Brochure about responsible mobile phone usage available at sales outlets ■ Regular product training sessions for employees and special marketing campaigns ■ Scorange customer service survey ■ Establish a relationship of trust by concentrating on three areas: (a) protection of personal information (data protection), (b) confidential handling of all correspondence, and (c) protection from unwanted messages and spam.
Communities	We support the communities in which our offices are located and actively foster an open dialogue with them.	■ "Corporate volunteering" program in all regions in which Orange is represented ■ Participation in information events, discussion groups, and public hearings at the request of interest groups and/or communities ■ Monitor everyday concerns of laymen and analyze them together with experts
Suppliers	We develop honest and transparent relationships with suppliers.	■ Suppliers and contractors follow principles similar to our own ■ Clarity in our supplier contracts and honor-agreed payment terms
Environment and all stakeholders	We take our responsibility to the environment very seriously.	■ Use of scientific research for risk identification regarding mobile technology, base stations, and terminals ■ Support of independent studies by the Swiss Research Foundation on Mobile Communication at the Federal Institute of Technology in Zurich ■ We monitor any developments with regard to laws, regulations, and provisions that affect the interests of the company and interest groups and adjust company regulations and procedures accordingly ■ We cut paper consumption my making double-sided printing the standard and promoting the use of electronic billing ■ We limit business trips by plane and promote the use of telephone and video conferences ■ When buying new phones, customers can return their old phones for credit

responsibility management is directly related to the organization's strategic goals.
- What's in it for me? A good training program describes the benefits of implementing strategic responsibility management for all those involved.

The I/O psychology literature provides important insights regarding the principles that can be implemented to maximize the effectiveness of such training (Aguinis & Kraiger, 2009). These recommendations and best practices will be useful in designing, delivering, and evaluating the effectiveness of the training program (Aguinis & Kraiger, 2009).

The fifth step addresses the consequences associated with organizational responsibility. This includes creating indicators of success and describing how each indicator will be assessed, together with the clear consequences based on the results. For example, an indicator of stakeholder engagement is the extent to which the communication between staff members as well as with customers and other stakeholders is honest and complete (Hollender, 2004). Additional indicators are included in Table 24.1 and Exhibit 24.1, as described earlier. Thus, the organization's performance management system must measure and reward organizational responsibility policies and actions. Many organizations are already doing so. For example, data on 90 publicly traded companies in Canada show that long-term compensation of CEOs is associated with organizational responsibility actions related to products (Mahoney & Thorne, 2005). Once again, the field of I/O psychology has produced an important body of knowledge that can be used to create performance management systems that include specific information on how to measure organizational responsibility processes and outcomes (Aguinis, 2009), as well as clear links between organizational responsibility and rewards at the individual, team, and organizational levels (Aguinis, 2009; see also Vol. 1, chap. 11, Vol. 2, chap. 9, this handbook).

Finally, the last step involves reporting organizational activities related to organizational responsibility (see chap. 7, this volume). This reporting can include corporate financial reporting, corporate governance, organizational responsibility, and reporting stakeholder value creation. This is also consistent with integrating organizational responsibility within the organization's overall strategy (Bhimani & Soonawalla, 2005).

The next section of the chapter describes examples of organizations that have implemented one or more of the strategic responsibility management steps described above. This particular set of examples represent organizations that offer very different products and services, thereby illustrating the implementation of organizational responsibility initiatives in a diversity of contexts.

