

# Ideologies of Corporate Responsibility

From Neoliberalism to “Varieties of Liberalism”

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Ideologies of Corporate Responsibility:  
From Neoliberalism to ‘Varieties of Liberalism’

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Critical scholarship often presents CSR as a reflection or embodiment of neoliberalism. Against this sort of sweeping political characterization we argue that CSR can indeed be considered a liberal concept, but that it embodies a ‘Varieties of liberalism.’ Building theoretically on the work of Michael Freeden on liberal languages, John Ruggie and Karl Polanyi on embedded forms of liberalism and Michel Foucault on the distinction between classical liberalism and neoliberalism, we provide a conceptual treatment and mapping of the ideological positions that constitute the bulk of modern scholarly CSR debate. Thus, we distinguish between *embedded liberalism*, *classical liberalism*, *neoliberalism* and *re-embedded liberalism*. We develop these four orientations in turn and show how they are engaged in ‘battles of ideas’ over the meaning and scope of corporate responsibilities – and how they all remain relevant for an understanding of contemporary debates and developments in the field of CSR and corporate sustainability.

**Key Words:** Ideology, CSR, embedded liberalism, classical liberalism, neoliberalism

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Recent years have seen a surge of interest in exploring CSR (corporate social responsibility) as a political phenomenon (Banerjee, 2007; Frynas & Stephens, 2014; Gond & Nyberg, 2017; Scherer & Palazzo, 2007, 2011; Vallentin, 2015). However, research has not paid much attention to how political ideology plays into developments in this field (cf. Hanlon, 2008). There are different possible explanations for this. One has to do with the oppositional nature of ideologies. In a field that tends to consider consensus as an important resource for development (Garsten & Jacobsson, 2013), awareness of ideological difference (what divides us rather than what unites us) can appear to be little more than a source of distraction and potential conflict. Indeed, ideological reflection may be seen as something that gets in the way of productive understanding and/or effective practical solutions rather than lend support. Furthermore, ideology is often associated with bias and misrepresentation of social reality. The classical, structural Marxist or ideology critical view thus construes ideology as a moralizing discourse that conceals material interests and is constantly contradicted by practice (Freeden, 2005; Harvey, 2005). Crane, McWilliams, Matten, Moon & Siegel (2008) have argued that defining CSR must be an ideological as well as a technical and a normative exercise. But what is this supposed to mean if ideology is little more than a mask veiling reality, a mode of deception or a sham (Boltanski & Chiapello, 2007)?

Instead of arguing that we need to warn against and most often reject ideology as false universalism or dogmatic self-righteousness (Eastman, 2013), we want to acknowledge and engage with the roles that ideology play in how we think about and theorize CSR. Our starting point is that CSR is fundamentally an ideological construct, and that ideology provides us with an analytical lens that allows us to give a novel and nuanced account of the diverse politics that have sustained – and sustain – developments in CSR. Furthermore, we live in an age of man-made climate change and aspirational policy-making, where calls for green transition, sustainable development and sustainable finance are putting renewed and

urgent pressures on businesses large and small to step up and be part of the solution (Sjåfjell, 2018). Under these conditions, the ideological lens allows us to expose and untangle ideological assumptions and allegiances that are often glossed over in the name of instrumentalism and expeditiousness or obliterated by radical critique.

Against sweeping characterizations of contemporary CSR as neoliberal CSR (Djelic & Etchancu, 2015 – see also Kinderman, 2012; Midttun, 2005; Sadler & Lloyd, 2009; Shamir, 2008), we argue for the need to consider the ‘Varieties of Liberalism’ that are at play in CSR (Vallentin & Murillo, 2019). Hence, we approach CSR as a liberal conception, and we propose that there is a variety of liberal imaginations that lend support to and construe CSR in different ways. More specifically, we propose that the bulk of the modern (post-World War II) CSR debate is constituted ideologically by four analytically distinct but interrelated liberal positions: 1) the *embedded liberalism* that sustains the classical, normative literature on CSR and is reflected in later developments in stakeholder theory and institutional approaches; 2) the ideals of *classical liberalism* that underpins the ‘business of business is business’ mindset promoted by Milton Friedman and likeminded commentators; 3) the *neoliberalism* found in the literature on CSR as a mode of value creation; and 4) the *re-embedded liberalism* found in recent contributions that places the responsibility debate in a global(ized) setting (Vallentin & Murillo, 2019).

Importantly, this analytical focus does not imply that we can or should assign sole significance (or credit) to liberalism – and liberal thinkers – for the developments that have taken place in CSR and in business and society relations since World War II. It would, particularly in a European context, be misleading to assert such monopoly, considering the plethora of actors and socio-political agendas that have taken part in creating the socially embedded market economy. A broader, empirical study of ideological influences would for instance have to account for national and supranational rule-making, governance and

institution-building supporting social welfare agendas and labor rights, to name but a few of the business-related policy concerns that do not usually carry the flag of liberalism.

We acknowledge that if our aim was to provide grounded empirical accounts of how CSR has developed historically in different societies, the singular focus on liberalism would be too simplistic. What we are proposing is that the lens of liberalism has considerable analytical and explanatory value when applied conceptually to developments in *the scholarly literature on CSR as a realm of beliefs, ideas and prescriptions for action*. A scholarly literature that for decades had an exclusive American imprint, thus reflecting the American experience of capitalism and liberal market economy, with national institutions encouraging individualism and discretionary agency (Matten & Moon, 2008). Our constitutive focus on liberalism is supported by the fact that most understandings and institutional manifestations of CSR maintain a considerable level of corporate discretion and thus voluntariness (Knudsen & Moon, 2021; Vallentin & Murillo, 2012). Furthermore, most scholarly work use the liberal model of a market economy – the neoclassical theory of the firm and its liberal underpinnings – as analytical reference point (Richter, 2010; Vallentin & Murillo, 2019).

Theoretically, our sidelining of non-liberal alternatives means that we bracket the more radical critical scholarship (Banerjee, 2007, 2018; Fleming & Jones, 2013; Hanlon, 2008; Shamir, 2008) and its wholesale rejection of all that is potentially positive and transformative about CSR – seeing it as a signifier of deregulation, privatization, marketization. The critical political discourse perpetuates a grand narrative of neoliberalism and, against this, advocates non-liberal courses of action as it replaces corporate voluntariness (and thus CSR) with government rule and capitalism with more radical imaginaries of inclusive democracy (we return to the issue of what non-liberal ideology can entail in regard to CSR). While we acknowledge the relevance and political significance of more radical critique, we find that it can result in political knee-jerk reactions and intellectual laziness. And we find that the

different streams of liberal thought that sustain the CSR discourse deserve to be considered on their own terms rather than be subject to ideological stereotyping and indiscriminate labeling.

To speak of ‘Varieties of Liberalism’, then, is one way to look for more difference and nuance and to pave the way for a more fine-grained understanding of the ideological underpinnings of CSR as a political thought-practice (Freeden, 2005). We proceed to elaborate our approach to ideology and to develop our mapping of liberal ideologies, combining insights from Michael Freeden on liberal languages, John Ruggie and Karl Polanyi on embedded forms of liberalism, and Michel Foucault and associated scholarship on the distinction between classical liberalism and neoliberalism. This leads into our conceptual exploration of the four ‘Varieties of Liberalism’ in CSR. In the discussion and conclusion we synthesize the insights of our analysis and show how the different positions play into the contemporary ‘battle of ideas’ (Crook, 2005) and connect to each other through relations of divergence and convergence.

#### IDEOLOGY, RESPONSIBILITY AND ‘VARIETIES OF LIBERALISM’

Even in political CSR research matters of ideology are not usually foregrounded. This arguably reflects a broader tendency in organization and management studies to dismiss or declare the end of ideology or to substitute it with less overtly political notions such as ‘discourse’, ‘frames of reference’, ‘cognitive maps’ or ‘beliefs’ (Seeck, Sturdy, Boncori & Fougere, 2019). However, to embrace ideology is to forgo belief that there can be such a thing as value-free theorizing within the realm of the social sciences (Geertz, 1973; Mannheim, 1991).

Venturing beyond a structural Marxist or ideology critical approach, we consider ideology as a practical concern with real impact, that is, as “a set of shared beliefs, inscribed

in institutions, bound up with actions and hence anchored in reality” (Boltanski & Chiapello, 2007: 3). Thus, we do not associate ideology with an effort to debunk and dismantle theoretical thinking about CSR. Instead, we want to contribute to a better understanding of the ideological positions that have dominated/dominates the scholarly CSR debate and how they interact. To focus on ideology is one way to work towards a politically and historically embedded understanding of CSR.

