Disrobing the Emperor: Mainstream CSR Research and Corporate Hegemony

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Abstract

This paper utilises a typological matrix from Jones (2007) as the basis to categorise various theoretical, normative and empirical streams of CSR and related research and practice. We argue that an instrumental version of CSR is hegemonic in both the theoretical and normative domains of mainstream research, and that this hegemony constitutes the fundamental intellectual blockage that prevents the field from achieving critical reflexivity and, ultimately, a justifiable raison d’être. We suggest that the logical implications of the corporation as an institution behaving in increasing accordance with the normative expectations of mainstream CSR scholarship (as well as other more influential voices in the corporate, consulting and investment funds sectors) will likely lead in the direction of increasing corporate hegemony. We therefore recommend that CSR scholars should no longer inadvertently participate in the propagation of neo-corporatist ideology which promises more than it can ever deliver while undermining the formation and resiliency of countervailing forces and, ultimately, democracy. We propose the adoption of the more theoretically coherent and empirically precise terms enlightened self-interest (ESI) and corporate social irresponsibility (CSI) in CSR and related research streams, as well as the institutional relocation of much future CSR research to disciplinary areas outside of the business school.

Keywords: corporate social responsibility, globalisation, transnational corporations, hegemony, business and society.
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Introduction

There have been several comprehensive reviews of the corporate social responsibility (CSR) and closely related literatures (i.e., stakeholder theory, corporate citizenship, corporate social performance) in recent years (cf., Lee, 2008; Margolis and Walsh, 2003; Vogel, 2005). This article sees no purpose in repeating such an exercise. Instead a simple summary of the three most significant consensus findings which are useful in framing our argument will suffice.

Firstly, there is no agreed upon definition of CSR among scholars or practitioners, nor does such agreement seem in any way immanent in either the academic or managerial communities. Carroll (1998) defined CSR in terms of an ascending ‘pyramid’ whose base was constituted by economic considerations, upon which legal, ethical and philanthropic elements were sequentially added. Schwartz and Carroll (2003) later integrated the ethical and philanthropic elements of this model. In a then-comprehensive review of the literature, Wood (1991) defined CSR in the following manner: “The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes.” The task of defining the basic theoretical construct of CSR has not progressed further than these articulations. Secondly, in the aggregate there is no mass of evidence that CSR oriented behaviour by corporations negatively impacts economic performance (‘the bottom line’). Thirdly, there is some evidence to support the notion that CSR oriented behaviour has a positive – although not overly substantial – impact on firm-level economic performance, although there are strong claims for an ‘industry effect’ in operation here (Porter and Kramer, 2006).

The importance to us of these findings is clear in terms of management practice. The ambiguity of the relationship between CSR activities and corporate social performance leaves executives a significant amount of ‘room to manoeuvre’, as
there is no clear negative impact from undertaking such initiatives. CEOs thus have some license to embark on projects that allocate usually incremental resources to benefit selected stakeholders within and beyond the boundaries of the corporation. What is primarily achieved by such initiatives is a ‘feel good’ factor – among employees, customers or the executives themselves – which ostensibly generates increased levels of engagement, loyalty, and/or productivity among impacted stakeholders to the benefit of corporate reputation and, ultimately, economic performance. (At least this is almost always the explicit or implicit rationale behind CSR actions.)

Following Gioia (1999), we would stress the potential existential drivers of such actions amongst the contemporary generation of CEOs, many of whom not only want to create ‘shareholder value’ but also desperately desire to ‘give something back’ to the wider society – particularly where such laudable actions have no discernibly negative impact on their firms’ financial performance. CSR thus becomes a sort of ‘holy grail’ for some executives, helping to instil purpose in their organisations but also in their personal identities. It allows the self-reflective CEO, aware to some degree of his/her alienation from other organisational actors, the wider society, and even themselves (Rinehart, 2006), to seek to attenuate that alienation through actions consistent with the ‘public good’.