SOME ILLUSTRATIONS

The Body Shop

An organization known for its organizational responsibility approach is The Body Shop, a global manufacturer and retailer of more than 1,200 beauty and cosmetic products founded in the United Kingdom in 1976, which now has more than 2,500 stores in 55 countries (http://www.thebodyshop-usa.com/bodyshop/beauty/about-us). The Body Shop's organizational responsibility activities focus on promoting environmental protection and respect for human rights. The Body Shop's vision and values are clearly integrated with organizational responsibility. Specifically, The Body Shop

> has been a leader in the trend towards greater corporate transparency, and has been a force for positive social and environmental change through its lobbying and campaigning programs around five core principles: Support Community Trade, Defend Human Rights, Against Animal Testing, Activate Self-Esteem, and Protect Our Planet. We set ourselves and our business partners clear standards of business practice, engage stakeholders with our aims, and report on our performance and our intent to improve within the overall context of our business. As a retailer, we believe that we can be a force for positive social and environmental change by campaigning on issues that are directly relevant to our consumers and/or our industry. The

> Body Shop believes that business has a responsibility to the communities in which it operates, so we support and encourage employees throughout the world to volunteer their time in local action. (The Body Shop: Company Profile, 2009)

In addition, the Body Shop "strives to protect this beautiful planet and the people who depend on it—not because it's fashionable, but based on the belief that it's the only way to do business" (Nature's Way to Beautiful, 2009).

The Body Shop reports evidence that these value statements have led to concrete actions (Nature's Way to Beautiful, 2009). For example, in 2007, The Body Shop became the first cosmetics company to source sustainably harvested palm oil and introduce it into the beauty industry, working in partnership with a certified organic producer in Colombia. In 2008, the company introduced 100% postconsumer recycled bottles, and all their polyethylene terephthalate bottles currently contain at least 30% recycled material. In addition, the company's unique Community Trade program creates sustainable trading relationships with disadvantaged communities around the world and provides essential income to more than 25,000 people across the globe. In sum, although there is some evidence regarding the implementation of the other steps in the strategic responsibility management process, The Body Shop is an excellent example of the implementation of the first step: creating a vision and values related to responsibility.

MGM Grand

As a second example, consider how some of the strategic responsibility management steps were implemented at the MGM Grand in Las Vegas when it opened more than 10 years ago (T. Jones, Fried, & Nazarechuk, 1994). The MGM Grand is one of the world's largest hotel, casino, and theme parks, and it faced an incredible staffing challenge before it could open: The company needed to hire 7,000 employees who were competent, well trained, and guest oriented. The pool of applicants was estimated to include about 100,000 individuals. The challenge was even greater because two other megaresorts, Treasure Island at the Mirage and the Luxor Hotel and Casino, opened within two months of the opening of the MGM.

Consistent with its vision of "a community serving a community" (T. Jones et al., 1994, p. 2; Step 1), the expectations of the local community (Step 2), and its strategic staffing needs (Step 3), the company implemented an initiative called Employment Outreach Program (EOP), which meant that of the 7,000 job openings, 1,200 were reserved for economically disadvantaged individuals. EOP was an initiative that was clearly embedded within the organization's overall strategy (i.e., the MGM could not operate without adequate staff) and driven by the company's values: a combination of "altruism and enlightened corporate self-interest" (T. Jones et al., 1994, p. 2). MGM received a tax credit for 40% of training costs from a minimum of 4 weeks to a maximum of 12 weeks depending on the type of job. Training was done on the job, so this tax break was essentially a tax break on wages.

What were some of the results of this initiative? Exactly 1,207 individuals were hired by MGM, and 255 were hired through other satellite recruiting programs. The total subsidy that MGM received in terms of estimated wage credits and training costs was about $500,000. About three quarters of the individuals hired through EOP worked full time, and total projected annual wages, including tips and benefits, were about $30 million. This initiative was a resounding success for the MGM, the state's taxpayers, and the surrounding community: MGM was able to find qualified employees, and new jobs were created, which benefited MGM and those hired directly and the surrounding community indirectly.

Chiquita

Chiquita Brands International, Inc., is an interesting additional illustration because of the company's history of alleged abuses and, in a sense, being known for decades as the opposite of a responsible organization (Werre, 2003). Known primarily for its bananas, Chiquita produces and distributes fresh and processed foods and generates annual revenues of more than $2 billion. Chiquita's banana division includes 20,000 employees from primarily about 130 farms in Guatemala, Honduras, Costa Rica,

Panama, and Colombia. Chiquita's predecessors, the United Fruit Company and the United Brands Company, had a century-old history of influence on the lives of their employees and governments because they created thousands of jobs and built railroads, houses, hospitals, and ports. Because of its widespread influence—including the alleged participation in suppressing labor rights in Colombia in 1928, the use of company ships to help overthrow the Guatemalan government in 1954, and bribery scandals in Honduras in 1975—the United Fruit Company was known as "the Octopus."