Prior research that explicitly address ‘ideology’ in regard to corporate responsibility has tended to have a relatively narrow and empirically grounded focus on the ideological leanings (Blue, Red, Purple) of top management (in the United States) (Chin, Hambrick & Treviño, 2013; Hafenbrädl & Waeger, 2017; Walters, 1977), corporate ideology (Goll & Zeitz, 1991) and policy preferences in the institutional environment of business (Detomasi, 2008). Gond & Nyberg (2017) reflect on ideology (without engaging theoretically with the construct as such) in their analysis of how power is constituted and expressed in business and society research, and Scherer & Palazzo (2007) touch briefly on ideology in their conceptualization of political CSR (see below). To iterate, we build on an understanding of ideology as “inherently political, social and pervasive” (Seeck et al., 2019: 16), our focus is the ideological constitution of the scholarly CSR debate more broadly, and our starting point is that it is comprised of different forms of liberal ideology.

#### *Liberal Languages, Political Thought-Practices, and the Mapping of Ideology*

Speaking of ‘Varieties of Liberalism’ in CSR we are drawing on different analytical sources.

On the more general analytical level, we find inspiration primarily in the work of Michael Freeden on the workings of diverse/multiple languages of liberalism (Freeden, 2005).

Freeden suggests that all liberalisms share an affinity with seven core concepts: *liberty, individuality, progress, rationality, the common good, sociability, and constrained power*

(pluralism) (Freeden, 2005, chapter 9). However, different variants understand and situate these components in different ways and draw different social and political recommendations from them (Freeden & Stears, 2013). Liberal ideology is thus plastic and malleable, it differs over time and in different spaces. It does not constitute a straightforward conceptual ordering, but is “comprised of a cluster of concepts that sit in relationship to each other and to a range of claims about the world” (Freeden & Stears, 2013: 14).

On top of these more basic constructivist insights, Freeden provides us with some important analytical cues. First, a liberal ideology is a political thought-practice that is defined partly via its competitive relations to other political thought-practices. Ideologies often stand in rivalrous relations to each other in struggles over power and legitimacy – aiming to evoke emotional support and influence the manner in which people ascribe meaning to structures, actions and events in society. The experience of rivalry with its implications of choosing between opposing systems of ideas is central to the creed and rhetoric of ideology itself (Freeden, 2005, chapter 12). Second, the study of such rivalrous positions goes beyond mere description. The study of ideologies is a matter of identifying, reinterpreting and reconstructing the overt and covert interpretations contained in ideologies. This means that mapping can be considered a major interpretative – as opposed to representational – feature of the study of ideologies (Freeden, 2005, chapter 12). Gond, Mena & Mosonyi (2020) similarly agree that literature reviewing needs to be considered as a performative endeavor that re-presents and intervenes in the literature. Third, such mapping will often – as in the analysis presented in this paper – involve reconstruction of traditions retrospectively. There is a risk here of providing accounts that are in conflict with individual contributors’ self-definitions and preferred label(s). Freeden (2005, chapter 12) uses Ricoeur’s notion of ‘the surplus of meaning’ to suggest that an utterance can contain more than its author intends. With regard to intentionality, an ideological statement can thus be a



blend of deliberate and unconscious thought. Concretely, in regard to our analysis, we acknowledge that our ideological mapping of the CSR field is a product of interpretation and subject to contestation both in terms of how it defines and negotiates boundaries between ideological positions and how it frames individual contributions by placing them within particular categories. That being said, we do believe that it provides a valid, well-supported and nuanced account of 1) how CSR has evolved as a political thought-practice in the post-World War II period, and 2) how ideology manifest itself in the contemporary CSR landscape.

### *Embeddedness and the Forms of Embedded Liberalism*

More specifically, in terms of how we construe our four liberal positions analytically, we are drawing primarily on the work of John Ruggie and Karl Polanyi on (dis)embedded forms of liberalism, and Michel Foucault and associated scholarship on the distinction between classical liberalism and neoliberalism. It was Karl Polanyi who first, in *The Great Transformation* (1944), developed the distinction between ‘embedded’ and ‘disembedded’ economic orders (Ruggie, 1982). In his seminal book, Polanyi describes embedding and disembedding as a dialectical process – a double movement – pitting forces of social protection against forces of marketization (Polanyi, 2001).

We acknowledge the polyvalent meaning of embeddedness and the resulting need to clarify how we use this term (Beckert, 2007; Krippner & Alvarez, 2007). Polanyi has been criticized for making statements suggesting that there can be such a thing as a disembedded market economy that is subject to its own internal logic while being fully autonomous from society. This flies in the face of sociological insistence on the ‘always embedded market economy’ (Block, 2003; Krippner et al., 2004). Hence, it is well-established that there are inconsistencies in Polanyi’s own treatment of embeddedness (compare, for instance, Polanyi

1944 and 1957). However, speaking of political thought-practices we approach embeddedness as an epistemological – not an ontological – matter. Our analytical concern is not whether a disembedded market economy is or can become reality. Our research interest lies in how this imaginary or possibility is framed ideologically and the political consequences this can have. To this end, we find the concept of *ideational embeddedness*, proposed by Somers & Block (2005), useful. Somers & Block expand the perimeter of embeddedness from standard legal, political and organizational structures to include the ideas, public narratives, and explanatory systems that are used by societal actors to construct, transform and normalize market processes (see also Block & Somers, 2014, chapter 6). Hence, we consider the disembedded market economy as a product of ideology and rhetorical strategy – alongside other ideologies and rhetorical strategies.

We open and close our ideological mapping with the notion of *embedded liberalism*. The term was first introduced by John G. Ruggie (1982), who used it to signify the kind of liberalism that was restored after World War II and which differed in kind from previously known forms. To clarify, we read the contribution of Ruggie through the lens of ideational embeddedness, which means that we consider embedded liberalism not just as a historical occurrence, situated in a particular time and space, but as an ideological mode of arguing that also pertains to contemporary developments (see, critically, Levy & Kaplan, 2008; Moncrieff, 2015; Utting, 2007). Keeping in mind our initial comments regarding the empirical limitations of our focus on liberalism, what Ruggie provides us with is a broad (rather than very detailed) basis for theorizing the ideological leanings of the scholarly literature on CSR.

Embedded liberalism was, in its original postwar form, reflective of how capitalist countries sought “to reconcile the efficiency of markets with the values of social community” (Ruggie, 2003: 1) – partly as a reaction against the collapse of laissez-faire capitalism in the

Great Depression. Embedded liberalism took different forms in different countries, reflecting different political realities. In United States, the New Deal or Keynesian state, in Europe social democracy and/or the social market economy. But, as Ruggie points out, the underlying idea of reconciling capitalism with democracy was the same: “a grand social bargain whereby all sectors of society agreed to open markets . . . , but also to contain and share the social adjustment costs that open markets inevitably produce. In Ruggie’s terms, “That was the essence of the embedded liberalism compromise: economic liberalization was embedded in social community” (2003: 1). We argue that the classical CSR literature can be seen as an effort to hold businesses and businesspeople accountable to the social values of embedded liberalism. It urged the private sector to uphold the business end of the bargain, so to speak. Moreover, we argue that the ideology of embedded liberalism remains a major factor and influence in the contemporary CSR landscape.

However, the globalization of financial markets and production chains has challenged the premises underlying embedded liberalism dramatically and has in many ways undermined national social bargains (Ruggie, 2003). With the demise of the postwar compromise it is no longer adequate to define corporate responsibilities within the boundaries of a liberal market economy as it pertains to the nation state and a national society (Richter, 2010). At the global level there is no government to act on behalf of the common good and set authoritative rules (through the use of hard law), and international institutions are too weak to fully compensate. Along with inclusive forms of global governance (soft law), CSR is one of the forces that are called upon to address the resulting governance gaps (Ruggie, 2003). Ruggie speaks of the need for “a new embedded compromise, a new formula for combining the twin desires of international and domestic stability, one that is appropriate for an international context in which the organization of production and exchange has become globalized, and a domestic context in which past modalities of state intervention lack efficacy or legitimacy” (1997: 10).

Under these conditions, a new brand of political thinking about CSR has emerged. We describe it as reflecting a form of *re-embedded liberalism*.

