MORAL LICENSING AND CORPORATE SOCIAL RESPONSIBILITY: A SYSTEMATIC LITERATURE REVIEW AND A RESEARCH AGENDA


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Abstract

Moral licensing describes people’s sense of ethical entitlement to morally questionable behavior after they have previously exhibited socially desired behavior. The objective of this review is to examine the concept of moral licensing in the corporate social responsibility (CSR) literature. To this end, we conducted a systematic literature review (SLR) covering the period from 2012 to 2021. First, our research explains why moral licensing is defined differently across CSR contexts. Second, we illustrate how CSR practices precede moral licensing and misconduct among top executives and employees (List & Momeni, 2021; Ormiston & Wong, 2013). Third, findings suggest that currently underexplored variables moderate the relationship between CSR and moral licensing, including the moral identity symbolization of CEOs and the style of CSR communication. Fourth, we suggest that very few studies have addressed these potentially negative effects of CSR. In conclusion, this review offers an initial overview on moral licensing, examines implications for practice, proposes extensions to existing theory, and sets an agenda for future research.

Keywords: Moral Licensing, CSR, CSIR, Misconduct, SLR

1. INTRODUCTION

Moral licensing describes people’s sense of ethical entitlement to morally questionable behavior after they have previously exhibited socially desired behavior. At the organizational level, the desired behavior refers to corporate sustainability, which is increasingly associated with corporate social responsibility (CSR) practices and reporting. For instance, the number of reports published by organizations about their socially responsible business practices has increased steadily over the past two decades (Lueg, Lueg, Andersen, & Dancianu, 2016; Lueg & Lueg, 2021; Muheki, Lueg, Lueg, & Schmaltz, 2014). When the term CSR is used, research generally assumes a positive effect on the environment, society, and the organization. This is also reflected in the majority of the literature (Lueg, Krastev, & Lueg, 2019; Lueg & Pesheva, 2021; Orlitzky, Schmidt,
& Rynes, 2003; Orlitzky, Siegel, & Waldman, 2011; Sison, 2009). However, CSR may also have negative effects. Often, people who have done good deeds in the past have a heightened self-awareness and sense of entitlement and thus allow themselves to relativize an immoral action (Strike, Gao, & Bansal, 2006). This phenomenon can be explained by the effect of moral licensing, a cognitive bias leading individuals to self-attribut the license to immorality due to prior good deeds (Lasarov & Hoffmann, 2020). The consequences of this immorality by employees and executives can result in high costs for the organization (Bouzzine & Lueg, 2020, 2022).

In the context of CSR, moral licensing is a new topic that has been little explored. Our research addresses this gap in the literature by reviewing articles that contribute to answering the following research question: What is the relationship between moral licensing and CSR? This review aims to provide insights on the topic and derive a future research agenda.

We organized the paper as follows. First, we provide the theoretical background of moral licensing in the context of CSR in Section 2, followed by the methodology review in Section 3. Second, we focus on the definitions of and findings on CSR and moral licensing as well as evidence for moderating effects in Section 4. Finally, we discuss the findings in Section 5 to derive concise recommendations for future research and practitioners in Section 6.

2. MORAL LICENSING AND CSR: A THEORETICAL FRAMEWORK

Over the past few years, sustainability has both increasingly attracted academic research interest and become more relevant to the actions of organizations. Therefore, we specifically included CSR in the search and analysis of the literature. To form a theoretical basis for the following literature analysis, we first introduce the theoretical models and terms that are relevant for further understanding. This includes moral licensing, followed by CSR and corporate social irresponsibility (CSIR). Through this theoretical background, the connections between the individual concepts will be shown. For the introduction, we draw on basic literature and define the concepts more specifically in the context of the selected literature in the later literature review section.

2.1. Moral licensing

Moral licensing was originally based in the field of psychology and describes the process whereby people may engage in immoral behavior after they have previously exhibited socially desired behavior (Blanken, van de Ven, & Zeelenberg, 2015; Greene & Low, 2014; Klotz & Bolino, 2013; Ormiston & Wong, 2013). Research on moral licensing shows that people aim to maintain a positive moral image not only for others but also for themselves (List & Momeni, 2021; Loi, Kuhn, Sahaym, Butterfield, & Tripp, 2020; Mazar, Amir, & Ariely, 2008). In the following review, we compile literature about the negative effects of CSR through the means of moral licensing in organizations, which forms the theoretical basis for further analysis.