Since the early 1990s, Chiquita has implemented a major strategic shift and now embraces organizational responsibility. As would be expected, this move was initially seen as a public relations campaign. However, in 1998 Chiquita started to implement a strategic responsibility management program. Specifically, at that time organizational responsibility was not a major consideration at Chiquita, but in May 1998 the *Cincinnati Enquirer* published 22 notes, all at once, describing the organization as a rapacious, exploitative company without a conscience. It turned out that some of the information published in these articles had been obtained through illegally taped voicemail messages, and the *Enquirer* published an apology (three times) and agreed to pay $10 million in exchange for settlement of claims against it by Chiquita ("An Apology to Chiquita," 1998). However, the scandal forced senior management to take a closer look at their company's vision and values. Chiquita's CEO, Steve Warshaw, led an eight-member Senior Management Group for Corporate Responsibility, which was supported by a Corporate Responsibility Steering Committee, which includes eight directors from different operational areas. Showing the strategic importance of the issue, Warshaw dropped in at almost every meeting of the Steering Committee. As a result, the following vision statement was created:

> Being the industry leader in the future requires more than delivering a high quality product: Stakeholders (and especially customers) will increasingly place great value on corporate responsibility performance. Chiquita therefore envisions to lead the industry in the area of CR. (Werre, 2003, p. 248)

Following the new vision (i.e., Step 1 in the strategic responsibility management process) and through the input of about 1,000 employees, Chiquita adopted a set of four core values, which integrate business strategy with organizational responsibility and now guide policies and actions at the company:

- *Integrity:* We live by our core values. We communicate in an open, honest and straightforward manner. We conduct our business ethically and lawfully.
- *Respect:* We treat people fairly and respectfully. We recognize the importance of family in the lives of our employees. We value and benefit from individual and cultural differences. We foster individual expression, open dialogue and a sense of belonging.
- *Opportunity:* We believe the continuous growth and development of our employees is key to our success. We encourage teamwork. We recognize employees for their contributions to the company's success.
- *Responsibility:* We take pride in our work, in our products, and in satisfying our customers. We act responsibly in the communities and environments in which we live and work. We are accountable for the careful use of all resources entrusted to us and for providing appropriate returns for our shareholders.

As a result of the new vision and values (Step 1 in strategic responsibility management) and stakeholder input (Step 2), several initiatives were developed that integrate general business strategy with organizational responsibility (Step 3). For example, in May 2000 Chiquita appointed a full-time vice president and corporate responsibility officer. In addition, in 2001 and 2002 training and communication were extended to include all Chiquita employees working at farms in Latin America, including materials in Spanish (Step 4). Moreover, to institutionalize change (Step 5), another important action was to expand the code of conduct to include food safety, labor standards, employee health and safety, community involvement, environmental protection, ethical behavior, and legal compliance. Also related to measuring processes and results (i.e., also Step 5),

Chiquita reached an important milestone when each of its 127 company-owned banana farms was certified following the standards of the Rainforest Alliance's Better Banana Project. Finally, in terms of reporting (i.e., Step 6), Chiquita published its first Corporate Responsibility report in 2001, and the 2006 report is now available (Corporate Responsibility, 2006).