### *Forms of Economic Liberalism*

On the marketization side of the movement, we distinguish between *classical liberalism* and *neoliberalism*. In making this distinction we turn to Michel Foucault and associated scholarship as this vantage point is helpful in capturing the developments that have taken place over time in economic reasoning about CSR. According to Foucault, classical liberalism has called on government to respect the form of the market – as a space of autonomy that was to be carved out of the state through the unconditional right of private property. Neoliberalism, meanwhile, provides a radically altered view of relationships between society and economy and between state and market (Foucault, 2008; Read, 2009; Vallentin & Murillo, 2019: 48). Whereas classical liberalism argues for the disembedding of markets and separation of business and politics, the radicality of neoliberalism lies in how it breaks down this separation with the aim of expanding the reach of the economic market as a mode of thinking and a mode of doing. The economy is no longer considered a social domain among others with its own intrinsic rationality. Instead, “the area covered by the economy embraces the entirety of human action” (Lemke, 2001: 197). Foucault speaks of the absolute and unlimited generalization of the economic form of the market: “It involves generalizing it throughout the social body and including the whole of the social system not usually conducted through or sanctioned by monetary exchanges” (2008: 243). Consequently, relationships are inversed so that the functioning of society becomes subservient to the economy and the market becomes the principle underlying the workings of the state and public policy (Lemke, 2001).

Hence, neoliberalism promotes an enterprise society that is subject to the dynamic of competition (Foucault, 2008). While classical liberalism has focused on exchange (as spontaneous order or anthropology), the pivotal concern of neoliberalism is competition as the organizing principle of markets (Lazzarato, 2009). Competition is an artificial construct that necessitates continual government intervention to function properly (Read, 2009). Therefore it is a fundamental mistake to associate neoliberalism with a minimalist state and laissez-faire (Mirowski, 2009). Neoliberalism is, according to Foucault (2008), “a call for vigilance, activism and perpetual intervention” (Vallentin & Murillo, 2019: 47). Unlike idealized notions of exchange, the principle of competition is all about gaining (competitive) advantage; It is not about putting market participants on an equal footing. Furthermore, neoliberalism tends to obscure possible tensions between corporate and societal interests (Mirowski, 2009), thus “doing away with the antagonism and social insecurity of capitalism” (Read, 2009: 32). Although the two positions are often lumped together, we will argue that there is a marked contrast between the sort of economic appropriation of CSR that we can associate with modern neoliberalism and the message of disembedding supported by classical liberalism (Vallentin & Murillo, 2019).

Turning now to our ideological mapping, we aim to flesh out the analytical properties and boundary conditions of the proposed positions. For this purpose we have chosen, in the parts on classical liberalism, neoliberalism and re-embedded liberalism, to build our analysis primarily on a few dominant expressions of ideological sentiment. Expressions that excel in terms of their relative ideology clarity, allowing us to lay bare fundamental arguments and what is at stake in the ‘battle of ideas.’ We associate ‘dominant expression’ here with material significance in terms of impact on theory development and/or practice.

## EMBEDDED LIBERALISM

Embedded liberalism is one way to encapsulate not only the humble beginnings of CSR as a modern – post-World War II – scholarly discourse, but also, as we will argue, the ideological creed of much current thinking about corporate responsibilities. Compared with its classical liberal counterpart, however, this tradition does not have a very clearly defined ideological center. We do not find canonical texts comparable to Friedman’s (1962, 1970) and therefore it does not convey the same sense of theoretical coherence or unity. Speaking of embedded liberalism, we argue, is one way to organize disparate contributions that assume or posit business as socially embedded and saddled with responsibilities towards society and/or a broader range of stakeholders. Contributions that share a basic concern regarding the integration of business and society by democratic means. We will argue that the diverse expressions can roughly be divided into three parts: 1) the classical expressions of CSR from the 1950s, -60s and -70s; 2) developments in stakeholder theory that got underway in the 1980s and -90s; 3) developments in institutional and comparative studies that started to proliferate in the 2000s.

### *Classical Expressions of CSR*

What we find, initially, is a series of statements supporting an embedded view of corporate capitalism based on the socio-economic experience of America in the postwar years; statements espousing social and democratic values and arguing for the importance of their integration into the system of free enterprise (Carroll, Lipartito, Post & Werhane, 2012; Frederick, 2006). In other words, a politics of social protection espousing a friendly view of state interventionism and processes of democracy. Howard R. Bowen’s book *Social responsibilities of the businessman* (1953) is often considered as the beginning of the modern, post-World War II era of corporate responsibility (Carroll, 1999). Bowen was a

macroeconomist whose work was influenced by institutional economics and Keynesian ideas. In the words of Acquier, Gond & Pasquero, “Bowen considered social responsibility from the viewpoint of a welfare economist interested in the regulation of capitalism” (2011: 611). Hence, it is implicit in his book that the limitations on the powers of business leaders that he argues for would serve a general social good and benefit everyone, including the business community (Marens, 2004). The idea was that “assuming social responsibilities would not only ward off excessive government regulation but also reinforce modern capitalism by preserving a just balance between market regulation and government intervention” (Acquier, Gond & Pasquero, 2011: 616; Mizruchi, 2013). This reflected an underlying systemic and pluralist view of responsibility that would find affirmation in other contributions over the next couple of decades (Carroll, 1999).

These would include the ‘Iron Law of Responsibility’ proposed by Davis (1960), who argued that the social responsibilities of businesspeople should be commensurate with their social power (see also Frederick, 1960; Davis & Blomström, 1966; Davis, 1967). Corporate responsibility as a reflection of embedded liberalism arguably reached its academic zenith in the seminal book by Preston and Post, *Private Management and Public Policy* (1975). Preston and Post argued that the most significant effect that society exerts on business is through the realm of public policy, defined as an inclusive deliberative process involving individuals, organizations, and interest groups. Frederick’s notion of *corporate social responsiveness* (1978/1994 – see also Ackerman & Bauer, 1976) served to codify this effort to turn ideological principle into corporate practice. While this novel conception marked a break away from normative idealism, pure and simple, it did not represent an ideological departure or rupture. Hence, Frederick maintained a socially embedded view of CSR as driven to a large extent by political forces. In his view, the notion of corporate social responsiveness assumed that the central question of *whether* companies should respond to

social pressures “has already been answered affirmatively by general public opinion and a host of government social regulations and that the important task for business now is to learn *how* to respond in fruitful, humane, and practical ways” (Frederick, 1978/1994: 156).

Theoretical justifications of this brand of CSR include theories of moral agency, social contracts and social power (Schwartz & Carroll, 2008). With regard to the latter, the focus is on individual managers whose businesses are embedded within a functioning liberal democracy (nation state), where they can be held accountable for their actions and engage in deliberation over public policy. A national (as opposed to global) setting and the role of government as democratic provider of rules and norms are either assumed or made explicit.

#### *Stakeholder Theory and the Institutional Perspective*

From the early to mid-1990s and onwards we have seen an explosion of research and public awareness regarding CSR. From being a discourse that by and large reflected the American experience of capitalism, the literature has increasingly started to reflect a wider range of institutional frameworks and legacies – albeit still with a penchant for applying concepts, models and ways of thinking borne out of the American experience.

Uses of the stakeholder model illustrate the latter point. From the 1980s and 1990s and onwards the stakeholder model and attendant (normative, instrumental, managerial) prescriptions regarding stakeholder management (Donaldson & Preston, 1995) gained ground as a mode of embedding that was arguably better attuned to the changing opinion climate: Instead of the Keynesian view of state intervention in the economy being the predominant one, Milton Friedman and ‘the business of business is business’ emerged as the dominant and widely accepted economic view of business and society – the new ruling orthodoxy in business circles (and in business schools). R. Edward Freeman’s original take (Freeman, 1984) and further developments of the concept (Freeman, Harrison, Wicks, Palmar & de



Colle, 2010) have been particularly influential over the years. Following Freeman (1984), stakeholder management grew out of strategic management and was fundamentally about value creation among stakeholders based on joint interests, thus substituting the broader view of society (and societal politics) with social relations (the concreteness of business-stakeholder relationships) (see, critically, Barnett, 2019). The role of the state and government was acknowledged – but only as one among a range of stakeholders affecting or affected by corporate activity. The notion of ‘stakeholder capitalism’ has thus gained prominence compared to stakeholder democracy (Matten & Crane, 2005b). Although Freeman has argued that his influential notion of stakeholder capitalism is rooted in libertarianism (Freeman & Phillips, 2002), we will argue that stakeholder thinking in theory and practice embodies ideals of social embeddedness and opposition to (or certainly important correctives to) the shareholder value paradigm – and therefore can be considered supportive of the ideology of embedded liberalism<sup>1</sup> (alongside other functions – we do not claim to provide more than a cursory review of the rich and varied stakeholder management literature). To quote the Business Roundtable Statement (2019): “We commit to deliver value to all of [our stakeholders], for the future success of our companies, our communities and our country.”