A recent review which provides effective framing for this paper is provided by The Economist’s ‘Special Report on Corporate Social Responsibility’ appearing in the 19 January 2008 issue. Here the authors observe that the CSR literature is constituted by three discernable layers, “one on top of the other”: traditional corporate philanthropy driven by ethical imperatives independent of any business rationality; defensively minded approaches grouped under the rubric of ‘risk management’, oriented to protect the reputations of corporate brands from activities which may undermine them thru social and/or environmental abuses (often catalysed by the activities of oppositional NGOs); and, most recently, research which supports the notion of ‘doing well by doing good’, arguing that CSR can be part of a value creation strategy for businesses that adopt it and integrate it with their overall competitive differentiation strategies (Porter and Kramer, 2006). This last approach The
Economist correlates to the traditional notions of enlightened self-interest so clearly elaborated by Friedman (1970).

The Changing Context of Corporate-Society Interventions

This section will examine how the impact of globalisation and related developments with respect to the state and the transnational corporation have altered the context of corporate-society interventions. We use the term ‘intervention’ here because we are interested in the causal impact of the corporation on society, not the other way round. This is consistent with the general thrust of the CSR literature, which is chiefly concerned with the impact of corporate activities on the wider society, and the corresponding implications of undertaking such activities for the corporation’s financial health and overall reputation. We must also note at the commencement of this section that we are chiefly focused on listed corporations of Anglo-Saxon origin and, relatedly, any other TNCs which are listed on stock exchanges in Anglo-Saxon countries. Such organisations exhibit the greatest tendencies to manage for maximum shareholder value due to the institutional condition of financial hegemony (Fligstein, 1990; Mintz and Schwartz, 1985) which structures the organisational fields within which they operate.

Commenting on the increased power enjoyed by transnational corporations relative to both states and labour due to the ‘global shift’ (Dicken, 2003) in recent decades, Jones (1999: 38) observes:

[I]t is crucial for governments to understand the essential institutional logic of TNCs, which stems from the fact that they are fundamentally sociotechnical systems designed, constructed, and maintained to make money for the interests that own them. TNCs are not development institutions, although they often promote certain forms of economic development (usually in terms of their own choosing, rather than in terms of what is appropriate for host societies). Governments therefore need to address the effects of TNC investment as being fundamentally contingent on factors such as
timing, geographical location, and industry structure. Hence the consequent need for pragmatic policy approaches to dealing with these institutions in a way which encourages them to generate as much value-added (including generating positive externalities) as possible within particular geographical spaces. That is, to make them act as if they were development institutions, as (self-interested) partners in development.

States, however, are not only to be understood in terms of their relative autonomy (from capital) shrinking due to the increasingly blatant extent to which globalisation places them in direct competition with each other for foreign investment (although this aspect is probably the single most salient development of recent years). Still another aspect of the evolving role of the state is noted by Jones (2003:168):

most advanced states have in the post-911 period substantially increased the information they collect on individuals, expanded police powers, and rescinded various civil liberties and protections afforded to citizens and employees. An argument can be made that 'the state' is evolving in a post-democratic direction, or possibly devolving around an early-modern set of functions focusing on maintaining social order through force (and the ritual display of force) as described by Foucault (1979). Perhaps we are in the midst of a transformation in which the state is becoming the primary disciplinary mechanism for global capital, while its other (social equity) functions are either shifted to alternative institutions (such as the TNC) or terminated altogether?

