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Für den Inhalt der Papiere sind die jeweiligen Autor verantwortlich.

# **CORPORATE SOCIAL RESPONSIBILITY: A PERSPECTIVE FROM WEBERIAN ECONOMIC SOCIOLOGY**

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*Answering the call for a new theoretical approach to Corporate Social Responsibility (CSR), this paper makes a suggestion from a Weberian perspective. It briefly appraises the existing research on CSR and develops key points of a new approach based on their criticism. Suggesting that CSR is a discourse about the role of the economy in society, it discusses whether a suitable new approach for the analysis of CSR can be found outside of economics and business ethics. It is argued that Max Weber's economic sociology and particularly his concept of ideal interests offer an appropriate framework. This framework is developed from Weber's theoretical writings and demonstrated to be used by him to analyze processes of change in the role of the economy in society. The paper then outlines how an analysis of CSR could be carried out building on an ideal interests-framework. It is suggested that such research would significantly advance the understanding of central, yet under-researched elements of CSR. Finally, I argue that the proposed research has the potential of contributing insights to action theoretical questions of modern economic sociology.*

## **Keywords**

*Corporate Social Responsibility, Economic Sociology, Role of the Economy in Society, Max Weber, Protestant Ethic, Ideal Interests, Theory of Action*

## **INTRODUCTION**

In civil society as well as in government, the question whether businesses should be required to take non-economic results of their action systematically into account has been much discussed for decades. Over the recent years however, the empirical importance of the phenomenon has also clearly grown as ever more corporations adopt voluntary practices of socially responsible management. Finally, the global financial and economic crisis has given renewed urgency to the discussion about responsible conduct of business. Despite these developments and the fact that Corporate Social Responsibility (CSR) has been the subject of a long tradition of academic inquiry, research of CSR has not advanced significantly lately. In fact, a series of recent studies highlights the importance to develop different theoretical approaches to CSR than those primarily employed so far (e.g. Lee 2008; Scherer & Palazzo 2007; Margolis & Walsh 2003). In this paper, I seek to add to this quest for a new approach to CSR and will explore the possibility to develop a framework for the analysis of CSR based on economic-sociological theory. I shall do so in three steps. First, I review the existing literature on CSR and develop the core features of the desired framework. I will then try to identify a theory within economic sociology that fulfills these requirements. Finally, I will outline how such a new framework for the analysis of CSR might further our understanding of what CSR is and whether it causes changes in economy-society relations.

## THE DEVELOPMENT AND CURRENT STATE OF CSR RESEARCH

There have been extensive reviews on Corporate Social Responsibility (CSR) research over the recent years (Carroll & Shabana 2010; Lee 2008; Scherer & Palazzo 2007; McWilliams, Siegel & Wright 2006; Margolis & Walsh 2003; Orlitzky, Schmidt & Rynes 2003; Carroll 1999). I will thus not attempt to add to this already mature work. Instead, I shall be content with restating some of the core findings in order to provide orientation. In my following brief description of the field, I will make use of the influential distinction between approaches to CSR based on normative ethics and instrumental or descriptive/empirical approaches that was introduced by Donaldson & Preston (1995).

### Normative approaches

The research tradition in CSR based on normative ethics deals primarily with the question why corporations *should* act responsibly (Jones 1995). Scholars contributing to this stream of research have described its goal as developing an alternative to the dominating neoclassical definition of the role of business in society that was formulated in the utilitarian/libertarian tradition (Preston 1975; Jones 1995; Margolis & Walsh 2003; Scherer & Palazzo 2007). The core idea of such a new paradigm for the role of business in society was already expressed by Davis (1960) as the need for a correlation between a corporation's scale of influence and the scope of its responsibility. The first successful formalization of that idea was the so-called Corporate Social Performance Model which interpreted corporate *financial* performance (CFP) and corporate *social* performance (CSP) as parallel rather than contradictory goals of corporations (Carroll 1979).

However, only the development of stakeholder theory enabled sufficient delineation of the social responsibilities of a given corporation to allow for its operationalization and empirical testing of assumptions (Lee 2008). While the economic theory of the firm only recognizes the legitimacy of shareholder interests, 'any group or individual who can affect or is affected by the achievement of the organization's objective' was considered a stakeholder (Freeman 1984, p. 46), thus giving legitimacy to the demands of various groups (Clarkson 1995; Donaldson & Preston 1995; McWilliams & Siegel 2001). The search for a 'normative core' (Freeman 1994, pp. 413-414) that answers the question why a corporation *should* care for all stakeholder groups beyond instrumental arguments however is ongoing. Attempted solutions to this question have been developed based on such diverse approaches as feminist theory (Wicks et al. 1994), property rights and human rights (Donaldson & Preston 1995), integrated social contracts theory (Donaldson & Dunfee 1994), and theories of fair contracts (Phillips 1997). This lack of consensus and the conviction formulated by Freeman (1999, p. 235) that without instrumental reasoning it would be difficult to convince corporate managers to engage in CSR, contributed to all but an abandoning of normative research on CSR (Margolis & Walsh 2003; Lee 2008).