What are some of the results of Chiquita's implementation of strategic responsibility management in terms of the triple bottom line? Regarding economic performance, although a conclusion regarding direct causality is difficult to establish, several major European retailers have now chosen Chiquita as their banana supplier, health insurance costs have been lowered, and better industrial relations provide benefits in terms of quality improvements and reduced disruption caused by strikes and labor stoppages. In terms of social performance, many workers were able to switch from temporary to permanent employment with associated compensation and benefits, and the number of accidents has been decreased substantially (e.g., by more than 40% in Costa Rica). Finally, in terms of environmental performance, the use of pesticides has been reduced, 80% of plastic is being recycled (up from 0% in the past), more than 700,000 new trees have been planted for water conservation, and several buffer zones and biological corridors have been created. In short, Chiquita's implementation of strategic responsibility management has resulted in tangible benefits for the organization, its communities, and the environment.

Other Illustrations

There are countless additional examples of organizations adopting some type of strategic responsibility management initiative (e.g., Enderle, 2004). For example, Microsoft has a 21st Century Skills for Employability program, which entails partnering with governments, the education sector, and community groups to help individuals develop skills that will allow them to become more employable (Bonfiglioni, Moir, & Ambrosini, 2006). This initiative not only benefited the local communities and created goodwill toward Microsoft, but it also made the economic context attractive and helped the company with its long-term business development. As another illustration, the tax-collecting organization in the United Kingdom, HRM Revenue & Customs, recently decided to print tax-return forms in languages other than English. This initiative demonstrated a commitment to diversity. However, in addition, this action was consistent with the organization's core mission, which is to ensure that more forms are filled in (Brockett, 2006).

WHAT I/O PSYCHOLOGY HAS DONE AND CAN DO FOR ORGANIZATIONAL RESPONSIBILITY RESEARCH AND PRACTICE

As noted earlier, the topic of organizational responsibility is not on the mainstream I/O psychology research agenda. However, a very positive sign is that the present chapter is included in this handbook. Possible reasons for the lack of attention to organizational responsibility in the I/O psychology literature include a general science–practice gap in the field, and an emphasis on employees and internal organizational processes usually at the individual level of analysis versus other external stakeholders, external processes, and organization-level phenomena. Nevertheless, I/O psychology has made important contributions to understanding certain aspects of organizational responsibility. As described in the previous sections, several theories and bodies of research within the field of I/O psychology can inform the strategic responsibility management process (e.g., organizational change processes, measuring and rewarding organizational responsibility initiatives, communication processes). Moreover, although not labeled as such, several research domains in I/O psychology have an underlying organizational responsibility theme. Next, the chapter includes examples focusing on three specific topical areas: staffing decision making, training and development, and research ethics.

Selective Contributions of I/O Psychology to Organizational Responsibility Research and Practice

As noted earlier, there is much I/O psychology research targeting the employee stakeholder group that is related to organizational responsibility. Consider the area of staffing decision making. The

traditional approach to staffing decision making is to use a strict top-down procedure in which selection is made according to who obtained the highest test score(s). However, those involved in staffing decision making are faced with a paradoxical situation, because using general cognitive abilities and other valid predictors of job performance leads to adverse impact (Aguinis & Smith, 2007). Consequently, users of selection instruments are faced with what seems to be a catch-22: choosing to use general cognitive abilities tests and risk decreasing the diversity of an organization's workforce, or choosing to use predictors that will not diminish diversity but are not as valid as cognitive abilities tests. On the basis of this description, the situation seems the classical win–lose scenario of pitting social versus economic performance in a mutually exclusive manner. Test-score banding was proposed as a method to solve this apparent dilemma (see Aguinis, 2004b, for a review). Banding is an alternative to the strict top-down selection strategy that often leads to adverse impact. Banding is based on the premise that an observed difference in the scores of two job applicants may be the result of measurement error instead of actual differences in the construct that is measured. Consequently, if it cannot be determined with a reasonable amount of certainty that two applicants differ on the construct underlying a predictor or criterion score, then there may be little reason to believe that they differ with respect to job performance. In other words, banding groups applicants who have "indistinguishable" scores. Consequently, job applicants who fall within the same band are considered equally qualified for the job in question. Therefore, choices can then be made among these "equivalent" applicants on the basis of criteria other than test scores, such as diversity considerations. The case of test-score banding, although not labeled as such in the I/O psychology literature, is a paradigmatic example of strategic responsibility management in which the organization considers both economic and social interests. The approach to hiring at the MGM Grand described earlier is consistent with this approach.