More recently, Jones and Fleming (2008) observe that the dominance of TNCs does not marginalise the state, since the former fundamentally rely upon a reconfigured version of state power to maintain their activities, as capitalism cannot reproduce itself. The state still continues (in most situations) to perform vital systemic functions such as absorbing externalities, maintaining law and order, and related legitimation oriented activities (Habermas, 1973).
In a global context, we must also acknowledge the rising power of NGOs such as Greenpeace, Amnesty International and similar organisations as major players in the ‘asymmetrical geometry’ (Castells, 1996) increasingly characterising the global ‘playing field’. NGOs appear as potentially significant stakeholders in all of the recent reviews of the CSR literature cited earlier. Normatively, corporations are advised to incorporate relevant NGOs within their stakeholder management strategies at the very least as a form of risk management. Proactive corporations, meanwhile, are pointed to coordinate their activities with NGOs in areas of mutual interest. The institutional role of NGOs is relatively clear – to further the agenda of their donors/supporters, independently of governmental and corporate interests. However, the internal organisational logic of NGOs (i.e., to survive and grow [Thompson, 1967]) can sometimes compromise their ostensible institutional role, resulting in the equivalent of ‘regulatory capture’ (Dal Bo, 2006) as their agendas, organisational ‘brands’, and (sometimes) even their employees are coopted by astute corporations. This will become an increasingly common operational hazard for NGOs as corporations become more sophisticated and proactive in their dealings concerning matters of environmental sustainability, human rights, and corporate citizenship (see Matten and Crane, 2005).

**Categorising Corporate-Society Interventions: A Typology**

We suggest that the normative stance adopted by many CEOs and ‘responsible’ organisations outlined earlier promotes an instrumental CSR in which corporations merely give lip-service to community input apropos their policies (e.g., Tesco’s policy of ‘consulting’ local businesses before establishing a new supermarket in the UK). This is because it is simply not in the interests of capitalist firms to be democratically accountable to their stakeholders. Such democratising attributes of corporate citizenship initiative begin to look more like instrumental CSR campaigns designed to enhance shareholder value (see Habisch et al., 2005). By being ‘good corporate citizens’, firms can proactively anticipate and deter government regulations, exploit opportunities arising from increasing levels of cultural, environmental and sexual awareness, and differentiate their products from their less socially responsible
competitors. We would argue that such an instrumental version of CSR is hegemonic in both the theoretical and normative domains of mainstream research, and that this hegemony constitutes the fundamental intellectual blockage that prevents the field from achieving critical reflexivity and, ultimately, a justifiable raison d’être.

A more sustained analysis of instrumental CSR will clarify this point regarding the strategic incentives and disincentives for firms to become accountable for outcomes which fall outside the realm of ‘market-based competition’. Assuming (bounded) economic rationality, TNCs can be expected to undertake and sustain CSR activities and initiatives only under certain conditions (McWilliams and Siegal, 2001). Following Jensen and Meckling (1976), if a firm’s governance structure is functioning properly with respect to prioritising shareholder/owner interests (we are focusing here on companies in Anglo-Saxon business systems), management should only pursue those CSR strategies/projects which are designed to enhance or protect the position of the firm across the multiple market and nonmarket environments in which it operates.

Operating in accordance with instrumental principles would sanction ‘genuine’ CSR actions where targeted stakeholders received certain benefits (e.g., a new community centre, citizen rights that could be provided at a profit), as well as ideological deployments of CSR (e.g., ‘voluntary’ advertising restraints on cigarette packaging to pre-empt more draconian government regulation, token gestures of community input regarding a firm’s activities).

This behavioural imperative can be usefully depicted in the following typological matrix from Jones (2007), where the vertical axis measures ‘impact on society’ from positive to negative, and the horizontal axis measures ‘impact on firm’ from positive to negative:
We will begin this descriptive review with quadrant I on the lower left of the matrix. This quadrant is referred to as ‘pathologies' because it incorporates outcomes which are negative both for the wider society – or at least some stakeholder groups – as well as for the firm whose actions are primarily responsible for the outcomes. Among the types of activities/outcomes that would be represented in this quadrant are cases of criminal fraud such as Enron. However, not all activities in this quadrant would necessarily be illegal; nor would all forms illegal activities be limited to this quadrant. For example, recent heavy fines by the American federal government against British Airways for price-fixing in its transatlantic airfreight operations represent a stark case of a corporation knowingly breaking the law in pursuit of financial advantage (The Guardian, 26 July 2008).