### **Instrumental approaches**

Instrumental and descriptive/empirical approaches to CSR are primarily dealing with the questions what kind of CSP can be observed (descriptive), what the results of CSP theoretically and empirically are, and what prescriptions could be generated from such insights (instrumental) (Jones 1995). Most studies using these approaches try to find CSP best practices or empirical and theoretical links between CSP and CFP, which is to say a CSP business case (Carroll 1999; Carroll & Shabana 2010). As Donaldson & Preston (1995) argue, the theoretical groundwrok for these studies was laid out with the advent of stakeholder theory which delivered testable assumptions for the CSP-CFP linkage (instrumental), as well as predictions on how this link could be translated into managed CSP (descriptive). Theoretical progress led to a new wave of empirical studies on CSP-business cases, totaling 68 works in the 1990s alone (Margolis & Walsh 2003, p. 274). One result of those studies seems to be that it is profitable only to attend to those stakeholders that have a direct impact on financial performance, but not to act morally independent of such immediate instrumental deliberations (Berman et al. 1999; Hillman & Keim 2001; Baron 2001, pp. 39-40).

Despite the advances in theoretical and empirical work however, CSR research has yet to produce unambiguous results on the CSP-CFP relationship as multitudes of problems with data quality and measurement continue to exist (Hillman & Keim 2001; Orlitzky, Schmidt & Rynes 2003; McWilliams, Siegel & Wright 2006; Carroll & Shabana 2010). Another sub-stream of research called strategic CSP is more directly concerned with identifying and descriptively highlighting CSP best practices (Lee 2008 p. 62). The main theoretical work behind this are results of studies that instrumentally describe the positive reputation effects of CSP (Orlitzky, Schmidt & Rynes 2003, pp. 426-27). These practical approaches range from describing how reputation from strategic philanthropy induces competitive advantages (Porter & Kramer 2002), and how CSP-reputation increases employer branding (Turban & Greening 1997), to how designing products for the poorest of the poor generates CSP while simultaneously opening up new markets (Prahalad & Hammond 2002). In these latter approaches to CSR, generating CSP is fully a strategic investment decision, the scale of which is determined by the necessities for competitive differentiation and market forces (McWilliams, Siegel & Wright 2006; Baron 2001, pp. 41-42).

### **Critique of CSR research**

Growing criticism has been directed at the normative and instrumental research traditions on CSR (jointly referred to as “classical approaches” hereafter). First, the overall theme of pursuing an integration of normative and instrumental approaches is problematic due to the divergent theoretical assumptions (Scherer & Palazzo 2007, p. 1098; Gioia 1999, p. 230). However, even those CSR scholars that are working strictly normatively are confronted with the inability of theoretical ethics to identify any one particular approach as superior on merely theoretical grounds (Scherer & Palazzo 2007, pp. 1102-03; Windsor 2006, pp. 97-98). But without a clear answer, normative approaches to CSR remain appeals of which ‘the recommendation to managers seems to be “behave morally and (...) profitably (...) simultaneously”’ (Gioia 1999, p. 231).

On the other hand, the hold that instrumental reasoning has on contemporary stakeholder theory has led some scholars to argue that, rather than a serious challenge to the neoclassical definition of role of business in society, stakeholder theory has become an extension of it (Walsh 2005, pp. 446, 450). With the instrumental perspective dominating the academic discourse on CSR, research on the issue is in danger of sanctioning corporate strategies that attend only to those stakeholders which are powerful enough to make their voices heard (Scherer & Palazzo 2007, p. 1099). The focus on finding empirical and theoretical proof for the positive CSP-CFP relationship thus ultimately reduces the contribution of research to answering the question whether CSP pays off financially (ibid, p. 1100). In trying to bridge the immanent tension between the social and economic demands that confront businesses, instrumental approaches seem to fail to recognize the complexity of CSR (Margolis & Walsh 2003, p. 280; Scherer & Palazzo 2007, p. 1100; Lee 2008, pp. 64-65). Scholars have also argued that research on CSR has so far paid too little attention to the institutional conditions of CSP (Campbell 2007, pp. 946-47), especially when it comes to the international differences in CSR and CSP (Matten & Moon 2008; Aguilera et al. 2007; Maignan & Ralston 2002).

More recently, a series of new studies on CSR that are mostly based on the new institutionalism in organizational studies (NIOS) emerged (Lee 2008. For an overview of the NIOS, see DiMaggio & Powell 1991). NIOS frameworks seem to lead to interesting new insights that partially tackle the above criticism of more traditional approaches to CSR. Their application highlights how different ownership structures influence CSP (Johnson & Greening 1999; Campbell 2007, p. 961), or the institutional effects of different cultural traditions on CSR and CSP (Matten & Moon 2008). Another interesting feature is that these new studies allow for the understanding of corporate legal compliance as the internalization of values and an adoption of cognitive frameworks rather than as attempts to avoid legal sanctions (Edelman & Suchman 1997, pp. 496-97). In industries with low CSP-standards and the possibility to imitate CSP, NIOS frameworks show that industry internal isomorphism may become a dominant motivation of corporate conduct (Aguilera et al. 2007). NIOS studies also put an emphasis on how the altering of cognitive frameworks through internationally differing normative institution impacts CSP and CSR, as well as on the development of such frameworks in higher education and research (Campbell 2007, p. 959). However, while the focus of NIOS frameworks on modeling effects of social networks on economic action allows them to explain the influence of existing institutions on organizations, they fail to attend to the question of how institutions themselves change (Dorado 2005, p. 385).