As a second example, consider the area of training and development. Traditionally, the topic has been studied from the perspective of how to design and deliver training programs that will maximize individual learning and the transfer of skills back on the job (Salas & Cannon-Bowers, 2001). However, a more recent perspective is that training and development efforts benefit individuals and organizations but also society at large (Aguinis & Kraiger, 2009). As noted by Kaufman and Guerra (2001), "we have entered a new era in which both achieving useful results and proving that they add value to the organization and our shared society are required" (p. 319). Most of the research on the relationship between training activities and their benefits for society has been conducted by economists, and the focal dependent variable is national economic performance. Aguinis and Kraiger (2009) reviewed this literature and concluded that training efforts produce improvements in the quality of the labor force, which in turn is one of the most important contributors to national economic growth. Economists coined the terms "human capital" and "capital formation in people" in referring mainly to schooling and on-the-job training (Wang, Dou, & Li, 2002). In short, more recent approaches to studying training and development consider the impact of such efforts on individual learning and performance but also on society at large. The Microsoft case described earlier is consistent with this approach.

As a third illustration, consider the area of research ethics (Aguinis & Henle, 2002; Lefkowitz, 2003). Traditionally, the area of research ethics has had a focus on research participants only, which is consistent with the traditional I/O psychology approach of focusing on internal issues at the individual level of analysis. However, there seems to be a shift in emphasis toward the responsibility of the field in general. For example, Aguinis and Henle (2002) noted that "we have the responsibility of guaranteeing that our research is based on sound ethical standards to protect the rights of research participants and the reputation of I/O psychology as a field" (p. 34). Ethical considerations should play a role in designing a study, recruiting and selecting participants, executing the study, and reporting the results. If we do not conduct research that follows established ethical guidelines, "participants, organizations, and society will be wary of our work and may become alienated from the

discipline of I/O psychology" (Aguinis & Henle, 2002, p. 52). Once again, in this area of research ethics, we see the need to consider the effect that our practices, in this case research practices, affect various stakeholders, including the field and society at large.

There are additional illustrations of indirect contributions of I/O psychology research to the organizational responsibility literature. For example, I/O psychology research has investigated bias in preemployment testing (e.g., Rotundo & Sackett, 1999). The ultimate goal of such body of research is to create decision-making systems that are free of bias, which certainly benefits job applicants, but is also beneficial in terms of racial harmony and societal stability. Also, there is an indirect contribution to the organizational responsibility literature on the part of research generated in other applied psychology areas addressing issues such as environmentally friendly behaviors (e.g., Karpiak & Baril, 2008), prospective employees' attractiveness to organizations (e.g., Turban & Greening, 1997), altruism (e.g., Mõttus, Allik, Konstabel, Kangro, & Pullmann, 2008), and national culture (e.g., Gelade, Dobson, & Auer, 2008). Specifically, a better understanding of antecedents and consequents of environmentally friendly (e.g., recycling) and altruistic (e.g., citizenship) behaviors could shed light on environmentally friendly and altruistic actions and policies of organizations, a better understanding of what types of organizational responsibility actions and policies are perceived as most attractive by various stakeholders is likely to lead to a more qualified and larger pool of job applicants, and a better understanding of national culture could make a contribution to how overseas operations of multinational corporations are able to earn goodwill for the country where the corporation is headquartered. This goodwill, in turn, can lead to better intercultural understanding and the reduction of negative stereotypes and biases against other cultural or ethnic groups.