On the upper left of the matrix, quadrant II is titled ‘public goods’ as it is a container for outcomes which benefit the wider society but represent negative returns to the sponsoring firm; that is, no net payback in terms of reputation, employee satisfaction, competitive differentiation and/or share price appreciation which offset the time,
energy and money of the firm’s efforts are evident. Leavitt (1958) long ago noted the dangers associated with corporations undertaking activities that were the proper domain of governmental and civic organisations such as labour unions, churches and schools. In general, we would expect government, civic organisations and the voluntary sector to be most active in this quadrant, although there will also be a substantial presence of non-listed businesses whose owners have a preference for altruism. Importantly, representation of listed corporations in this quadrant would constitute a governance failure and de facto hijack of shareholder wealth by unilateral management actions.

On the lower right of the matrix is quadrant III, bearing the title of ‘corporate social irresponsibility’ (CSI). This container includes outcomes which generate some manner of payback for the firm that commits the directive actions, with damages inflicted on the wider society or given stakeholder groups. Various types of negative externalities generated by business activity are salient here, ranging from the exploitation and alienation of workers, to the degradation of the natural environment, to the commodification of culture – all in the name of profit. While some of these actions may on occasion be criminal in nature, most often they occur within legal boundaries, if not within acceptable normative codes of conduct. Literal readings of Friedman (1970) would place his central arguments in this quadrant. We would disagree, locating him instead in quadrant IV, to which we now turn.

Finally, on the upper right of the matrix is quadrant IV, labelled ‘enlightened self-interest’ (ESI). This quadrant is home to those actions which generate the proverbial ‘win-win’ situations, as when Microsoft’s donation activities function to some extent to ameliorate the reputational damage caused by its predatory competitive behaviours, at the same time unquestionably benefiting the recipients of new computer labs, IT training, tertiary scholarships, etc. Vogel (2005) notes in a recent review that decades of investigation have failed to confirm (or reject) comprehensively the intuitively compelling notion that ‘doing well by doing good’ – or the more blatant pronouncement by Jeff Immult (CEO of GE) that ‘green is good’ – can serve as an important foundation of executive thinking. Nevertheless this unverified sentiment is rapidly becoming a mantra in the corporate discourse, fuelled now by the consulting industry on the one hand and ‘ethical’ fund analysts and managers on the other.
Clearly, quadrant IV is the normative destination for the way business should behave, but the rhetoric appears to be considerably ahead of the empirical reality of most business-society interventions.

The vast majority of recent theoretical, normative and empirical research on CSR would fall into quadrant IV, including high profile publications by Porter (2002), Porter and Kramer (2006), and Vogel (2005), as well as increasing output from consultancies such as Mckinsey & Company (2006). Actions undertaken in the name of concepts such as ‘strategic corporate philanthropy’ (Porter, 2002), social entrepreneurship (The Economist, 2008) and corporate citizenship (Matten and Crane, 2005) would also constitute quadrant IV activities. All are manifestations of the instrumental (Jones, 1996) pursuit of enlightened self-interest of particular institutional/organisational actors – nothing more, nothing less. This is consistent with Lee’s (2008) observation that recent CSR research places ‘excessive emphasis’ on corporate social performance and the ‘business case’ to the exclusion of more fundamental ethical, institutional and sociological issues.

Clearly, Friedman (1970) would approve of any corporate actions located in quadrant IV. In fact, this quadrant validates that most precious mantra of ‘free market’ ideology: that the ‘invisible hand’ truly will drive organisational arrangements which are optimal for both firm and society. We would not dispute the empirical salience of quadrant IV. But we would question its empirical magnitude vs. the other quadrants currently and in terms of key trends in the global political economy. Also, we would caution stakeholders in all institutional locations not to get ‘carried away’ with the notion that CSR and related activities always fall within this quadrant, thus mitigating the need for the formation and maintenance of effective countervailing forces to the corporate sector in government, labour organisations, NGOs and the like. Such exuberance support a naïve and dangerous idealism in much CSR research. What is needed is an empirically grounded and institutionally informed critical realism. We will return to this theme at the conclusion of this paper.