## AN APPROACH TO CSR FROM ECONOMIC SOCIOLOGY

Taken together, the above critique directed at classical approaches to CSR is substantial. This has led some scholars to demand a fresh start in CSR research (Margolis & Walsh 2003; Scherer & Palazzo 2007; Lee 2008), arguing for example that „it is about time to renew the basic research in CSR ... [in order to go] beyond the current state of seeking evidence for the financial rewards of CSR” (Lee 2008, p. 65). At the same time, new approaches that are based on NIOS frameworks have their own weaknesses. In the following I argue that it is worthwhile taking a closer look at the criticism that classical CSR research has drawn in order to identify starting points for an alternative approach. Based on the critique, there seem to be the following three points in which a new research would need to conceptually be developed beyond classical approaches.

First, one should acknowledge that CSR is a phenomenon that is rooted in a conflict of values (Margolis & Walsh 2003). From this perspective however, any attempt to convince by the force of moral argument (normative approaches) is “wasting everyone's time” (Tetlock 2000, p. 23). On the other hand, instrumental approaches implicitly accept the normative propositions underlying neoclassical economics (Scherer & Palazzo 2007). Gioia (1999, p. 231) thus argues that, instead of trying to eliminate this conflict of values empirically or theoretically, the tension lying in it should be accepted as a starting point. Interpreting CSR as a value conflict also renders intelligible the fact that classical approaches have largely failed to achieve their respective goals of proving a CSR business case (instrumental approaches) or developing a new paradigm for the role of business in society (normative approaches). Acknowledging the underlying value conflict, I thus argue that research would benefit from a non-normative and non-instrumental approach to CSR that, instead of overtly or implicitly promote one side of the moral argument, focuses on understanding what CSR actually *is*.

The second issue is that, except for very few studies,<sup>1</sup> the role of institutions and institution-actor interplays has been largely absent in CSR research. However, the explanatory power of classical approaches seems to be clearly hampered by their disregard for institutional effects, while the neglect of interests-based action has the same effect when it comes to NIOS frameworks. This paper will thus suggest that CSR might be analyzed more fruitfully with a dialectical framework that can capture the interplay of actors and institutions. The central object of investigation would thus be individual decision making while simultaneously accounting for complex social phenomenon and their influences on those decisions (Lee 2008, p. 65; Margolis & Walsh 2003, p. 283). Such an approach would use “middle range theories” (Merton 1968, p. 68) to explain contiguous changes in actors and their institutional environment.

To a certain extent, the third point derives from the second: If the focus is on actors and institutions, the question arises whether framing CSR as being about the role of *business* in

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<sup>1</sup> See however Campbell (2007) as well as Aguilera et al. (2007) who are emphasizing these aspects.

society is still appropriate. I argue that this understanding leads to an improper focus on organizations as the primary level of analysis. Rather, I believe that for research to advance it is necessary to interpret CSR as a *discourse* about the *role of the economy in society* more broadly. This framing of CSR allows for two crucial expansions of its analysis. First, the value-judgments cast by present CSR research (Margolis & Walsh 2003) can be accounted for as part of such a discourse. And second, it widens the perspective in that it suggests that the modern capitalist economic system is one of many possible historical and culturally conditioned configurations of that role.

With the above deliberations, the goal of this paper can be stated more precisely. It will attempt to outline a new approach to CSR which is non-normative and non-instrumental (1), that can account for actor-institution interplays (2), and that analyses CSR at as a discourse about the role of the economy in society (3). Such an approach is clearly beyond the realm of neoclassical economic theory which arguably fails to fulfill the first two criteria, and certainly does not regard the capitalist system as culturally conditioned but as a natural given. In the following I shall argue that a framework with these characteristics can be found in economic sociology however.