2.2. Corporate social responsibility (CSR)

The European Commission defines CSR as “the responsibility of enterprises for their impacts on society” (European Commission, 2011, p. 6). This definition does not explicitly mention sustainability in relation to CSR. However, Dyllick and Hockerts (2002) suggest that the terms CSR, sustainability, and corporate sustainability often have equivalent meanings in business research and that CSR encompasses the classic triple bottom line approach to corporate sustainability.

2.3. Corporate social irresponsibility (CSIR)

CSR management focuses primarily on practices and reporting that tend to the interests of multiple stakeholders beyond shareholders (Branco & Rodrigues, 2006). Dahlsrud (2008) conducted a content analysis of definitions and identified five dimensions of CSR: environmental, social, economic, stakeholder and voluntariness. In contrast, the term CSIR has emerged in the literature, which describes actions that negatively impact the interests of stakeholders and stands in opposition to CSR (Ormiston & Wong, 2013; Strike et al., 2006) and might be environmental (Bouzzine, 2021; Bouzzine & Lueg, 2020), social (Bouzzine & Lueg, 2022), or governmental (Bouzzine & Lueg, 2021). The term CSIR has become established in the literature for allegedly well-intended actions that, however, affect the interests of stakeholders in a negative way (Greene & Low, 2014; Lange & Washburn, 2012; Strike et al., 2006). Thereby, the concept of CSIR becomes relevant to understanding moral licensing as organizations can engage in both CSR and CSIR at the same time (Strike et al., 2006).

3. SLR METHODOLOGY

We conducted a systematic literature review (SLR), which offers the reader the opportunity to access a critical and reproducible summary of published results from different journals. The review follows the recommendations of the PRISMA statement to ensure reproducibility (Liberati et al., 2009). At the beginning of our analysis, we conducted a pilot study and skimmed various journals and search engines such as Google Scholar to obtain an overview of the topic. In our actual search process, we relied on the SJR ranking for our selection for the following categories: Business, Management and Accounting, Economics, Econometrics and Finance, and Psychology. In particular, we searched the category Business, Management & Accounting in combination with the subcategories Accounting, Business & International Management, Business, Management and Accounting (miscellaneous), and Strategy and Management. Additionally, we scanned the category Economics, Econometrics and Finance with the subcategory Finance but found no relevant literature in this section. We also used the category Psychology in combination with the subcategory Applied Psychology. We used the keywords: ‘moral licensing’ and ‘CSR’, both in combination with ‘misconduct’ in our search. After we obtained an overview of the literature, we focused on the top 10 journals...
from the respective SJR filter combinations to ensure the quality of our sources.

We obtained a total sample of 50 articles through this search and our pilot study. We identified and rejected 36 articles that met our search terms but did not have CSR and moral licensing as their main topic. In the end, a total of 14 articles were fully screened and analyzed (see Figure 1), eleven of which were from the top 10 journals. The rest mostly provided general discussion or data on moral licensing without linking it to CSR, such as consumer behavior or organizational citizenship.

Figure 1 illustrates the article selection process and how the final literature sample of 14 studies was derived.

4. FINDINGS

4.1. Bibliometric analysis

Although we used the keywords ‘moral licensing’ and ‘CSR’ in combination with ‘misconduct’, 11 of the 14 papers that we analyzed resulted from the keyword ‘moral licensing’. It was difficult to identify much literature directly related to moral licensing and CSR: either the concept of moral licensing does not necessarily appear in the title or abstract or, while some articles refer to moral licensing in an organizational context, they do not address CSR.

We found four articles under the category Business, Management & Accounting that we determined as adequate in terms of content. We found one article in the top ten journals of each of the following sections: Accounting, Business and International Management, Business, Management and Accounting (miscellaneous), and Strategy and Management. We could not use any articles from the field of Finance within Economics, Econometrics and Finance. In the subcategory Applied Psychology, we discovered eight articles that covered the topic of CSR and moral licensing in organizations. Figure 2 shows the literature sample’s distribution of the 14 articles by the research fields.
The methodology of the 14 articles can be classified as follows: 11 have an empirical approach; eight use quantitative methodology by conducting experiments, surveys, or an analysis of organizational data sets; and, three have a qualitative approach with surveys or case studies. Moreover, three have a solely conceptual approach through literature reviews or engagements with theoretical principles in other forms.