However, while stakeholder analysis can and will often acknowledge the central role of government as a salient corporate stakeholder combining the features of power, legitimacy and urgency (Mitchell, Agle & Wood, 1997), it fails to fully capture the constitutive role that the state can play in defining ‘the rules of the game’ of responsibility. Institutional and comparative studies of CSR have been instrumental in bringing the state and government

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<sup>1</sup> In economic sociology, Granovetter’s take on embeddedness deals with the problem of atomism in the understanding of economic affairs, whereas the Polanyian tradition deals with the problem of the analytically autonomous economy (Krippner & Alvarez, 2007). Stakeholder thinking, in its libertarian interpretation, is arguably reflective of the kind of embeddedness that Granovetter (1985) advocates in his seminal paper. Thus, Granovetter argues that it is social relations rather than institutional arrangements that are mainly responsible for sustaining order and producing trust in economic life.

back into the picture (Aguilera, Rupp, Williams & Ganapathi, 2007; Campbell, 2007; Kourola, Moon, Salles-Djelic & Wickert, 2019; Matten & Moon, 2008, 2020; Schneider & Scherer, 2019). This literature has served to explicate the institutional conditions for corporate responsibility beyond the, in many ways exceptional, American experience (Brammer, Jackson & Matten, 2012; Gond, Kang & Moon, 2011). With this development, the academic literature has begun to explore, for instance, how CSR relates to and unfolds within the Western European experience of liberal democracy, coordinated market economy, social democracy, social liberalism (Jackson & Apostolakou, 2010). Research has shown how CSR generally tends to be more government-driven in Europe compared to the United States (Matten & Moon, 2008). Research on the roles of government in CSR has provided support for the ideology of embedded liberalism by focusing mainly on initiatives taken by government bodies to support the uptake of social responsibility by business – with the explicit (espoused) aim of strengthening social bonds between business and society (Albareda, Lozano & Yza, 2007; Dentchev, Hazendonch & van Balen, 2017; Knudsen & Moon, 2019; Steurer, 2010).

European principles and practices of regulation maintain high levels of corporate discretion and voluntariness, with widespread use of liberal and indirect means of steering that are meant to enable and empower the development of corporate responsibility rather than force the issue (Vallentin & Murillo, 2012). Schneider & Scherer (2019) explore the different social mechanisms and processes by which governments seek to shape market actors' CSR behavior. A crucial mechanism in the current landscape is disclosure requirements, which are often supported by comply or explain regulation – making it mandatory to disclose information, but not to do CSR in any particular way. The EU Taxonomy for sustainable activities and the Corporate Sustainability Reporting Directive are among the most ambitious efforts yet to use informational means to support corporate responsibility and sustainable

development (EU High-Level Expert Group on Sustainable Finance, 2018). Developments in other parts of the world, including China (Xu & Shan, 2020) and Russia (Zueva & Fairbrass, 2019), point to the emergence of more directly state-driven and authoritarian forms of corporate responsibility (see Jiang, Zalan, Tse & Shen, 2018, on the interplay of socialist ideology and CSR). While such forms call for reflection that transcends liberal thinking and the experiences of modern liberal democracies in the global north, we would expect liberal forms of government to play a role even in such contexts (with regulations effectively leaving a free space for private actors to act with discretion), albeit with the threat of authoritarian sanction creating a different political dynamic around CSR as companies will be extremely aware of the need to signal good will and maintain good relations with government.

In sum, using Freedman's fundamental components of liberalism and synthesizing across the three research streams, we find here a liberal ideology that puts *the common good* and the *sociability* of business at the top of the list of priorities. The moral imperative is for businesses to be responsive – in word and deed – to societal norms and values. With institutional theory this becomes a matter of effective compliance and rule-following by business. CSR is considered to be supportive of *pluralism*, in the sense that social responsibilities should be commensurate with corporate power and serve to maintain a just balance between market forces and social protection. *Progress* – economic and social – is made dependent upon business leaders adopting a democratic mindset and serving as public trustees. This implies a softening of economic *rationality* to the benefit of a broader social or societal outlook. Instead of giving primacy to shareholders, businesses are called upon to serve a broader range of stakeholders. Finally, with regard to *liberty* and *individuality*, this view of responsibility is underpinned by voluntariness – embedded within ideals of liberal democracy.

Assumptions of a socially embedded market economy that involves a balancing of market principles and principles of social protection serves as a common denominator that, implicitly or explicitly, holds together disparate academic contributions and policy initiatives. It continues to serve as a baseline for expression of pro-CSR sentiment and has recently found high-level reaffirmation in the Business Roundtable *Statement on the Purpose of a Corporation* (2019) and the *Davos Manifesto 2020: The Universal Purpose of a Business in the Fourth Industrial Revolution* presented by World Economic Forum. Apart from these symbolic reaffirmations, embedded liberalism is, more manifestly, reflected in contemporary government-driven efforts to support corporate responsibility and sustainable development through the use of hard and soft law – while to a large extent relying on voluntary and innovative contributions from the private sector. We turn now to the ideology that for many years represented the dominant oppositional view of CSR, or rather, the dominant opposition to CSR as defined within the purview of embedded liberalism.

### CLASSICAL LIBERALISM

The classical liberal position is simpler and more unified than its counterpart. It is more polarizing, more battle-prone and unrelenting (and in that sense more obviously ideological). The renowned Chicago School economist Milton Friedman was and remains the symbolic figurehead of this position. The sentiment of Friedman (1962, 1970) is echoed in an earlier, but much lesser-known article on corporate responsibility by Friedrich A. Hayek (1960b – see also Hayek, 1960a). In this part of the analysis, we focus mainly on the contributions of Friedman and Hayek as they capture the fundamentals of the classical liberal opposition to more progressive thought about CSR (see also Levitt, 1958). While this may seem like a narrow analytical focus, the point is that the classical liberal position *is* narrow and simplified (and most often associated with/addressed though Friedman’s short treatments – see also

Crook, 2005; Henderson, 2001; Karnani, 2011; Porter & Kramer, 2002). Our treatment is centered on the few pages Friedman and Hayek devoted to the matter of CSR, and we make no claims about their respective oeuvres more broadly. Needless to say, they are both widely considered as master thinkers of neoliberalism and as emblematic of the neoliberal turn that took place with Thatcher and Reagan in the 1970s and 1980s (Appelbaum, 2019). However, we follow the argument, so to speak, instead of the entrenched ideological label. That is, we argue that their highly influential reasoning regarding CSR belongs to classical liberalism (rather than neoliberalism) because they argue for the separation of business and politics and thus for a disembedding of markets. In his seminal opinion piece in *New York Times Magazine*, Friedman declared that he, apart from the facts of the matter, shared Adam Smith's skepticism about “those who affected to trade for the public good” and that social responsibility of businessmen must be rejected on the grounds of principle (Friedman, 1970). This is not the neoliberal creed.

While Friedman's view of the social responsibilities of businessmen did not change over the years, the status of his position did. It is characteristic of the promoters of the classical liberal view that they positioned themselves as being in opposition to the dominant view in society that businesses (or rather, businesspeople) ought to take upon themselves more broadly defined social responsibilities. In 1970, Friedman spoke of “the present climate of opinion with its widespread aversion to ‘capitalism’, ‘profits’, the ‘soulless’ corporation and so on” (Friedman, 1970). The aim was not to maintain the status quo, but to effect change of mindsets and practices, with individual freedom as the core value. Anything ‘social’ was regarded with skepticism as a reflection of collectivist tendencies, socialism and the totalitarian state (cf. Hayek, 2007). Hayek spoke of how just about anything can be brought under “the vague and almost meaningless term *social*” (1960b: 230), and Friedman accused the promoters of social responsibility of “analytical looseness and lack of rigor.” As a starting

point he insists that only individuals can have responsibilities, collective entities such as businesses cannot, and therefore we need to talk about the social responsibilities of businesspeople (1970; Hayek, 1960a, similarly suggests that responsibility must be individual responsibility to be effective).

According to Friedman, there are two fundamental ways of coordinating economic activity in society: the use of coercion perpetrated by the modern totalitarian state, and the voluntary co-operation of individuals using the technique of the market place (1962). Either you support one or the other. The problem with CSR is that it effectively supports the constraining and conformity-inducing mechanism of politics (1970). Hence, CSR is a subversive doctrine because it involves “the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses” (1970). This is the reasoning behind the famous quote from *Capitalism and Freedom* suggesting that CSR can “undermine the very foundations of our free society” (Friedman, 1962: 133). The implied view of pluralism is that unless the functions of government and of business are kept separate in all respects, they will eventually be combined in every respect (Levitt, 1958). Friedman has little to say about the workings of the political process, though. It is somehow the responsibility of people (all of us) to partake in establishing “a framework of law such that an individual in pursuing his own interest is, to quote Adam Smith again, ‘led by an invisible hand to promote an end which was no part of his intention’” (1962: 133). Here is, on the one hand, an admission that free market exchange to some extent is a product of public policy. On the other hand, the inner workings of business are effectively separated from the political process.