### **Modern economic sociology**

While there has been a historical period between the 1920s and 1980s in which sociological studies of the economy were rare, questions of economic sociology are high on current sociological research agendas (Granovetter 1985; Swedberg 2004; Smelser & Swedberg 2005). New Economic Sociology (NES) (Smelser & Swedberg 2005, pp. 14-19) was formulated both as a critique of the explanation of institutions as efficient solutions to coordination problems in new institutional economics (NIE), as well as in dissociation from the older institutionalism in sociology that is mainly identified with a functionalist interpretation of institutions (Swedberg 1991, 1997; Greenwood & Hinings 1996; Barley & Tolbert 1997; Nee 2003; Dolfsma & Verburg 2008). The two overarching concepts in NES today are the embeddedness approach and the field approach (Swedberg 1997, 2004). Through these approaches, NES stresses the importance especially of networks for rational decision making of individuals and their cultural embeddedness, and describes how organizations seek legitimacy through adapting to existing forms in their organizational field in order to gain better access to resources (Swedberg 1997, 1998, 2003c; Greenwood & Hinings 1996, pp. 1025-25; Barley & Tolbert 1997, pp. 95-96; Nee 2003, pp. 22-23, 50). An important school of research in NES is the New Institutionalism in Organizational Studies (NIOS) mentioned above (DiMaggio & Powell 1991). New NIOS approaches theorize individual actions, for instance by modeling actors as active „change agents” (Seo & Creed 2002, p. 241). Those are forced out of their role as passive recipients by intra-institutional contradictions and start to actively redesign organizations and institutions (ibid pp. 236-239). Other approaches explain changes in institutions by ascribing different modes of consciousness to actors that range from routine to strategic, with the concrete state being determined by the amount of intersecting institutional fields and the degree of their institutionalization (Dorado 2005).



In many ways, economic sociology thus presents itself almost a natural starting point for the analysis of CSR understood in the above way, as its theory deals exactly with questions of economy-society relations. Modern economic sociology also seems well equipped theoretically, as it offers frameworks that explain both behavior and institutions non-instrumentally. However, NES has its weaknesses when it comes to individual action and actor-institution interplays. Despite having developed very interesting concepts in both the embeddedness and the field approach, those are dealing with the question of how actions are structured by social relations and institutions, rather than with causes of action (Swedberg 2004; Nee 2003). This weakness of NES is mainly associated with the lack of an own theory of action (Coleman 1986, 1994, 1990, pp. 13-265; Swedberg 2003c, pp. 44-45; Seo & Creed 2002, pp. 226-230). Promising items of inquiry in this regard have been identified with a broader sociological definition of rationality and interests compared to the Homo Oeconomicus model as well as in an integration of existing insights regarding the effects of social relations and institutions on such individual action (Swedberg 2004; Nee 2003). Particularly the concrete relationship between actors and institutions as well as the way the latter ones change continue to be central for future research (Seo & Creed 2002; Dorado 2005). Newer NIOS frameworks try to overcome some of these issues and could thus have much more explanatory power regarding the phenomenon of CSR (Lee 2008, p. 67). However, I hold that the causes of individual action and actor-institution interplays are so central to analyzing CSR as to suggest that NES with its main focus on social structure or NIOS with its organizational level of analysis do not offer fully appropriate frameworks. Rather, I suggest that to find inspiration for a more suitable approach, recourse to older thought might be fruitful.

In the following, I attempt to argue that the basis of framework for the analysis of CSR as it was outlined above can indeed be found in the *old* economic sociology of Max Weber. Turning to the thought of Weber is not unfounded, as one of the leading scholars in modern economic sociology argues that Weber's economic sociology still holds many promises (Swedberg 1998, 2002, 2003a, 2007). In many aspects, Weber's thoughts are very much compatible with modern economic sociology, and in some they can even be regarded as more advanced. This is primarily the case when it comes to inner consistency of his theory of action, his notions of rationality, of "orientation to" (*Orientierung an*), and of interest-based institutions, as well as of material and ideal interests (Swedberg 1998, pp. 165-170; 2003a, pp. 291-294). Weberian theory thus seems to offer particular strengths in some of those areas in which NES and NIOS seemed to be unsatisfactorily equipped to offer a framework that is suitable for the analysis of CSR. This suggests that his economic sociology might be a promising starting point in the quest for frameworks which support the renewal in basic CSR research that is currently aimed for. Hence, the next section will seek to identify those aspects of Weber's theory that could be relevant to such an undertaking.

### **In search of a framework: Max Weber's *Economy and Society***

In searching for universally applicable frameworks in Weber's writings, one has to turn to *Economy and Society (E&S)*, his great volume on theoretical sociology. Only in this publication can a theorizing Weber be found who engages in pure construction of ideal types without considering historical empirical facts (Weber 1976, pp. 9-10, 14, 63). In *E&S*, Weber develops his theory of action and institutions, that is to say his economic sociology (Smelser & Swedberg 2005, p. 9). The starting point of Weber's analysis is always the individual (Weber 1973, p. 439; Swedberg 1998, p. 23, 2003a, p. 294). For Weber, social action is the action of individuals which is oriented to others, thus gaining its social dimension (Weber 1976, p. 1).<sup>2</sup> It is essential for the argument presented here to note that all subsequently discussed social constructs that Weber uses, including organizations and institutions, are the results of such individual social action (Kalberg 1980, p. 1161; Smelser & Swedberg 2005, p. 4). Theory construction for Weber thus becomes to interpretively understand (*verstehen*) the meaning of social actions, assuming that they are consciously meaningful (Weber 1976, pp. 4-5, 10-11. For the concept of "Verstehen" in Weber, see Lachmann (1971, pp. 17-48), cf. Swedberg 2007).

