Organizational Responsibility Devolvement: What It Is and Why It Happens

ABSTRACT

In this paper we focus on an important yet overlooked phenomenon: organizations have been strategically devolving some of their product-related responsibilities to customers, such as giving consumers a healthy food option rather than taking the responsibility of stopping producing unhealthy food. The consequences of such responsibility devolvement are multifold, including shifted burden of practicing responsibility from organizations to customers, unnecessary social costs associated with customer self-regulation, as well as victims turned into offenders to blame. Drawing on institutional theory, we frame the actions of responsibility devolvement as a strategy of legitimacy loss prevention. We first define this phenomenon and then propose a few factors that help explain when organizations are more likely to devolve their responsibilities to customers.

Keywords:

Social responsibility; responsibility devolvement; legitimacy; loss prevention; technical demands; expected sense of control; potential liability; market segmentation

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Introduction

Have you ever been curious about why automobile manufactures do not limit the vehicle speed to 120k/h so that you never have to worry about speeding on highways? Doing so will not only prevent speeding and reduce accidents, but will also decrease associated social costs in casualties, expenses, enforcement spending. Unfortunately, the way it works now is that drivers are held accountable for all accidents, rather than the corporations, unless manufacturing defects are involved in few cases. Similarly, have you wondered why food and beverage firms do not stop (at least reduce) producing junk food and high sugar drinks? Instead, customers are giving options such as diet coke and organic banana so it becomes the responsibility of customers to live a healthy life style and contribute to a sustainable society (Haydu & Skotnicki, 2016). Even in arenas such as workplace health and safety, the movement of "responsibilization" or "equal partnership" has increasingly made individual employees, instead of employers, offenders of safety regulations (Gray, 2009). In other words, the responsibility for workplace health and safety has now been shifted away from organizations, falling much more heavily on frontline employees who used to be victims only.

In all these examples, the organizations' products- and service-related social responsibilities have been devolved to individual customers or clients, though in various degrees. We refer to such transfer in responsibility as organizational responsibility devolvement. The responsibility here primarily focuses on preventing unfavorable consequences associated with a product or a service, such as failures, accidents, loss, and negative externalities. It is noted that

the responsibility devolvement does not always free organizations completely off of the liabilities; sometimes it results in a shared structure even though customers take the heavier part, such as in the case of side effects in medicines. Other times, the customers take a part that can be much more effectively managed by the organizations, such as in the case of speed limit.

Organizational responsibility devolvement has been largely overlooked likely due to its natural evolution over time, so rarely people realize the significant costs it causes to both customers and society. For instance, the number of speeding-related fatalities in the U.S. approximately accounts for more than a quarter of all traffic fatalities annually (NHTSA, 2017), and the costs can spread to many parties such as the accidents victims, innocent drivers, insurance companies, as well as the federal government. Taking overdraft as another example, while the banks can easily turn off this function and reject transactions for accounts with insufficient funds, the banks choose to leave the door open and make customers take the responsibility. As a result, the banks not only pass on the responsibility of protecting account security, but also turn it into a highly lucrative business that brings in revenue of billions of dollars every year by charging extremely high rates of interest to overdraft amount (Stango and Zinman, 2014). Such outrageous charges can be a nightmare for many in desperate financial needs, as documented well in the 2009 PBS documentary – The Card Game.

Theoretically, the phenomenon of organizational responsibility devolvement is also very interesting for two main reasons. First, this represents a new area of research in the broad field of corporate social responsibility and

sustainability. Given the tremendous social costs associated with responsibility development and potentially highly intriguing views on the delineation of responsibilities, this area can prove to be fruitful to developing new theories and generating new knowledge. Second, from an institutional theory perspective, this prevailing but ignored phenomenon present a highly interesting context to study legitimacy prevention, a line of inquiry that cries for more research. Previous literature on organizational legitimacy has been largely resting on strategic legitimacy management (Suchman, 1995), which emphasizes on legitimacy building process (e.g. Birkinshaw, Hamel, & Mol, 2008; Deephouse, 1996), legitimacy maintaining process (e.g. Kostova and Zaheer, 1999; O'Donovan, 2002), as well as legitimacy repairing process after a crisis or threat happens (e.g. Elsbach and Sutton, 1992; Massey, 2001; Feng and Wang, 2010). Nevertheless, little research has looked at whether and how organizations may strategically and proactively prevent legitimacy loss. As we will theorize, we believe one of the main motivations of organizational responsibility devolvement is to prevent loss in legitimacy during crises and questions.