This framework can be usefully employed to position respective CSR theories as well as specific organisational strategies and empirical outcomes. Some important empirical questions relating to this typology include determining the scope of each
quadrant (which will vary depending on the geographical level of analysis and industry, among other factors), relevant trends going forward – particularly considering the impact of globalisation and the activities of TNCs – and the key agents, strategies and processes for expanding quadrant IV outcomes. We would argue that addressing such empirical questions should be a focus of activity for CSR/CC scholars, as well as taking normative action to convince corporate stakeholders that they can expand the scope of quadrant IV (e.g., witness the effect of the ‘bottom of the pyramid’ discourse on TNC actions with respect to emerging markets in recent years).

**CSR Through a Looking Glass, Darkly…**

We would suggest that the logical implications of the corporation as an institution behaving in increasing accordance with the normative expectations of mainstream CSR scholarship (as well as other more influential voices in the corporate, consulting and investment funds sectors) will likely lead in the direction of some form of corporatism, which *Wikipedia* (2008) defines as follows:

Corporatism or neo-corporatism is often used popularly as a pejorative term in reference to perceived tendencies in politics for legislators and administrations to be influenced or dominated by the interests of business enterprises, employers’ organisations, and trade groups. The influence of other institutions, such as labour unions, is perceived to be relatively minor. In this view, government decisions are seen as being influenced strongly by which sorts of policies will lead to greater profits for favoured companies…Corporatism is also used to describe a condition of corporate-dominated globalisation. Points enumerated by users of the term in this sense include the prevalence of very large multinational corporations that freely move operations around the world in response to corporate, rather than public, needs; the push by the corporate world to introduce legislation and treaties which would restrict the abilities of individual nations to restrict corporate activity; and similar measures to allow corporations to sue nations over "restrictive" policies,
such as a nation's environmental regulations that would restrict corporate activities.

We would also suggest that research scholars abandon the use of CSR in both theoretical and normative usages, confining it to those empirical cases in which organisational actors themselves use the language of CSR to signify their motives or actions. Our rationale here is twofold. Firstly, CSR has not and cannot – because of its contestability among various power configurations – be defined with either precision or consensus. Secondly, the CSR discourse has been implicated in performing a ‘masking’ operation for corporate interests for many years (see Jones, 1996; Reich, 2007). As was exhibited in the earlier discussion of the typological matrix, CSR is neither necessary nor useful as a badge for quadrant IV actions and outcomes. It is in fact rather redundant and, if anything, adds a layer of ‘smoke and mirrors’ to behaviours which are otherwise much more accurately signified by the term enlightened self-interest (ESI).

A similar point is made in the recent review of CSR by The Economist (19 January, 2008:22), which observes that large corporations are embarking on ever more CSR activities as reactions to disparate developments including corporate scandals (e.g., Enron), increasingly powerful NGOs, the war for talent, and climate change. Most corporations adopt CSR in order to protect or enhance their reputations with respect to key stakeholder groups. Therefore, “paying attention to CSR can amount to enlightened self-interest, something that over time will help to sustain profits for shareholders.”

The recent review of CSR by Lee (2008) emphasised the extent to which CSR research is increasingly focused on the link between CSR and CFP, to the exclusion of wider and deeper issues that pertain to ethics, society and the institutional order. We would go further, arguing that mainstream CSR scholars have allowed themselves to be the victims of discursive capture by the instrumental allure of the ‘business case’ perspective (Vogel, 2005). We would explain this development as analogous to the phenomena of ‘regulatory capture’ often observed in studies of the
symbiotic relationships that typically emerge between regulator and regulatee (cf., Dal Bo, 2006).

We now turn to the task of linking our call for disentangling the study of CSR – from muddled usages of the term in conceptual scholarship, as well as from the institutional location of the business school – to the matrix developed in this paper. This results in the following normative suggestions for the continuing scholarly investigation of phenomena in the domain of CSR, stakeholder management and corporate citizenship. Note that we are not understating the importance of studying CSR and corporate citizenship as increasingly significant topics of theoretical and empirical enquiry, but rather questioning the institutional location and identity of those best placed to examine these phenomena from an independent and critical perspective. We feel that the business school is an appropriate home for the research of only a subset of the topic areas identified on our matrix, as there is little doubt that the ‘relative autonomy’ of scholars working from this base is minimal; that their efforts must somehow justify themselves in an instrumental business calculus (T. Jones, 1995). Other areas of enquiry are better left to scholars working outside the business school, as follows.