According to Weber's theory, actions can be driven by emotions (affectual action), habits (traditional action), as well as by material (instrumentally rational action) or ideal interests (value-rational action) (Weber 1976, pp. 12-13; Swedberg 1998, p. 23; Kalberg 1980, p. 1148). For the purpose of this paper, only the latter two are of interest. While material interests relate to certain ends which are defined as success, ideal interests relate to ultimate values that demand specific actions for their own sake (*als solchen*) (Weber 1976, pp. 12-13). Ideal interests, conceptualized as psychic premiums that are placed on behavior that corresponds to subjectively believed values, are thus a logically independent driver for action that is different from material interests (Kalberg 1985, p. 46-47). Ideal interests are also socially constructed (Swedberg 2003a, pp. 291-92), and the mechanism through which this happens is discussed next. Ideal interests are thus a non-instrumental explanation for action and seem to be the corner stone of a concept of intertwined change in actors and institutions as it was sought after. But how exactly does Weber model changes in ideal interests and institutions? He does so mainly through two dialectical elements in his theory of action that will - as briefly as possible - be described in the following.

The first is his concept of rationality and rationalization processes (jointly referred to as "rationality" in the following) as it is masterly distilled by Kalberg (1980). "Rationality" is one of the analytical constructs with which Weber typifies "regularities" (*Regelmäßigkeiten*) of social action (Kalberg 1980, p. 1148). As described, action qualifies as social action by being oriented to others. If actions occur that are uniform in their orientation *and* have

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<sup>2</sup> As Swedberg (1998, pp. 23-28) argues, the same is true for economic (social) action which is a subset of social action. It should be noted that while many aspects of Weber's sociology are presented here more generally, they will only be analyzed from the perspective of economic phenomena. This reading of Weber is also shown to be legitimate by Swedberg (2007).

uniform drivers, that is they have the same intended meaning ('gleichartig gemeinten Sinn' (Weber 1976, p. 14)), regularities of action emerge (Weber 1976, pp. 14-15). If instrumentally rational or value-rational actions give rise to a regularity, than this process is conscious and constitutes "rationality" (Kalberg 1980, pp. 1148-48). Four different types of "rationality" exist in Weberian theory: practical, theoretical, formal, and substantive rationality (ibid, pp. 1145-46). Regularities of action may be institutionalized through processes of further formal and substantive rationalization, as well as indirectly through theoretical rationalization, and thereby become "legitimate orders" (institutions) (Kalberg 1980, pp. 1160-61; Weber 1976, pp. 16-20; cf. Swedberg 2003a, pp. 293-94 for equating legitimate orders with the modern notion of institutions). However, only substantive "rationality" is related to value-rational action and thus to ultimate values (Weber 1976, pp. 44-45). It alone can bring about the specific kind of regularities that can be institutionalized as 'methodical ways of life that subjugate the practical rational way of life based on [material] interests,...and reality's stream of disjointed occurrences [to values]' (Kalberg 1980, p. 1165). This is achieved best if the values that the substantive "rationality" relates to have in turn undergone a process of theoretical rationalization which developed them into a unified world view. For Weber, it is only through this process that substantive "rationalities" can be transformed into the methodical ways of life (*methodische Lebensführung*) that establish "psychological premiums" (*psychische Prämien*) on concrete actions conforming to the ultimate values (ibid). The establishment of psychological premiums on abstract ethical values is crucially aided by organizations that translate them into practical values which they expect their members to adhere to (Kalberg 1985, pp. 47-48, esp. fn. 11). If the psychological premiums effectively overwrite material interests, thus subordinating instrumentally rational action, Weber describes the ethic underlying them as a "practical ethic" (Weber 1978, pp. 258-59, 266, 537-38; Weber 1976, pp. 19, 321; Kalberg 1980, p. 1166).

This however means no less, than substantive ethical "rationality" as based on value-rational action that is driven by ideal interests being capable of changing those very same ideal interests. This first dialectical element in Weber's theory of action is central to his analysis of larger processes of societal change (Kalberg 1980, pp. 1169-70). Stability in the system is assured because changes in values, and thus in ideal interests, take long periods of time. The concept of ideal interests reveals that for Weber, action *in general* cannot to be understood solely as an adaption to a given reality in terms of instrumentally rational action (ibid, p. 1170). Rather, ideal interests, and their alterability conceptualized through substantial "rationality", are of great significance for processes of change in society and an integral part of Weberian theory of action and institutions. In this context, one has to read the famous quote by Weber that

Interessen (materielle und ideelle), nicht: Ideen, beherrschen unmittelbar das Handeln der Menschen. Aber: die „Weltbilder“, welche durch „Ideen“ geschaffen wurden, haben sehr oft als Weichensteller die Bahnen bestimmt, in denen die Dynamik der Interessen das Handeln fortbewegte. (1978, p. 252)

If substantive ethical "rationality" forms an overarching dialectical feedback loop that, figuratively speaking, clasps Weber entire action framework, than his concept of "orientation to" constitutes the second, smaller loop. Its core is that for Weber, regularities of action,