What the promoters of embedded liberalism see as supporting devices for pluralism, Friedman and Hayek see as dangerous, subversive tendencies giving less sway to market forces and undermining the model of free enterprise. The classical liberal argument,

following Hayek (1960b), is that “private companies, if they take upon themselves public interests and social responsibilities and thus expand their sphere of influence beyond the market, acquire arbitrary and politically dangerous powers, and that government at some point will have to step in to address the resulting imbalance (...). In other words, CSR is a slippery slope leading to a more powerful and controlling state (...). The proper way to keep the power of the private business in check is to ensure that its sole task is to put assets to the most profitable use and maximize shareholder value” (Vallentin & Murillo, 2019: 50).

This does not render calls for individual responsible behaviour (beyond profit-making) altogether obsolete. Friedman speaks in minimalist terms of how business must be conducted in accordance with the basic rules of society, laws and ethical custom (1970). However, the call for social responsibility does not qualify as a meaningful way to hold businesspeople accountable for their actions. Corporate executives are supposed to be experts in running their companies and producing, selling or financing products or services (Friedman, 1970). They are not experts in determining what is socially desirable (Hayek, 1960b). Friedman writes: “Can self-selected private individuals decide what the social interest is?” (Friedman, 1962: 133). Hayek does acknowledge that corporations ought to be restrained by general legal and moral rules, but these rules should only limit what they may do in pursuit of their concrete and proper aims (1960b).

As indicated, this view reflects a particular understanding of corporate power that is typical of neoclassical economics and which is made explicit by Hayek in regard to CSR. He writes: “Even the largest aggregation of potential power, the largest accumulation of resources under a single control, is comparatively innocuous so long as those who exercise such power are entitled to use it only for one specific purpose and have no right to use it for other aims, however desirable in themselves” (1960b: 226). To allow companies to focus only on profit-making constitutes a limitation on their powers vis-à-vis the rest of society. In

other words, corporate power (in its proper function) is made more or less synonymous with market power, and ideal conditions of market exchange are assumed. This point is made explicit by Friedman, according to whom an ideal free market rests on private property and involves voluntary cooperation among parties without any means of coercion (1970).

Another feature of Friedman's argument lends support to the classical liberal insistence that the disembedding of markets is socially desirable. He considers corporate executives as agents acting on behalf of the owners (the principals) of the business. Defining CSR as a cost in a zero-sum game, this allows him to speak of reckless business leaders who spend other people's money ('taxation without representation') and in effect come to act as civil servants when they pursue social goals (1970). To iterate, corporate executives become too powerful when they operate outside their proper mandate. The principle of shareholder value is a much more useful way to ensure that they serve corporate – and ultimately societal – interests and are not just acting on their own personal whims egged on by public opinion.

While Friedman and the popular paraphrase 'the business of business is business' have been ubiquitous in representations of the classical liberal position, the seminal paper by Jensen & Meckling (1976) on *The Theory of the Firm* provided an important stepping stone and scientific legitimation for the view that managers of firms should (and could only) rightly be working for shareholders (Dobbin & Jung, 2010). The Jensen & Meckling paper also served to further disembed CSR socially and entangle it instead in a web of strong and somewhat opaque economic assumptions. Hence, they argued that the personification of the firm implied in questions such as "'does the firm have a social responsibility' is seriously misleading. *The firm is not an individual*. It is a legal fiction which serves as a focus for a complex process in which the conflicting objectives of individuals ... are brought into equilibrium within a framework of contractual relations. .... In this sense, the 'behavior' of the firm is like the behavior of a market, i.e., the outcome of a complex equilibrium process"



(1976: 311). The Jensen & Meckling paper was instrumental in promoting shareholder primacy as the norm, and more, broadly, agency theory and its assumptions regarding rational economic behavior (information asymmetry and opportunism) as the bedrock of modern corporate governance, corporate strategy and executive remuneration (Dobbin & Jung, 2010; see, critically, Ghoshal, 2005). Since the early 1980s, large corporations in the United States and around the world have transformed themselves to conform to this shareholder value model of the firm. A model that assumes and strongly emphasizes, echoing Friedman, that there are potential conflicts of interest between managers and shareholders and that managers can best be incentivized to act in the corporate interest and optimize performance by tying their compensation to stock prizes and shareholder returns (Dobbin & Jung, 2010). Although Jensen has more recently acknowledged that “Stockholder value maximization has been wrong from the social viewpoint from the start” (Jensen in Agle et al., 2008: 167), he maintains that stakeholder theory builds on naïve assumptions about benevolent behavior and, if adopted (as stakeholder governance), would leave managers unmonitored and unaccountable in any principled way with potentially disastrous consequences (ibid.: 168; Jensen, 2002).

In sum, the classical liberal view defines itself in opposition to the influence of embedded liberalism (oftentimes framed as socialism). It represents a very different ordering of liberal priorities. It puts *liberty* and *individuality* at the very top in the sense that it considers individual freedom as the highest value and indeed gives primacy to individual freedom over democracy and all things social (Friedman, 1962). It presents economic *rationality* as a bulwark against undue social influences on business. Indeed, actions of business leaders are seen to positively reflect the value of freedom only to the extent that they adhere to a market logic, with minimal interference from government and other non-market constraints. If business leaders use the powers at their disposal to influence developments

beyond the confines of the market, it will have detrimental consequences for *pluralism*. *Progress* is thus made contingent upon a disembedding of markets that find support in agency theory and is manifest in the shareholder value model of the firm and notions of shareholder governance. *The common good* is an outcome rather than a starting point. It is best served by upholding a clear separation between business and society (or between business and politics). *Sociability* comes down to a division of labor within modern liberal democracies (nation states). It is the responsibility of government to define the minimal rules-of-the-game for business and take care of social and democratic needs and issues. It is the responsibility of businesses to create value and contribute to economic development and prosperity based on sound economic principles.

The classical liberal view of CSR has served many functions over the years, one being as moral cornerstone of the shareholder value paradigm. It would take a barrage of corporate scandals in the new millennium (Enron, Tyco, WorldCom etc.) and a world-wide financial crisis – and legitimacy crisis of corporate capitalism – to unsettle this foundation. These conditions arguably called for new, more accommodating approaches to CSR. The financial crisis effectively took the wind out of the sails of ‘the business of business is business’ as the dominant mode of economic engagement with CSR. The neoliberal imagination has served to fill the void.

## NEOLIBERALISM

Under the heading of neoliberalism, we need to distinguish between two types of approaches. The first constitutes a *passive acquiescence* to a neoliberal mindset, the second an *active and programmatic* embrace of such a mindset. The former is brought to bear in the extensive research focusing on the business case for CSR. This research is centered on the notion of *corporate social performance* (CSP) (Carroll, 1979) and is devoted to measuring the

economic impact of social responsibility (Margolis and Walsh, 2003; Orlitzky, Schmidt & Rynes, 2003; Peloza, 2009). Normatively speaking, the instrumentalism brought forward by this research can be a means to an end rather than an end in itself (Vogel, 2005). Indeed, it can be used to reject the notion developed by neoclassical economists that CSP is necessarily inconsistent with maximization of shareholder wealth (Orlitzky, Schmidt & Rynes, 2003). However, whether intended or not, this sort of research effectively subjects CSR to an economic measure of worth and thus contributes to the marketization of CSR (Margolis & Walsh, 2003). What makes it neoliberal is that instrumental reasoning is used to positively support and enable CSR as an instrumental practice guided by instrumental considerations rather than deep-seated values or democratic concerns.

The normalization of the business case for CSR from the 1980s and onwards has coincided with the normalization of a neoliberal mindset in the business community and in society. It signifies a sort of passive surrender to instrumentalism and the tenets of cost-benefit analysis (Gond, Palazzo & Basu, 2009). However, the active and programmatic embrace of the neoliberal mindset we associate, first and foremost, with the work of esteemed (now retired) Harvard Business School professor Michael Porter and his co-author and business partner Mark Kramer (Porter & Kramer, 2006, 2011).