In the following sections, we first explain the phenomenon of organizational responsibility in more details and define the concept. We then identify three attributes of products, including potential liability, technical demands, and ease of market segmentation, that we believe predict when organizations will be more likely to devolve their responsibilities to customers. We also propose that expected sense of control on the part of customers will moderate the strength of these attributive factors in driving organizational

responsibility devolvement. Lastly, we discuss the implications of our conceptual model to institutional theory and CSR research.

The Practice of Responsibility Devolvement

What is Organizational Responsibility Devolvement?

In this study, we define organizational responsibility devolvement as a practice by which the responsibility for controlling the risks and negative social outcomes of a product or service, while it could be better managed by the organization offering the product or service, has been transferred to the hands of the customers. The typical risks and negative social outcomes include product-related health and safety issues, harm to stakeholders, and damage to natural environment. This is a set of responsibilities that would be subsumed to the framework of corporate social responsibility (CSR) (Carroll, 1979; Clarkson, 1995), only that it does not include many of the discretionary responsibilities in the framework such as philanthropy and poverty alleviations because these are larger social challenges beyond direct organizational influence.

Not all responsibilities are defined and devolved clearly. For example, on the e-commerce platforms such as Amazon and T-Mall, the responsibility of avoiding shabby products and selecting best value product is left to consumers, though some product information will be provided. This is more of a shared responsibility structure, even though the responsibility attribution itself can be subject to debate. In the investment banking industry, even though banks attempt to provide experts service and charge for it, individual investors bear all the loss

during bad times. The question is whether the banking industry needs to take more responsibility in controlling and absorbing the risks. Many of the predatory lending practices, including low credit standards and extreme credit card interest rates, are worse and certainly clearer examples where the responsibility of making good judgment and managing financial security is completely and purposefully shifted to individuals (Fligstein & Roehrkasse, 2016). For a similar example of ethical responsibility, tabacoo industry is rarely held accountable for the diseases attributable to smoking; it becomes individual responsibility to control smoking and take care of their health. A summary of salient cases of organizational responsibility devolvement has been provided in Table 1.

Insert Table 1 about here

To our best knowledge, no scholars have explicitly examined this phenomenon of organizational responsibility devolvement to customers. However, there are a few scholars who have discussed responsibility devolvement at the society level, focusing on the issue of institutional decentralization. For instance, Higgins and colleagues (2016) examined how biosecurity governance has been devolved from the central government to a broader range of social actors such as farmers and private organizations. Konefal and Mascarenhas (2003) argued that the responsibility to promote food safety had moved beyond the state in the retail sector to many private actors, such as supermarket chains, who were increasingly responsible for food safety and quality. Gray (2016) links such institutional

responsibility devolvement to neo-liberal preference of "government-at-a-distance" (p. 328) and self-regulation and self-enforcement.

The Motivation of Devolving Responsibility

We argue that the consideration of protecting organizational legitimacy status is the primary motivation for the organizations to devolve their responsibilities to customers. Suchman (1995) defines organizational legitimacy as "a generalized perception that the practices of an organization are considered desirable, proper, or appropriate by social constituents within some socially constructed system of norms, values, beliefs, and definitions". Whether the goal is to gain legitimacy as a property or to maintain legitimacy in perception, all organizations treat legitimacy serious to keep a license to operate (Suddaby, Bitektine, & Haack, 2017).

Past studies on legitimacy have focused on the gaining, maintaining, and repairing of legitimacy. For example, Deephouse (1996) studied how the commercial banks gained legitimacy position from 1985 to 1992, securing regulatory and public endorsements. O'Donovan (2002) interviewed the senior managers from three large Australian companies, finding that the annual reports could be an effective strategy for organizations to communicate with the society and maintain their legitimacy. Further, Massey (2001) investigated how the U.S. airline organizations undertook crisis management to separate themselves from the past conducts that were determined as illegitimate.

It is natural to believe that organizations will adopt strategies to prevent legitimacy loss in case of crisis. Surprisingly little research has been done along this line of inquiry. We think the practice of responsibility devolvement represents organizations' efforts to prevent future legitimacy loss. In the next section, we identify three specific attributes of products that each may drive organizations to devolve responsibility to customers. What's in common among the factors is the fundamental motivation of preventing legitimacy loss.