“institutions” (*Ordnungen*), and “organizations” (*Verbände*) are *both* the objects and results of such orientation (Weber 1976, pp. 16-20; Swedberg 2003a, pp. 293-94; Kalberg 1980, pp. 1161-62). As regularities of actions become more institutionalized, for example through processes of rationalization, the action-orientation becomes consolidated in a „maxim” (*Maxime*), and Weber calls the result an “institution” (*Ordnung*) (Weber 1976, p. 16). If actions are highly probable to be actually oriented to an institution, that institution becomes legitimate (ibid, pp. 16-17). This legitimacy can be upheld mainly by coercion as well as by internal motives which can include the subjective belief in the legitimacy of that order as an embodiment of ultimate values (ibid, pp. 17-20). For Weber, the legitimacy of institutions can thus be based on ideal interests, even though these might be replaced later on by coercive pressures (ibid, pp 18-19, 17-30). As ideal interests are much less fickle than material interests, the rooting of institutions in them provides stability. For the sake of this paper, this means primarily the following: First that Weber models institutions as based on interests (material and ideal) (Swedberg 2003a, p. 293), second that ideal interests are of continued importance for maintaining the legitimacy institutions after their formation, and finally that action will be oriented to the institutions that are created and sustained in this way (Swedberg 2007, pp. 1045-46).

Taken together, Weber’s theory for the analysis of action and institutions offers an interesting starting point for a framework with the conceptual characteristics that were defined above: It is non-normative as it interpretively analyses individual action and through the concept of ideal interests, it allows for a non-instrumental understanding of actions and institutions (characteristic 1). Those ideal interests are also at the heart of the framework’s dialectical nature that enables it to grasp the interplay between and the change in actors and institutions through middle range theories (characteristic 2).<sup>3</sup> In the following, this framework will be referred to as the “ideal interest framework” or as the “concept of ideal interests”. Given that the phenomena of concern to this paper are of economic nature, ideal interests henceforth always refer to “ideal interests in economic action” (*idelle Interessen am Wirtschaften*). The question that is now of heightened interest, is whether Weber used this framework to analyze specific phenomena that would be comparable to CSR, as it is understood here, that is to say whether he used it to analyze changes in the role of the economy in society (characteristic 3). The following section argues that in his seminal work “*The Protestant Ethic and the Spirit of Capitalism*”, Weber explains how, in a concrete historical case, the role of the economy in society changed based on his in concept of ideal interests.<sup>4</sup>

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<sup>3</sup> See Merton (1968, pp. 63-64), where he admittedly notes that Weber uses middle range theories in „The Protestant Ethic and the Spirit of Capitalism“. See however the next footnote and the concluding section.

<sup>4</sup> It should be noted here that Weber wrote the *Protestant ethic* before *E&S*. Looking at the *Protestant ethic* in this way thus implicitly assumes that Weber had his action framework (at least partially) already in mind when he wrote it. See the concluding remarks of this paper for a brief discussion of this issue. Refer also to Marshall (1982) and Swedberg (1998, pp. 177-203).

### **Changes in the role of the economy in society: Max Weber's *Protestant Ethic***

Weber begins "*The Protestant Ethic and the Spirit of Capitalism*" (henceforth "*Protestant ethic*") with the observation that modern capitalist professions are mainly taken up by Protestants (Weber 1978, p. 18).<sup>5</sup> Eliminating alternative explanations such as disparate historical resource endowment and the minority status of Protestants, he argues that the origins of what he calls the *Spirit of Capitalism* (SoC) which drives people to act in modern capitalist ways must be searched for in the *religious* elements of Protestantism (Weber 1978, pp. 19-29; Hernes 1989, p. 125-28). The *ideal type* of that SoC, Weber asserts surprisingly, is not an attitude that is utilitarian in nature, but a maxim that regards the "act of acquiring wealth" (*Erwerben*) as an "end in itself" (*Selbstzweck*) (Weber 1978, pp. 35-36). As such, the SoC actually opposes consumption of the wealth whose acquisition it supports (*ibid*, p. 55). At the heart of this maxim, which is so obviously irrational from a utilitarian perspective, Weber asserts, is the idea of "professional duty" (*Berufspflicht*) as a conduct of life and a notion of profession that is uniquely adapted to capitalism (*ibid*, pp. 35-37).