Thus, it seems that the topic of organizational responsibility is reflected in I/O psychology research and practice. However, these approaches are incipient and also do not seem to be mainstream. So, there is substantial room for both research and applications that link the traditional I/O psychology literature to organizational responsibility. Looking toward the future, consider the following issues and questions:

- The implementation of strategic responsibility management can benefit from research design, measurement, and data-analytic tools that are routinely reported in I/O psychology research (e.g., Aguinis, Pierce, Bosco, & Muslin, 2009; Rogelberg, 2002). For example, what are appropriate procedures for data collection from various stakeholder groups? Can I/O psychology researchers and practitioners develop valid and standardized measures to assess the dimensions and indicators included in Table 24.1 and Exhibit 24.1? How can data from various stakeholders be combined or aggregated? What qualitative and quantitative research methods can be used separately or in combination to measure organizational responsibility processes and outcomes? What types of research design can be implemented to gather convincing evidence regarding the causal effects of organizational responsibility on various outcomes?
- Like any other organizational change intervention, implementing strategic responsibility management must be accompanied with a change in performance measurement and the reward structure. There is an important I/O psychology literature on the design and implementation of performance management systems, and motivation theories, that can help with the implementation of organizational responsibility initiatives (Aguinis, 2009; see also Vol. 1, chap. 10, and Vol. 2, chap. 9, this handbook; chap. 13, this volume). For example, performance management systems that include the measurement of both behaviors and results (Aguinis, 2009) can be used to assess the relative effectiveness of organizational responsibility initiatives. As a second illustration, reward systems that include long-term incentives for top management instead of only short-term incentives may be more likely to lead to better organizational responsibility initiatives (Deckop, Merriman, & Gupta, 2006). In general, regarding implementation issues, the literature on organizational responsibility places more emphasis on the "oughts" than on the "hows" (Meehan et al., 2006). I/O psychology

researchers and practitioners can help with implementation and execution issues.

- Organizational responsibility is intrinsically a multilevel phenomenon. The measurement and reporting of organizational responsibility efforts can benefit from a vast I/O psychology literature on multilevel issues (e.g., Aguinis, Pierce, Bosco, & Muslin, 2009; Bliese, Chan, & Ployhart, 2007). Specifically, multilevel data-analytic techniques can be particularly useful for assessing the effects of organizational responsibility initiatives on individuals, groups, organizations, and society in general, as well as for assessing potential same-level and cross-level moderating effects (cf. Aguinis, 2004a).
- At present, only relatively few organizations actually implement a test-score banding approach to decision making about staffing. Much research has addressed the impact of using banding on individual performance. However, what is the impact of using banding in terms of social performance? Moreover, what is the impact of using banding on an organization's reputation, and to what extent can this affect an organization's economic performance (e.g., Aguinis & Harden, 2004)? In general and going beyond test-score banding specifically, I/O psychology can provide useful measurement and data-analysis tools to link economic, social, and environmental performance indicators (cf. Greenfield, 2004).
- Issues such as commitment, engagement, dysfunctional and functional turnover, training, and employability are discussed in the organizational responsibility literature but are typically absent from balance sheets and corporate reports. I/O psychology can help make the business case for organizational responsibility by extrapolating, adapting, and using measurement and psychometric techniques developed in other areas (e.g., training evaluation: Aguinis & Kraiger, 2009; performance management: Aguinis, 2009).
- Business schools are being criticized for not being responsible and are even blamed for training executives deficiently. Moreover, this training deficiency is, to some extent, seen as the culprit for some of the recent corporate scandals (Bendell, 2007). Given the notable migration of large numbers of I/O psychologists to business schools (e.g., more editorial board members of *Journal of Applied Psychology* and *Personnel Psychology* are affiliated with business schools than with psychology departments; Cascio & Aguinis, 2008a), should I/O psychologists rethink our education and training programs so that organizational responsibility takes on a more prominent role?
- As noted earlier, in addition to staffing decision making, training and development, and research ethics, there are several I/O psychology research domains that are related to organizational responsibility (i.e., environmentally friendly behaviors, altruism, and national culture). In addition, other topics include organizational restructuring, work–life balance, job design, and sexual harassment. How can I/O psychology research link these topics with the broader organizational responsibility literature? For example, I/O psychology research has investigated implications of organizational restructuring in terms of the individuals involved (i.e., those who are laid off and those who are not; e.g., Cascio, 1993). However, what are the implications of an organizational restructuring such as a reduction of 40% of the workforce in a manufacturing plant in terms of an organization's reputation and its standing in the eyes of the surrounding community? Similarly, I/O psychology research has investigated implications of sexual harassment for the harasser and the victim (e.g., Pierce & Aguinis, 2005). However, what are the implications of sexual harassment in terms of other stakeholders, such as suppliers and customers?
- I/O psychology research tends to emphasize the individual level of analysis, and this type of approach can be beneficial for future research directions. For example, in terms of decision-making processes, are there individual-level variables (e.g., attitudes, personality) that explain why some individuals and, in turn, organizations are more likely to engage in organization-level responsible initiatives compared with others (cf. Basu & Palazzo, 2008)? What is the role of culture (both at the organizational and at the national level), and how does it affect approaches to organizational responsibility (cf. Matten & Moon, 2008)? Related to these questions, what are some