Porter & Kramer are obviously not alone in associating CSR with value creation and stressing the opportunity side of developments (see for instance Grayson & Hodges, 2004). Messages of win-win (or triple-win, vis-à-vis Elkington, 1994, on the triple bottom-line) and Doing Well by Doing Good (DWDG) (Falck & Heblich, 2007) are legion (see, critically, King & Pucker, 2021). However, we attribute a particular material significance to the work of Porter & Kramer as their notions of strategic CSR and CSV (creating shared value) have not only been explicitly adopted by many businesses, business consultancies and trade organizations. They have also become institutionalized in public policies regarding CSR and

sustainable development and used to anchor and legitimize instrumental approaches to social and economic development (Horan, 2019; Vallentin & Murillo, 2012). With regard to their concrete contribution and instrumental prescriptions, they have been accused of intellectual piracy and of lacking originality (Crane, Palazzo, Spence & Matten, 2014 – see also, critically, Aakhus & Bzdak, 2012; Dembek, Sing & Bhakoo, 2016; de los Reyes & Scholz, 2019; de los Reyes, Scholz & Smith, 2017). However, we find that this critique fails to acknowledge the ideological aspects – and novelty – of their argument and how Porter & Kramer set themselves apart ideologically from many of the contributions their work is associated with.<sup>2</sup>

Moreover, Porter & Kramer provide a clear articulation of the ideological underpinnings of their position in regard to corporate responsibility, which is useful for our purposes. Hence, they do not hide their allegiance to economic liberalism and they explicitly frame their contributions as being outside and different from what ‘the CSR movement’ stands for. They do not turn to theories of moral agency and stakeholder democracy for guidance, but build on and extend theories of competitive strategy (Porter, 1980), competitive advantage (Porter, 1985) and business clusters (Porter, 1998). They combine Porter’s industry-based view of corporate strategy with a resource-based view (McWilliams & Siegel, 2011) in the sense that they focus on how companies can strengthen their competitive context

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<sup>2</sup> We acknowledge that our reading of Porter & Kramer’s contributions and our take on the conceptual gap between Friedman and Porter (& Kramer) is but one possible interpretation of a contested terrain. An interpretation that strongly emphasizes the political-ideological aspects and implications of their argument (which differs from considering its theoretical merits or its instrumental worth). Porter & Kramer evidently do not self-identify as neoliberals (*vis-à-vis* the notion of ‘surplus of meaning’). It is an analytical assertion we make about their work, based on our chosen definition of neoliberalism and their line of reasoning particularly in the *Harvard Business Review* articles from 2006 and 2011. Importantly, we use neoliberalism as an analytical category that signifies a particular form of economization; we do not use it as a derogatory term. As Boas & Gans-Morse point out, ‘neoliberalism’ is a favored anti-liberal slogan, a weaponized and often un- or under-defined term used by critics of modern capitalism, but not by the targets of their critique. Hence, “virtually *no one* self-identifies as a neoliberal”, and this is supposedly due to its association with radical forms of market fundamentalism (2009: 140 – see also Vallentin & Murillo, 2019). This should, however, not keep us from using this term analytically while striving for more rigorous applications of it. Likewise, we do not claim to provide an authoritative take on the contents of and differences between classical liberalism and neoliberalism. It remains a contested terrain with cross-cutting linkages and blurry boundaries, open to different interpretations.

while promoting an inside-out view of how they can best put their resources and capabilities to use and create social impact.

Hence, their 2006 paper reads as a programmatic statement of *strategic CSR*, which is about realizing that social responsibility “can be much more than a cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage” (Porter & Kramer, 2006: 82). Porter & Kramer propose that creation of *shared value* – not moral obligations or personal values – should be the guiding principle of corporate engagement in CSR. They argue that the moral purpose of business is, first and foremost, to contribute to a prosperous economy, and they make a virtue out of presenting an unreservedly pro-capitalist, corporate-minded and business-driven approach. The problem they address is not a lack of social responsibility among businesses, but widespread failure to approach CSR strategically and the consequences hereof. If anything, they find that there has been too much focus on frictions and tensions between business and society to the detriment of mutual dependencies and points of intersection. They have no qualms about corporate power and its societal impacts arguing that when “a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organization” (2006: 92).

In their very influential follow-up paper from 2011 (Porter & Kramer, 2011) they push the argument even further suggesting that CSR should be replaced by a new core concept: *CSV* (creating shared value). With this concept they mean to redefine the very purpose of the corporation, no less. They see it as the next step in the evolution of capitalism, which is no longer supposed to be about profits per se. A more sophisticated capitalism, one that is better attuned to the present circumstances, must be imbued with a social purpose. This social purpose does not, however, arise “out of charity but out of a deeper understanding of

competition and economic value creation” (2011: 77). They make it clear that CSV is not a formula for sharing or redistributing existing wealth. CSV is all about creating additional wealth – based on sound business principles. Importantly, Porter & Kramer argue that the CSV mindset has application beyond the corporate world and the private sector. The principle of shared value creation cuts across the traditional divide between the responsibilities of business and those of government or civil society. What matters is that benefits are delivered by those organizations – or combinations of organizations – that are best positioned to achieve the most impact for the least cost (Porter & Kramer, 2011: 72).

“Not all profit is equal”, they write, “an idea that has been lost in the narrow, short-term focus of financial markets and in much management thinking. Profits involving a social purpose represents a higher form of capitalism” (2011: 75). However, this elevated form is not defined by personal values or altruism. It is rooted in utilitarianism with social impact as the ultimate measure of worth (Vallentin & Murillo, 2019). A higher form of capitalism, in this view, is “one that will enable society to advance more rapidly while allowing companies to grow even more” (Porter & Kramer, 2011: 75). Porter & Kramer consider CSV as “a broader conception of Adam Smith’s invisible hand. (...) It is not philanthropy but self-interested behavior to create economic value by creating social value” (2011: 77). In other words, personal values are immaterial. Economic value creation, self-interest and market incentives are the proper drivers (reflecting neoclassical proclivities to privatize morality).

Speaking of the legitimacy crisis of capitalism, Porter & Kramer find that it is companies that must now “take the lead in bringing business and society back together again” (2011: 64). They are adamant that “using the profit motive and the tools of corporate strategy to address social problems, a practice that is growing rapidly in part motivated by the shared value concept, can contribute greatly both to the redemption of business and to a better

world” (Porter & Kramer, 2014: 150). In other words, there is corporate salvation to be found in value creation.

In sum, the notions of strategic CSR and CSV are certainly open to different types of interpretations. However, ideologically speaking the reasoning supporting these notions embody many of the distinguishing features of neoliberalism (as we have defined it). In terms of the ordering of liberal priorities, neoliberalism puts *individuality* and *progress* first in the sense that it strongly emphasizes the need for individual ingenuity, creativity and strategy to advance economic progress, growth and prosperity. Neoliberalism thus substitutes the political concerns of classical liberalism regarding individual freedom rights (*liberty*) with instrumentalism: effectiveness and social impact. The focus is on opportunity, accomplishment, high performance – underpinned by economic *rationality* (albeit with a broader outlook) and the tools of corporate strategy. Classical liberalism’s naturalized view of economic exchange is substituted with a more operational and hands-on focus on competition, competitive advantage and new business models, products and markets. The ultimate goal is to build a stronger and more competitive economy that is better equipped to deal with social and environmental issues. Importantly, *sociability* is conditioned upon economization of the social: Not only CSR, but also government and civil society are collapsed into the economic realm of the market, subjecting all social action to the tribunal of cost-benefit analysis and economic value creation – with little attention paid to democratic issues, equality, redistribution or altruism. Economic performance (creation of shared value) is made the salient measure of the societal worth and legitimacy of business, and government is given an active (facilitating) role to play as enabler of business-driven corporate responsibility. It goes for the functioning of business as well as government that adherence to market principles can best serve *the common good*. Classical liberal concerns and

antagonisms regarding *pluralism* are thus gone. Corporate power is seen as a force for good and rendered unproblematic.

Porter & Kramer's work on strategic CSR and CSV stands as "a self-assured and unapologetic take on the positive prospects of merging responsibility and development with value creation, competitiveness and growth" – while downplaying conflicts and tensions between business and society, risks and adverse effects. Hence, they "promote an economic 'truth' of CSR that promises alignment of economic and social objectives and sells itself on being more focused and productive than the alternatives" (Vallentin & Murillo, 2019: 53).

### RE-EMBEDDED LIBERALISM

As a pushback against economic globalization and the rise of the multinational enterprise over the last 20-30 years, a new normative discourse has emerged from the end of the 1990s and onwards that goes beyond the nation state as explicit or implicit reference point and seeks to (re-)embed corporate responsibilities in international principles, global governance regimes, multi-stakeholder initiatives and deliberative democratic processes. This discourse builds on a strong globalization thesis, it evokes a post-Westphalian world order or a post-national constellation (Scherer & Palazzo, 2011), and focuses primarily (but not exclusively) on trans- or multi-national corporations with a special focus on the need to address and alleviate governance gaps and regulatory vacuums. John Ruggie has played a crucial role in giving form and substance to this form of re-embedded liberalism. As Assistant Secretary-General of the United Nations from 1997-2001 he was instrumental in establishing the UN Global Compact and launching the UN Guiding Principles on Business and Human Rights. Most recently, the UN Sustainable Development Goals have played – and continues to play – a vital role in establishing a shared language and common set of goals involving business and supporting sustainable development globally.