Firstly, we believe that theoretical, empirical and normative efforts linked to quadrant IV (ESI) is the proper domain of business school-based investigation. We would recommend all efforts in this area be undertaken within the discipline of strategic management, as it is here in which CSR and related topics are achieving visibility at the highest levels of management and increasingly being integrated into corporate and business-level strategies (Mckinsey Quarterly, 2006; Porter and Kramer, 2006). The corollary implication is that current CSR oriented scholars would need to ‘retouch’ to be able to better engage in productive conversations with their strategic management colleagues, into whose academic departments or groups they would be relocated. These scholars would spend their time conceptualising, empirically examining and/or normatively advocating the ‘business case’ for CSR, corporate citizenship, etc.

Secondly, quadrant II (Public Goods) should we believe be the proper domain of either applied ethics or legal scholars, both based outside the institutional confines of the business school. Ethics scholars are equipped to theoretically and normatively
grapple with altruism by individuals as well as corporate philanthropy (understood here as ‘pure’ corporate giving with no expectation of any manner of ‘return’). Meanwhile, legal scholars can also critically examine corporate philanthropy from the perspective of circumstances generating and supporting dysfunctional governance mechanisms which enable management to (illegally) spend ‘others people’s money’ in pursuit of agendas which are not aligned with economic performance (see Jenson, 2005). We would invoke the same logic to call for corporate governance scholars to incorporate quadrant I (Pathologies) within their domain of enquiry.

Thirdly, we believe that quadrant III (CSI) is the proper domain of organisational theory (OT) scholars – possibly based in business schools but more appropriately (due to concerns of relative autonomy) based in sociology departments – dealing with organisational and inter-organisational phenomena), and political economy researchers (obviously based well outside of the business school) concerned with developments at the institutional level. This quadrant, where firms act in ways that generate benefits for a narrow group of proprietary stakeholders but negative externalities for the wider society, cannot be as effectively studied from within the institutional context of the business school due to fundamental ideological-discursive constraints influencing research funded and conducted in this context. For example, the consideration of genuinely critical theories of the business firm and its institutional function in contemporary capitalist society are simply beyond the capacity of business school researchers to interrogate due to the disciplinary composition of constituent faculties, particularly in North America, which is itself increasingly influenced (at senior levels) by major corporate donors.

Relatedly, we would also argue that only critical political economy can usefully conceptualise quadrant I events as anything other than isolated ‘pathologies’. In fact, events such as the current global banking instability triggered by the ‘sub-prime’ crisis in the United States can best be understood not as a system dysfunction but rather as an historically typical and emblematic example of the ‘system’ functioning properly. The channelling of public resources (subsidies) to support the activities of the leading entrepreneurial organisations of the financial sector by a national government which is structurally dependent on the corporate sector (Alford and
Friedland, 1985) is perfectly normal and predictable from this theoretical perspective, with numerous historical precedents (see DuBoff, 1989).

In summary, there seems to be a kind of ‘great forgetting’ evident in mainstream CSR (and related) research wherein the original rationality for the joint stock corporation – to facilitate the raising of investment capital for growth and to limit the legal liability (that is, the responsibility) of owner-shareholders – is somehow lost amongst calls for corporations to become ever more responsible, either out of moral or instrumental impulses. We submit that scholars should no longer inadvertently participate in the propagation of a de facto neo-corporatist ideology which promises more than it can ever deliver, while undermining the formation and resiliency of countervailing forces and, ultimately, democracy. The adoption of the more theoretically coherent and empirically precise terms enlightened self-interest (ESI) and corporate social irresponsibility (CSI) as advocated here would be welcome signs of a critical turn in business and society research, as would be the institutional relocation of much future CSR research to disciplinary areas outside of the business school.
References