Theoretical Development

In this section, we develop four propositions to predict when organizations are more likely to devolve or transfer their responsibilities for negative product outcomes to customers. Specifically, we identify three attributes of product that may motivate responsibility devolvement, including potential liability, ease of market segmentation, and technical demands for customers. From a cognitive perspective, we also argue that the expected sense of control on the part of customers will strengthen the effect of these product attributes on organizational responsibility devolvement. A conceptual model is presented in Figure 1.

Insert Figure 1 about here

Potential Liability

We argue that organizations are more likely to devolve some responsibilities to customers if the potential liability is high when the accident of the product or service happens. Milne and Patten (2002) indicated that the

recognition of potential social and environmental liabilities is important for firms to maintain their legitimacy. Marcus and Goodman (1991) indicated that the accident associated with organizations' offerings is one of the most prominent factors that can threaten an organization's reputation, and dramatically damage its legitimacy and future ongoing operation. It is natural to believe that organizations will take efforts to manage risk and prevent significant legitimacy loss that may arise with serious product accidents or failures such as vehicle crashes.

Lieberman (1981) indicates that accidents are the unfavorable events that can create a concrete class of victims: the people who are killed, injured, or otherwise suffer financial loss. Organizations will face huge liabilities to cover adverse claims or mitigate the effects of lawsuits. When the level of liability exceeds organizations' capability, the criticisms can cause organizations to be less accepted or even delegitimated by social audiences (Meyer et al., 1991).

The automobile industry, for instance, has been considered one of the most accident-concentrated industries (MacLennan, 1988). Automobile accidents in the U.S. kill nearly 50,000 people and seriously injure 100,000 others each year (MacLennan, 1988). The involved victims would engage in lawsuits to seek compensations for their physical or psychological losses (Hayakawa et al., 2000). The lawsuits can become the adverse claims targeting individual organizations and even the entire industry. Also, vehicle accident has been a major topic in many local newspapers in the U.S. due to its severity and high incidence (Johnson and Tversky, 1983). They may in turn generate more negative criticisms to the manufacturing firms and the automobile industry.

As mentioned, speeding contributes to a significant proportion of all vehicle accidents each year. As such, the chance and magnitude of potential liability is considerably high if organizations are responsible for the accident, which motivates manufacturers to devolve the responsibility of speed-control to drivers, sometimes even the responsibility of proper maintenance. Consequently the automobile industry can prevent serious blames and criticisms when accidents happen, thus strategically preventing legitimacy loss. It is the drivers to blame for all accidents. This explains why autonomous vehicles are slow to get on road because it is the self-driving system, which belongs to the manufacturers, that will be held accountable for all accidents. No customers will share the responsibility.

Furthermore, uncertainty of accident can vary (Lipsitch et al., 2017). The failures of products or services in some industries may be not only difficult to predict, but also inevitable. Those attributes can significantly increase the chance and magnitude of potential liability. For examples, uncertainty has been a key feature associated with most of medical surgeries and treatments (e.g. Denton et al., 2010; Min and Yih, 2010), which increases potential liability. Similarly, all medicines contain side effects that are unpredictable. This explains the current "partnership" responsibility structure in these industries where the patients are responsible for the adverse side effects of medicines or the potential risk in treatment plans as long as they are informed of potential consequences in advance. It is thus the patients' own decisions to take any medical plans or treatments, and their own responsibilities for certain accidents.

We therefore propose the following:

Proposition 1: When potential liability associated with a product is high, organizations are more likely to devolve their responsibilities for negative product outcomes to customers.

Ease of Market Segmentation

We argue that organizations are more likely to devolve their responsibilities to customers when the product or service lends itself to easy segmentation on market, which help organizations easily create and explore a new niche market. Market segmentation helps firms to target specific markets and increase market share effectively (Dickson and Ginter, 1987). In response to a social need, organizations can offer a new product or service with particular social causes embedded. This will not only downgrade the legitimacy challenge to their existing business but also help grow their business by tapping into a new market.

Food industry provides a good example. Conventional farming, fast food, and more recent genetically-modified (GM) foods have been subject to ongoing criticisms for health threat and negative impacts on environment. Various stakeholders have been calling and pressing food corporations to take more responsibility for the negative outcomes of their food and production practices. Rather than terminating its line of conventional products, the industry has decided to add an organic food category to their product lines. In fact, most of the organic farms now are owned by conventional large farms (Guthman, 2000). Because of the ease in market segmentation, the food industry has effectively decreased the legitimacy challenge by passing on the social responsibility to customers, pressuring individuals to make an ethical decision in purchasing. As a matter of

fact, the industry has co-optated the whole organic concept (Haydu & Skitnicki, 2016).