While re-embedded liberalism has been brought to bear in the development of social institutions, it has, in parallel, been theorized as a particular space for the responsabilization of business. Ruggie himself has contributed to the theorizing of this form of embedding, speaking for instance of the constitution of a *global public domain* (Ruggie, 2004). Theoretically, however, the most substantial efforts have centered on notions of *extended corporate citizenship* (Crane, Matten & Moon, 2008; Matten & Crane, 2005) and, in particular, *political CSR* (Scherer & Palazzo, 2007, 2011). Scherer & Palazzo have laid the ground for a rich stream of research exploring and contesting the boundary conditions and political implications of political CSR (Banerjee, 2018; Ehrnström-Fuentes, 2016; Hussain & Moriarty, 2018; Mäkinen & Kasanen, 2016; Mäkinen & Kourola, 2012; Scherer, 2018; Scherer, Rasche, Palazzo & Spicer, 2016; Schrempf-Stirling, 2018; Whelan, 2012). That being said, re-embedded liberalism as presented here has affinities with a variety of research themes, including CSR and globalization (Berger-Walliser & Scott, 2018; Haque & Azmat, 2015; Scherer, Palazzo & Matten, 2009), global justice (Arnold, 2013), social responsibilities of multi- or transnational enterprises (Detomasi, 2015; Yeganeh, 2019), global governance (Eberlein, 2019; Fritsch, 2008), private regulation (Vogel, 2010), and multi-stakeholder initiatives (de Bakker, Rasche & Ponte, 2019; Soundararajan, Brown & Wicks, 2019). Overall, the research supporting re-embedded liberalism represents a democratic pushback against the marketization of corporate responsibilities and, more broadly, the instrumental urges of corporate capitalism (Gond, Palazzo & Basu, 2009). Re-embedding signifies democratic (re)capture of spaces that have otherwise been captured by economic forces.

Political CSR and extended corporate citizenship, as reflections of re-embedded liberalism, share a focus on, again, large multinationals and argue that such firms often operate under conditions where laws and regulations are absent, weak and/or poorly enforced and that they are therefore drawn into political roles where they perform tasks that are

normally associated with the state, such as provision of public goods (Ruggie, 2018). The politics of political CSR are thus associated both with an empirical observation that companies are assuming state-like roles and a theoretical claim that the globalization of the economy along with the rise of the multinational corporation call for a politically enlarged conceptualization of CSR (Scherer & Palazzo, 2007).

For theoretical underpinning Scherer & Palazzo turn to Jürgen Habermas' theory of deliberative democracy (Habermas, 1998), which, they argue, can serve to embed corporate responsibilities in processes of democratic will formation involving and giving rights to, in particular, civil society organizations. According to Scherer & Palazzo (2011), a number of developments in the (global) governance of business lend support to this normative conception. Among these are transitions from national to global governance, from hard law to soft law and from liability to social connectedness. Most importantly, for our purposes, they argue for a shift from liberal democracy to deliberative democracy in what they see as a change in the societal foundation of CSR. In making this argument they are associating the liberal model of democracy with a strict separation of political and economic realms (akin to Friedman's dichotomous view). Against this, they propose to build an alternative model of democratic politics that is able to overcome the public-private divide by embedding business in processes of democratic will-formation (Scherer & Palazzo, 2011 – see also Sabadoz & Singer, 2017). This model of more inclusive and direct democracy is meant to strengthen ties between political and economic power and public deliberation. It entails a politization of business that is now supposed to help alleviate or solve societal problems in collaboration with state and civil society actors. The deliberative concept of CSR is meant to enhance the legitimacy and credibility of corporate action through “the scrutiny of open public debate, review, and determination” (Scherer & Palazzo, 2007: 1112 – see also Mena & Palazzo, 2012, on the input and output legitimacy of multi-stakeholder initiatives). Among the

preferred examples of political CSR in action, they include multi-stakeholder initiatives such as the Forest Stewardship Council and the Marine Stewardship Council (Scherer & Palazzo, 2007).

This form of embedding, without recourse to hard and binding law has to rely on soft law, soft power and the good will of powerful corporations when they engage in democratic exchanges with much weaker counterparts. However, in response to various critics (Mäkinen & Kasanen, 2016; Mäkinen & Kourola, 2012; Whelan, 2012), it has recently been acknowledged that the state and government regulation have significant roles to play even within the purview of political CSR (see also Schrempf-Stirling, 2018). Scherer, Rasche, Palazzo & Spicer (2016) speak of the misunderstanding that political CSR considers “government regulation ‘old fashioned’ (...) and tries to impose private regulation as an ideal.” They continue: “PCSR makes no normative claims about the superiority of soft law over hard law. However, the debate on PCSR might have been too skeptical with regards to governmental regulation both on a national and international level and too much focused on soft-law initiatives and the significance of private authority” (Scherer et al., 2016: 283-284).

In sum, re-embedded liberalism (as conceived through the lens of political CSR) is centered on the *sociability* of big business and on *pluralism* as a matter of ensuring inclusion of civil society interests. The concentrated and unregulated power of MNCs/TNCs being a fundamental concern. *Progress* is defined exclusively in democratic terms. More specifically, in terms of businesses being engaged in and committed to processes of direct democracy and public deliberation supporting legitimacy. Against the hegemony of economic *rationality* and instrumentalism, re-embedded liberalism argues for democratization of social and economic relations, thus giving primacy to global democratic or civil values. Re-embedded liberalism has a role to play for government as promoter and facilitator of international principles and global governance. Moreover, as we have seen, it is acknowledged that the role of

government as regulator needs to be taken into account – even within the purview of political CSR. That being said, re-embedded liberalism still defines *the common good* in terms of democratic participation first and foremost, with *liberty* and *individuality*, and thus individual freedoms, being subject to social processes of public deliberation.

## DISCUSSION AND CONCLUSION

The work of Freeden, Ruggie, Polanyi and Foucault has provided a conceptual frame for exploring the development of CSR as a phenomenon rooted in ideological precepts. We have argued that there are ruptures, movements, reorientations worth accounting for within liberalism and that economic liberalism is not just one and the same thing in regard to CSR. Table 1 provides a summary and systematic comparison of the key findings of our ideological mapping.

[INSERT TABLE 1 HERE]

While this allows for reflection on the four positions as ideal or pure types, there are obviously many ways in which theoretical and practical applications combine insights from different positions and thus assert some level of ‘ideological infidelity’ and involve a blurring of boundaries. Looking for dynamic interactions, we find both relations of divergence and convergence between ideological positions in the contemporary CSR landscape.

We find some relatively straightforward instances of convergence on both sides of the aisle, so to speak. Embedded liberalism converges with re-embedded liberalism through the medium of global supply-chains (Bhatia & Makkar, 2020; Boyd, Spekman, Kamauff & Werhane, 2007; Lund-Thomsen & Lindgreen, 2014): When home country corporate responsibilities (in developed nation states) invariably intersect with host country

responsibility and development issues (in developing countries). This involves discussions of whether or how home country norms of responsibility should also apply to host countries. Besides, as we have seen, re-embedded liberalism converges with embedded liberalism when the continued significance of the state as regulator, driver and facilitator of CSR and sustainable development is recognized – alongside the workings of globalization, civil society organizations and multi-stakeholder initiatives. This is a two-way relationship in the sense that nation state policies increasingly have a broader geopolitical scope, government support of the UN Global Compact and the UN Sustainable Development Goals being cases in point. Knudsen & Moon (2017) show how governmental CSR policies are partly embedded within global forces, thus suggesting that the institutional brand of embedded liberalism is converging with the globalism and democratic ideals of re-embedded liberalism.