4.2. Content analysis: The relationship between moral licensing and CSR

The term ‘moral licensing’ is used differently across articles. We aim to identify the basis of these various definitions. Moral licensing is a cognitive bias that arises from previous moral, socially desired actions. This history of good deeds creates a sense of entitlement in people, who then allow themselves a certain amount of misbehavior because of their ‘earned credit’ (Gneezy, Imas, & Madarasz, 2014; Monin & Miller, 2001). Loi et al. (2020) and Blanken et al. (2015) describe how individuals that have generated such moral credits allow themselves to temporarily deviate from morally acceptable behavior. Other research shows that individuals misbehave without fear of repercussions after collecting moral credit (Klotz & Bolino, 2013; Lin, Ma, & Johnson, 2016). Thus, individuals maintain a positive self-image after misbehaving because of their cashed-in moral credits. One example that Lin et al. (2016) provide is the hiring of minority employees: the hirer develops positive moral self-esteem, which reduces future attention to diverse hires in the following recruitment processes.

In the organizational context, CSR practices and reporting constitute moral actions that precede moral licensing (Gneezy et al., 2014). Although there is little research on the relationship between licensing and CSR, we were able to identify some evidence for its occurrence and influencing factors. Ormiston and Wong (2013) used archival data of 49 Fortune 500 organizations to show that organizations that had previously engaged in CSR were more likely to participate in unethical behavior afterward. They also provided evidence that CEO moral identity symbolization positively moderates the relationship between CSR and subsequent CSR. In line with that finding, List and Momeni (2021) suggest that CSR eventually increases employee misbehavior. By conducting a natural field experiment with over 1,500 workers, they found that the number of employees shirking their primary job duties increased by 24% when the organization introduced CSR measures. They also demonstrated that the way CSR measures were communicated influenced employee behavior: when CSR was communicated as a benevolent action by the employer rather than as an action on behalf of the employees, CSR had no significant impact on misconduct compared to the control group.

These factors refer to the relationship between moral licensing and CSR. However, moral licensing applies to different areas within the organizational context. For example, it may refer to different groups of people such as executives, employees, or consumers (Kutzschbach, Tanikulova, & Lueg, 2021; Profitlich, Bouzzine, & Lueg, 2021), and moral credits can be earned by various actions such as CSR measures, employee volunteering, or leader humility (Darren, Lowe, Bahmannia, Cui, & Chen, 2021; Loi et al., 2020). List and Momeni (2021) reveal that the average amount of cheating by workers increased by approximately 11% after CSR measures were implemented. This fraud against stakeholders can cause significant damage: an organization loses on average 5% of its annual revenue through internal fraud (List & Momeni, 2021). This implies that moral licensing influences the organization’s performance in a negative way as misbehavior by employees or CEOs can be costly (Bouzzine & Lueg, 2020, 2022). Further research is needed to better understand these effects and the implications for concerned organizations.
5. DISCUSSION

5.1. Contributions to research

In this SLR, we present an initial overview of the research findings in the field of moral licensing in relation to CSR. The content analysis contextualizes the moral licensing within the CSR literature, summarizes evidence of moral licensing in organizations, and touches upon influential factors. Ormiston and Wong (2013) found that the symbolic moral identity of a CEO increases the likelihood of moral licensing. List and Momeni (2021) focused on employees and found that an organization’s CSR measures led employees to shirk their primary job duties, especially when the CSR measures were presented as actions on behalf of the employees. However, there is little research on moral licensing that relates to CSR. The literature review shows that CSR can have negative as well as positive effects on organizations (Lueg, Pedersen, & Clemmensen, 2015; Lueg & Lueg, 2020) and that there are still relevant research gaps in this respect: the relationship between CSR and moral licensing has not been covered by many empirical studies. Future research could empirically test whether leaders’ and employees’ moral credits are endorsed by CSR. Further research could identify the impacts of moral licensing on organizational performance with a focus on countering effects, for example, the selection effect. The selection effect refers to the proposal that an organization that engages in long-term CSR attracts more ethical workers who are less likely to participate in misconduct (List & Momeni, 2021).