Modern capitalism, as Weber goes on to show, could emerge only because certain people started to adopt this notion of professional duty (Hernes 1989, p. 131). This, however, was not achieved easily because they had to overcome the older ideal typical attitude towards economic action (*Wirtschaften*)<sup>6</sup> that was characterized by indifference or even outright hostility in how it viewed *Erwerben* (Weber 1978, pp. 43, 542-66). At that time, Weber asserts, it was only possible to change such traditions by means of theoretically linking a new idea to the notion of the afterlife as the one thing that dominated all human thought (*ibid*, p. 86). He then demonstrates how the Calvinist doctrine of predestination, as well as Protestant ethics more broadly, did exactly that for the case of economic action: it linked attitudes like the ones that Weber defined in the SoC to the idea of the afterlife. This conjunction of SoC and *Heilssuche* is what Weber refers to as the Protestant ethic (PE). According to the doctrine of predestination, God gave certain people eternal life out of pure mercy, while others are condemned to eternal death (*ibid*, p. 90). The chosen ones, the doctrine stated, would live only for the greater glory of God by executing his commandments in this world through fulfilling their professional tasks in service to God (*ibid*, pp. 99-102). The only characteristic that was only known of them was that they would be absolutely certain of their own salvation (*ibid*, p. 105). As everyone obviously wanted to know whether they were chosen, practical spiritual counseling turned this dogmatic description into the advice to practice the belief in one's own salvation through unrelenting work in one's profession (*ibid*). As the faith had to prove itself in all actions, the believers submitted themselves to systematic self-control, thus developing a methodical conduct of life that was ascetic because it was entirely rationally aimed at furthering the glory of God on earth (*ibid*, pp. 111-20). This, to Weber, is the core of the PE

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<sup>5</sup> Weber used various definitions of modern capitalism. However, mass production organized in rational continuous enterprise (*Dauerbetrieben*) with rational book-keeping (see, e.g., Weber 1924, p. 286; Weber 1978, pp. 4-6; cf. Collins 1980, p. 927).

<sup>6</sup> Swedberg (1998) uses economic action as a translation of *Wirtschaften*. See Swedberg (1998, p. 217 fn 18) for the problem of translating the term.

(ibid, pp. 162-63), and can be shown equally for other Protestant sects (ibid, pp. 128-163; cf. Hernes 1989. p.148).

With the certainty of one's salvation being attainable, the question as to its measurability emerged. Finally the belief was developed that the degree of godly blessedness could be inferred from the benediction of one's work in this world and thus ultimately from its material success (Weber 1978, pp. 178-180). This, however, unleashed the fiercest of competition as one's own degree of salvation could now be measured against those of one's fellow believers (Hernes 1989, pp. 150-51). Finally, since all wealth was regarded as proof of one's salvation, it was questionable to spend it on anything not furthering God's glory (Weber 1978, p. 189). The effect of the PE had thus become identical with what was described as the effect of the SoC, namely methodical, continuous work combined with forced saving, or as Weber puts it: '*Kapitalbildung durch asketischen Sparzwang*' (ibid, p. 192).

This internalization of the idea of work as professional duty led to a dramatic increase in productivity when compared to the attitude of economic traditionalism (ibid, pp. 200-201). Once it had been conceived of, the market forces thus sufficed to systematically breed the SoC by means of economic elimination of all actors whose ethical convictions were not that accommodating to a capitalist economy (ibid, pp. 36-37). Put differently, in effectively becoming the SoC, the PE had not only condemned its believers but all humans to living under the maxim of the *Spirit of Capitalism* (Hernes 1989, pp. 151-52). Weber closes his work by saying just that:

Nur wie "ein dünner Mantel, den man jederzeit abwerfen könnte", sollte nach (...) [puritanischer] Ansicht die Sorge um die äußerem Güter [sein] (...) Aber aus dem Mantel ließ das Verhängnis ein stahlhartes Gehäuse werden. Indem die Askese die Welt umzubauen [begann] (...), gewannen die äußeren Güter dieser Welt (...) unentrinnbare Macht über den Menschen, wie nie zuvor in der Geschichte. (1978, pp. 203-04)

One should note how Weber's argument uses the entirety of his ideal interest framework. It has been emphasized by Kalberg (1980, p. 1167) that Weber frames the development of the PE as an exemplary process of rationalization which resulted in the sublimation of economic actions from practical to ethical "rationality" (Weber 1978, pp. 11, 552-53; Weber 1976, pp. 349, 355). The process of substantive ethical rationalization of the PE, aided by the religious organizations (*Verbände*) that act as translators of its values, produces ideal interests in economic action. Those ideal interests are in turn institutionalized in the maxims of the SoC, losing their religious elements in the process. The institutions of the SoC finally, lead to action-orientation of *all* actors, thus giving rise to modern capitalism. It thus becomes clear that in the *Protestant ethic* Weber provided an example of how a change in the role of the economy in society can be analyzed (characteristic 3 of the desired framework) using a dialectical framework (characteristic 2) that explains action and institutions non-normatively and non-instrumentally (characteristic 1). The question that remains however, is whether Weber understood this historical case of the *Protestant ethic* to be an exception, or whether he believes that the ideal interests framework should be used to analyze economy-society relations more generally. This shall be the subject of the next section.