Classical liberalism converges with neoliberalism when the shareholder value paradigm is made to accommodate demands and expectations regarding responsibility and sustainability, while maintaining an instrumental focus on material indicators and financial returns. In finance, this is reflected in developments regarding sustainable finance and ESG (environment, social, governance) investment (Bril, Kell & Rasche, 2021; EU High-Level Expert Group on Sustainable Finance, 2018). In our mapping, neoliberal financialization combines elements of classical liberalism and neoliberalism, with the former providing the axiomatic preoccupation with shareholder value maximization and the latter providing the vigilant urge to appropriate CSR and sustainability by financial means. Importantly, the workings of the EU Taxonomy and current and future regulation of non-financial disclosure in Europe cannot be contained solely within the categories of classical liberalism and neoliberalism. Non-financial reporting and the demands and expectations of the investment community are gaining significance as social mechanisms driving sustainable development (Schneider & Scherer, 2019), leading some professionals to consider the ESG concept as a

replacement for CSR or corporate sustainability. However, this development, which is taking place both at national and supranational levels (Giamporcaro, Gond & O'Sullivan, 2020), also lends itself to embedded liberalism interpretations as growth in and awareness regarding ESG investments are increasingly intertwined with government regulation aiming for greater transparency and comparability in support of more effective channeling of investment capital into the green transition (see Lagoarde-Segot & Paraque, 2018, on the re-embedding of finance in the socioeconomic realm).

Moreover, classical liberalism converges with neoliberalism when the work of Porter & Kramer and other supporters of win-win and Doing Well by Doing Good is considered as 'updated Friedman' or 'Friedman with a softer touch', reflecting a more modern form of economic liberalism that is better attuned to present market and social realities. This is the convergent argument. It was, however, never Friedman's argument. Until the end of his life he maintained that the primary moral responsibility of corporate managers is towards their shareholders, and that any managerial action that would have a negative impact on shareholder return is immoral (Bakan, 2004, chapter 2). Indeed, the hardline version of classical liberalism stays a more divergent and antagonistic course and continues to reject positive notions of CSR across the board. When market failures are addressed, regulatory failure is a favored pivot, and CSR is presented as either irrelevant (when market-aligned) or dangerous (when not). Win-win is considered as a pipe-dream and/or as having limited application and relevance (Crook, 2005; Karnani, 2011).

Classical liberal divergence is also reflected in wholesale rejections of climate change and sustainable development as products of a left-wing conspiracy, echoing Friedman's earlier antagonism (see Hoffmann, 2012, on how climate change is engulfed in the 'culture war' between liberals and conservatives in the US). There is an element of *déjà vu* over recent developments in this space in the United States in particular. They are reminiscent of

the polarized debate over social responsibility that took place in the US in the postwar years between Keynesians and supporters of free market capitalism (see Kaplan, 2014). Once again, CSR is associated with tropes of socialism (slippery slope, Trojan horse) and with the intrusion of big government in the market economy. This time, the hardened rhetoric is arguably fueled by the climate change issue and how sustainable development is emerging as a government-driven agenda, involving a high level of social and economic planning. Not to mention the COVID-19 crisis and how the pandemic, for better or worse, has provided a large-scale affirmation of the primacy of government intervention in dealing with grand societal issues. A concrete target of current classical liberal critique is stakeholder capitalism as a model of governance, not least following the Business Roundtable *Statement on the Purpose of a Corporation* (2019). Friedman's earlier concerns about analytical looseness and lack of rigor are now reflected in efforts to expose stakeholder capitalism as a perhaps well-meaning but ultimately diffuse idea that is lacking both in terms of economic sense and democratic accountability and therefore can have negative consequences for businesses as well as society. The adoption of principles of stakeholder governance may turn out to make corporate owners as well as the broader range of corporate stakeholders worse off than the orthodox alternative: shareholder governance (*vis-à-vis* Jensen, 2002). So the classical liberal argument goes.

This takes us to the contemporary 'battle of ideas' between neoliberalism and re-embedded liberalism. This is not only – or primarily – a matter of defining what CSR is or ought to be. It is a battle over the very fundamentals of sustainable development. Efforts to support the UN Sustainable Development Goals provide an illustrative battle ground. The goals are, on the one hand, presented as “a compelling growth strategy for individual businesses, for business generally and for the world economy” (Business & Sustainable Development Commission, 2017: 11). This is a clear-cut example of how the neoliberal

imagination gives primacy to the economic pillar (over the social and environmental pillars). On the other hand, delivering on the goals is seen to involve democratic and multi-stakeholder engagement “across the public sector, the private sector, civil society, government, individuals, academia, research centres, foundations, and so on. People from every part of society must be involved” (Sachs, 2015: 496). The neoliberal market logic is pitted against the call for global democracy, democratic participation and deliberation, but there is more than divergence to the interaction. While re-embedded liberalism is sustained by scepticism toward instrumentalism and concerns regarding the power of multinational enterprises, value creation as an economic driver of development is embraced by many civil society organizations. This again points to the allure of neoliberalism and its ability to downplay tensions between economic and social interests.

To conclude, it would be anathema to the preoccupation with ideology to suggest that the political battle over CSR is in any way fixed or settled. We acknowledge that there can be other forms of ideological conflict or opposition defining the rules of engagement in particular contexts. Our deductive approach can indeed be supplemented by more inductive and open-ended approaches. However, our mapping of ideologies at the level of theoretical discourse can serve as a starting point and backdrop for exploration of other forms of ideological difference in the theory and practice of CSR. Hence, there is a need for studies of the politics and ideology of CSR and corporate sustainability beyond the confines of liberalism and liberal democracies in the global north – and the biases and blind spots that accrue to these points of orientation. Looking at illiberal, authoritarian, state-driven developments regarding CSR and sustainability in China and other emerging markets (Yin & Zang, 2012) are good starting points.

Our paper is a call for researchers to acknowledge and reflect on the – often implicit – ideological roots of normative as well as instrumental and empirical approaches to CSR. This



leads us, in closing, to the classical quote from Keynes' *General Theory*: "Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist. (...) I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas" (Keynes, 1964: 383). Speaking of corporate responsibilities, the defunct economist may be Bowen, Friedman, Hayek, Keynes himself – or Marx.

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**Table 1: Varieties of Liberalism in Overview**

	<b>Embedded liberalism</b>	<b>Classical liberalism</b>	<b>Neoliberalism</b>	<b>Re-embedded liberalism</b>
<i>Fundamental concern</i>	Integration of business and society	Individual freedom. Private property rights	Economic development, growth and prosperity	Democratization of social and economic relations
<i>View of responsibility</i>	Voluntary social commitment	Profit maximization	Value creation and competitive advantage	Voluntary political engagement
<i>Value(s) Orientation</i>	Societal or stakeholder values	Shareholder value	Shared value	Global democratic or civil values
<i>Moral Orientation</i>	Moralization of managerial action and/or rule-following	Moralization of the economic purpose of business		Moralization of public deliberation
<i>Mode of (dis)embedding</i>	Socially embedded market economy	Disembedding of markets	Economization of the social	Democratic re-embedding of transnational business
<i>Democratic / market rationality</i>	Liberal democracy	Market exchange	Competition	Deliberative democracy
<i>Geo-political orientation</i>		National	National/Global	Global (and national)

<i>Sociability, serving the common good</i>	Responsiveness, compliance, stakeholder governance	Shareholder governance; Executive compensation schemes	Innovation, social impact	Democratization of corporate capitalism. Inclusion of civil society
<i>View of power (in regard to CSR)</i>	Corporate power commensurate with broader social responsibilities	Corporate power (beyond the market) as problem of societal pluralism	Corporate power as a force for good (rendered unproblematic)	Power of MNCs as global political concern
<i>Role of government (in regard to CSR)</i>	Government as democratic provider and promoter of rules and norms	Government as minimalist arbiter of rules-of-the-game / ethical custom	Government as enabler of business-driven corporate responsibility	Government as promoter of international principles and global governance
<i>Popular labels</i>	CSR (mainstream), corporate social responsiveness, stakeholder capitalism	‘The business of business is business’, shareholder capitalism	Creating Shared Value (CSV), strategic CSR, corporate social performance (CSP), business case, DWDG	Political CSR, extended corporate citizenship
<i>Key contributions</i>	Bowen (1953), Davis (1960), Preston & Post (1975), Frederick (1978), Freeman (1984), Matten & Moon (2008, 2020)	Friedman (1962, 1970), Hayek (1960a), Jensen & Meckling (1976), Henderson (2001), Porter & Kramer (2002), Karnani (2011)	Porter & Kramer (2006, 2011), Margolis & Walsh (2003), Orlitzsky, Schmidt & Rhynes (2003), Vogel (2005), Pelozo (2009)	Scherer & Palazzo, (2007, 2011), Crane; Matten & Moon (2008), Ruggie (2004), Scherer, Rasche, Palazzo & Spicer (2016)
<i>Theoretical support (disciplines, research streams)</i>	Keynesian economics, economic sociology, moral agency, stakeholder theory, institutional theory	Neoclassical economics, agency theory, rational choice theory, Theory of the Firm	Organizational economics, competitive advantage, industry- and resource-based view of corporate strategy	Globalization studies, deliberative democracy, global justice, global governance, private authority