of the underlying psychological processes that connect organizational responsibility initiatives with individual-level attitudes and behaviors (Aguilera, Rupp, Williams, & Ganapathi, 2007)? For example, what is the relationship between organizational responsibility and organizational attractiveness, job satisfaction, organizational commitment, citizenship behavior, and job performance (cf. Rupp, Ganapathi, Aguilera, & Williams, 2006)?

- Can theories in I/O psychology such as the attraction–selection–attrition model (Schneider, 1987) and person–organization fit (Edwards, Cable, Williamson, Lambert, & Shipp, 2006) explain the underlying psychological process through which some organizations may be more likely to engage in organizational responsibility initiatives over time compared with others? What is the relationship between organizational culture, organizational climate, and organizational responsibility (cf. Berson, Oreg, & Dvir, 2008)? How can organizations create cultures and climates in which responsibility plays a central role?
- The analysis of jobs and work has a long history in the field of I/O psychology (McCormick, Jeanneret, & Mecham, 1972). However, a search on the O*NET (http://online.onetcenter.org/) revealed that there is no information on occupations related to organizational responsibility. Thus, future applied research can investigate what knowledge, skills, and abilities are required for organizational responsibility officers in various types of industries. Such work would also inform the field regarding the extent to which I/O psychology practitioners may be sufficiently equipped to occupy these positions.

CONCLUSION

Since its inception, the field of I/O psychology has walked a tightrope trying to maintain employee well-being while at the same time maximize organizational performance and profits. This dual role is reflected in the mission of the Society for Industrial and Organizational Psychology (2009) "to enhance human well-being and performance in organizational and work settings." This dual role is a source of tension, as is reflected in the test-score banding literature (Aguinis, 2004b) and the staffing decision-making literature in general (e.g., Aguinis & Smith, 2007). However, this tension can be used as an opportunity for growth and increased impact and relevance of the field. Cascio and Aguinis (2008a) issued the warning that extrapolating past publication trends into the future suggests 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; it will not produce a substantial body of research that will inform HR practitioners, senior managers, or outside stakeholders. (p. 1074)

Organizational responsibility is a concept consistent with the Society for Industrial and Organizational Psychology's mission as well as the scientist–practitioner model. However, there is still concern and skepticism on the part of some that organizational responsibility is more rhetoric and public relations than a reality. For example, Soares (2003) noted that "in the 'game' of corporations moral responsibility is a word without meaning" (p. 143). I/O psychology researchers and practitioners can help address these concerns by designing and implementing strategic responsibility management systems that induce organizations to act in responsible ways. I/O psychology researchers and practitioners can also help make the business case for strategic responsibility management and demonstrate that it is a win–win approach to management and not philanthropy that hurts the organization's "real" bottom line. Thus, OR provides a unique opportunity for I/O psychology researchers and practitioners to make contributions that are consistent with the field's mission and have the potential to elevate the field in the eyes of society at large.

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