Possible moderating effects of psychological factors should be studied, as well as contextual factors such as organizational complexity (Läger, Bouzzzine, & Lueg, 2021), environmental uncertainty (Lueg & Borisov, 2014), and organizational culture (Andersen & Lueg, 2017). Also, future research should look into whether moral licensing in organizations is domain-specific, meaning that the misconduct is exercised in the same area as the moral credit was collected; for example, ethical actions in ecology leading to unethical action regarding ecology later on (Ormiston & Wong, 2013).

In particular, top executives with accountability for a team or business unit need to be constrained from misusing CSR strategies for their moral credit. Further research (e.g., experiments or surveys) on strategies that protect organizations from moral licensing through specific restrictions imposed by the organization would be useful.

Stakeholders often do not notice misconduct by organizations and are often distracted by seemingly positive sustainability claims (Ngwakwe & Netsweera, 2013). Raising the awareness of stakeholders could be a way to prevent moral licensing. Thus, future research could elaborate on how stakeholders can act and inform themselves to prevent misconduct as a consequence of moral licensing.

5.2. Contributions to practice

Organizations need to pay attention to how CSR is communicated to employees. Appropriate communication that attributes CSR to the organizations, and not the individual, may reduce moral licensing. If CSR is presented as an action on behalf of the workers, it can increase the probability of misconduct (List & Momeni, 2021). As Ormiston and Wong (2013) propose that CEOs with an internalized moral identity are less likely to conduct moral licensing related to CSR, board directors can use this information in their personnel choices and be more cautious about the moral identity symbolization of CEOs, for example, in social media.

Moreover, to manage sustainable strategies effectively, organizations should implement a corporate governance system that collects and organizes information on executive behavior, actively encourages whistleblowing of misconduct, and therewith enhances the value-enhancing function (Sitorus & Sitorus, 2017). This can be used for decision-making and management control which could help to prevent moral licensing and other forms of misconduct (Joshi & Li, 2016; Lueg & Radlach, 2016).

6. CONCLUSION

In this paper, we have systematically reviewed the extant research on the relationship between CSR and organizational misconduct. To this end, we have first introduced the main terms and constructed a theoretical framework through the means of CSR. First, our review revealed that extant research in this matter is fragmented, scarce, and covered from various academic disciplines while a managerial focus only recently gained momentum. Based on extant literature, our SLR revealed that there is indeed empirical evidence for a relationship between CSR, moral licensing, and CSR. Researchers demonstrated that individuals might employ past good deeds (e.g., CSR) as a moral license to engage in misconduct afterward (List & Momeni, 2021; Ormiston & Wong, 2013). As outlined in previous sections, this finding comes with essential implications for practitioners and researchers. Specifically, we find that moral licensing occurs more often when executives and employees relate CSR measures and actions to themselves. We, therefore, suggest that communication of CSR achievements should always relate to the organization, not to individual employees or groups (List & Momeni, 2021). Moreover, the management control systems should document CSR-related employee behavior to counteract moral licensing. In addition, organizations should encourage whistleblowing on moral licensing, and raise awareness for it among stakeholders (Sitorus & Sitorus, 2017).

Readers need to consider some limitations of our SLR. First, it has a very narrow focus on moral licensing. This is not entirely our fault, as the extant literature does not provide theoretical links between wrongly applied CSR and moral licensing yet. Second, moral licensing is a rather novel topic in business and economics. This has limited the amount of sources we could sensibly include in our review. New reviews on this topic are warranted as moral licensing gains momentum in business research.

To further this momentum, we suggest some topics for future research. First, conceptual research...
needs to create a stronger link between moral licensing and the abuse of CSR (i.e., misconduct). Second, empirical research should test how executives and employees feel encouraged to use CSR for moral licensing, or whether a selection effect appears where ethical employees are drawn to companies that apply substantial CSR. In the next step, empirical research should test the effects of moral licensing on company performance. Third, research findings should gain more depth by introducing moderator variables to these relationships, such as organizational complexity, environmental uncertainty, organizational culture, and localization (i.e., that misconduct is limited to the area where moral credit was collected). Closing these relevant research gaps will help us in better linking moral licensing to the CSR literature, and thereby in better understanding the root causes of executive and employee misconduct.

REFERENCES