As organic food normally comes with higher price, the added product category and the accompanying emphasis on food quality allows organizations to increase profitability (Busch and Bain, 2004). The responsibilities of food security, eating healthy, and protecting environment have now been strategically transferred to customers. It is customers' decisions to choose from different categories of food products. If they opt for not buying organic food or free-run chicken, they are the ones to blame for the negative consequences consuming conventional foods. The industry thus successfully prevented legitimacy loss and take the hook off themselves.

Similarly in the banking industry, account overdraft and credit card can be easy to segment on market, which motivates responsibility devolvement in these markets. Overdraft or over-limit services are extra services provided to the client. It is the clients' own choices to accept such services with an understanding of the associated consequences. The responsibilities to protect the customers' interest and wealth are devolved from the banks to the clients. Such a strategy allows banks to make extradentary revenues at the clients' interest expenses. Morgan et al. (2012) noted that the clients who overdraft their accounts will repay with an extremely high premium interest rate on overdraft amount. According to Zywicki (2012), about thirteen million American customers overdraft bank accounts in 2010, generating about $35 billion in revenue overdraft fees to the banks.

It is interesting to note that these banking services, though successfully for many years in preventing legitimacy loss and earning revenues, have now become increasingly controversial, creating new legitimacy challenge. Callanan and Tomkowicz (2011) indicated that over-drafting practices are legally acceptable, but ethically unacceptable and unfair. Such services are not based on the clients' best interests. However, the banks keep offering and advertising those services to the targeted market segments, which have become an important dimension of bank pricing (Stango and Zinman, 2014).

We thus propose the following:

Proposition 2: When it is easy to segment market by providing a new product category, organizations are more likely to devolve their responsibilities for negative product outcomes to customers.

Technical Demands

We argue that the level of technical demands will negatively impact the likelihood of responsibility devolvement to customers. If fulfilling the devolved responsibilities do not involve complex knowledge or high level expertise, organizations can more easily transfer the responsibility to customers.

In some industries, for instance, the known-how to drive a vehicle and the ability to control the driving speed are well developed to vehicle drivers. To understand the difference among different food products, and the potential consequences of their consumptions do not require high level of expertise, though more demanding than in the automobile industry. When technical demands of the

devolved responsibility is low, customers can be more capable of fulfilling the responsibility and more receptive of responsibility devolvement. When the product and service such as medicine prescriptions or treatment involve specialized knowledge and expertise, the degree of responsibility devolvement may be limited. We thus propose the following:

Proposition 3: When technical demands of a product are high, organizations are less likely to devolve their responsibilities for negative product outcomes to customers.

Expected Sense of Control

We argue that the level of expected sense of control by customers will positively moderate our three proposed relationships. By sense of control, we refer to the extent to which customers wish to enjoy or keep control of certain part of the product use or service process. Depending on the type of products, customers may be more or less be willing to control the process. People may enjoy greater control in driving a car but they may not want to participate in a medical treatment. The more control they wish to possess, the easier for organizations to devolve responsibilities because such development resonates well with the customer expectation.

According to Walster (1966) who investigated the role of self-protective motives in the attribution of responsibility for an accident, the awareness of the highly possible accident will often generate a need for the individuals to have

some control. In response, people could be more inclined to accept a responsibility devolvement even if this is not to their best interests.

According to Scott and Bruce (1987), "to maintain a competitive advantage through a differentiated product requires an organization's greater focus on customer needs and adapting the product offering to meet those needs". For instance, despite the high premium interest rate, over-drafting service is rather helpful to the customers by having the extra money when their accounts are short of fund at the time. In order words, people expect to have higher level of control in these areas, which makes responsibility devolvement easier and intuitive. Likewise, organic food meets the needs of many customers who have strong believes in sustainability and wish to express their identity through self-determined purchasing behavior (Nason, Bacq & Gras, 2018). Again, this high level of expected sense of control facilitates the process of organizational responsibility devolvement.

When customers feel satisfied with their needs, they will feel more obligated to return to the organization (Blau, 1968) by, for instance, more receptive to the organizations' conducts and more willing to accept some responsibilities. The customers tend to be less skeptical or hesitating when organizations are devolving responsibility. As a result, we believe the expected sense of control to interact with market segmentation in motivating responsibility devolvement. We thus propose the following:

Proposition 4: Expected sense of control on the part of customers will moderate the proposed three relationships in propositions 1, 2, and 3 such that the relationships will be stronger with high level of expected sense of control.

Discussions

Our paper highlighted a significant but overlooked phenomenon of organizational responsibility devolvement. We defined the phenomenon and developed a conceptual model that helps explain when organizations will be more likely to devolve their responsibilities to customers. This is clearly an exploratory research and our goal is to initiate the conversation and open up a new area of CSR research, an area that departs from the dominate focus on the business case of CSR (Kaplan, In press). Further, our focus on a particular stakeholder group – customers enriches current study on stakeholder management. Customers have been considered the major stakeholders to whom organizations have great ethical considerations and responsibilities (Snider, Hill, & Martin, 2003). By studying organizational responsibility devolvement to customers, we thus contribute to existing CSR research on proactively managing social responsibility and stakeholders.

Our study also contributes to institutional theory by presenting a strategy of legitimacy loss prevention. A considerable amount of literature has emphasized how institutional pressure drive organizations to engage in socially responsible behaviours (e.g. Campbell, 2006; Matten and Moon, 2008). As a result, fulfilling social responsibility becomes an effective way for organizations to enhance their legitimacy (e.g. Castelló and Lozano, 2011; Moir, 2001). Our study has

demonstrated, however, that strategically devolving some responsibilities to customers, rather than taking all the responsibilities, could also be beneficial to organizations' long term legitimacy.

Specifically, we argued that responsibility devolvement to customers can help organizations prevent legitimacy loss. When some responsibilities are transferred, organizations are less likely to be blamed during the unfortunate incidents. Past research on legitimacy has primarily examined legitimacy gaining, maintaining, or repairing processes (Suchman, 1995), ignoring the strategies that organizations may take to proactively prevent legitimacy loss. Our conceptual model proposes specific factors, including potential liability, technical demands, and ease of market segmentation, that might drive organizations to take this strategy of legitimacy loss prevention.

Furthermore, our framework indicates that customers' expected sense of control would facilitate organizations move to responsibility devolvement. This represents an effort to integrate cognitive factors to firm level decision making, which becomes more important as researcher go deeper to understand CSR management (Glavas, 2016). Servaes and Tamayo (2013) suggested that the role of customer awareness is key to transfer organizations' socially responsible conducts to the corporate value. Similarly, Customers' attitudes, such as support, trust, resonation, or skepticism, are also influential to the implementation of organizations' decisions (e.g. Boulstridge and Carrigan, 2000; Choi and La, 2013).

It is noted that we did not distinguish among different types of legitimacy, such as pragmatic legitimacy, moral legitimacy, and cognitive legitimacy

(Suchman, 1995). Future research needs to pay attention to the potential scenarios where responsibility devolvement to customers may prevent the loss of one type of legitimacy but not the other. This is especially important considering the fact that different types of legitimacy may be inconsistent or even competing. For example, when the speeding-related crash fatalities happen, the firms may prevent pragmatic legitimacy loss because the accidents are not caused by any deficiency of their vehicles. However, they can be morally blamed since they do not compensate any loss of the victims. This is especially the case when a car of autonomous driving system runs into an accident, since customers do not have any control of the driving process.

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TABLE 1

Exemplary Responsibility Devolvement

Consumer Industries	**Responsibility at focus**	**Party assuming responsibility**
Automobile industry	Vehicle speed control	Customer - Driver
Automobile industry	Autonomous driving	Manufacturer (a counter example)
Workplace health and safety	health and safety violations and sanctions	Shared, primarily employees
Apparel industry	Increase clothes of social causes (e.g., sustainably sourced)	Customers
E-commerce industry	Selecting among similar products with different qualities	Customer
Banking industry	Debit account over-drafting	Customer
Banking industry	Credit card over-limit	Customer
Finance industry	Financial derivative products	Customer
Food & beverage industry	Organic food purchase	Customer
Food & beverage industry	Unhealthy food (e.g., non-diet coke, junk food)	Customer
Tobacco industry	Smoking	Customer
Pharmaceutical Industry	Side effects of medicines	Customers
Medical industry	Potential risk in treatment plans	Hospital-Customer (patients) shared

FIGURE 1

Conceptual Model of Predicting Organizational Responsibility Devolvement