### **Ideal interests and the role of the economy in society beyond the historical case**

In order to claim that Weber's economic sociology provides an analytical framework as it is sought after here, one needs to answer the question if ideal interests are relevant for his conception of capitalism beyond the latter's emergence. In the *Protestant Ethic* itself, Weber suggests that the ideal interests of the PE were fading and can thus not influence modern capitalisms' continued existence (Weber 1978, pp. 202-04; Weber 1924, pp. 314-15; Collins 1980, p. 935; Kalberg 1980, p. 1163). What is noteworthy however is that Weber continued to speak of different types of capitalism (Weber 1976, pp. 95-96; Weber 1978, pp. 7-8 incl. fn 1; Swedberg 2002, p. 239). A closer studying of his writings after the *Protestant Ethic* reveals that Weber thought of the types of capitalism not as stages of a linear development. Rather, even modern capitalism could again be transformed into a different type of capitalism (Weber 1976, pp. 525-26; Swedberg 1998, pp. 50-51). And indeed he delineates these types, amongst other things, through the differences in the dominant orientation *of* and ideal interests *in* economic action prevailing under them (Weber 1976, p. 95; Swedberg 1998, p. 172; Swedberg 2003a, pp. 297-98). Weber actually saw a real potential that the inner tendency of modern capitalism to replace voluntaristic elements (ideal interests) with institutionalized coercion would transform capitalism into an "Iron Cage" of institutions that lacks all dynamics (Swedberg 2002, p. 250).<sup>7</sup> Weber thus interprets changes in the role of the economy in society to be more generally understandable as a phenomenon that is related to changes in the ideal interests of individual actors and the ways they influence institutions (e.g. Weber 1978, pp. 10, 246-47, 263-68, 537-38).

It can thus be concluded that, in the *Protestant Ethic*, Weber provides an historical example of how the role of the economy in society changed because of a *new motivation* for economic action in the form of psychological premiums. He explains a, or arguably *the*, mayor historical transformation of the role of the economy in society with his concept of ideal interests as it has been developed above. However, for Weber the relevance of ideal interests is not limited to the emergence of capitalism, but they continue to be central forces influencing economic structure beyond that. Put differently, for Weber „action motivated by values and resistant to... [material] interests has been of the greatest historical consequence" (Kalberg 1980, p. 1170). In Weberian theory, the capitalist role of the economy in society is hence not primarily a result of changing institutions, new technologies, and the like, but above all of a change in the *economic actors* which in turn leads to a change in the economic structure thanks to Weber's dialectical framework (Swedberg 2002, p. 231; Hernes 1989, pp. 133-34, 156-57; Landes 1999, pp. 196-97).

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<sup>7</sup> This is mainly because Weber believed that without subjective believes in the validity of contract and conventions, that is to say without ideal interests which ensure that contracts are adhered to, new forms of economic transactions will be regarded as too risky to engage in prior to their being regulated legally, thus curtailing dynamic development of new capitalist forms (Weber 1976, pp. 184 & 193).

## **ANALYZING CSR WITH AN IDEAL INTERESTS FRAMEWORK**

The argument in this paper can thus far be summarized as follows. A new approach to CSR was found to be needed because instrumental and normative theories of CSR have been unable to deliver a satisfactory analysis of the phenomenon. This new approach would have to account for the actor-institution interplays that seem to constitute an important part of CSR and should analyze the phenomenon from an economic-sociological perspective as a discourse about the role of the economy in society. It was then argued that a framework which meets these criteria can be found in Weberian economic sociology. His approach is non-normative as well as non-instrumental, and models changes in actors and institutions dialectically. It was also found that Weber himself used this framework to analyze changes in the role of the economy in society for the historical case he describes in the *Protestant ethic*, but also beyond that example. The framework itself, and the phenomena that it is capable of analyzing, thus seem to render Weber's theory an appropriate starting point for developing a new approach to CSR.

What would be exciting about this new approach is something which is so simple that it almost sounds banal. While classical approaches have mainly tried to reconcile CSR with the assumption of utility-maximizing behavior that dominates economics, Weber's ideal interests-framework includes the concept value-rationalization of economic action. If applicable, it would thus propose a very different interpretation of CSR as a phenomenon of potentially newly emerging ideal interests in economic action, leading to institutionalization processes which might ultimately change the role of the economy in society. But what would an analysis of CSR along the lines of Weber's ideal interests-framework look like? The following section will try to outline very briefly how three under-researched items in CSR could be analyzed with this approach. Exemplarily highlighting the different levels of analysis that a Weberian framework could allow for, these three items are the question whether actors in CSR possess ideal interests, how CSR-institutions emerge and influence actors, and finally whether there are traces of a newly emerging "economic ethic".

### **Ideal interests in individual economic action**

The first way to apply an ideal interests-framework to the analysis of CSR would be to ask whether one can empirically observe any measure of individual economic action that can be said to be driven by ideal interests. Conceptually, this would mean that the economic actions of certain individuals which comply with CSR would have to be shown not to be merely influenced by social structures. It would also exclude any CSR-compliant actions that are primarily meant to further material interests, that is which are grounded in consequentialist reasoning such as utility maximization. Rather, for their economic actions to be motivated by ideal interests, the belief that the conduction of economic action in general, or at least conducting it in a particular way, is the right thing to do because of non-economic motives (value-rational action) would need to be sufficient to drive individuals into these actions.

Methodologically, research on this item would need to proceed as interpretive economic sociology, preferably using ethnographic studies. Interesting objects of investigation would be



so-called social entrepreneurs which basically build their entire businesses on the idea of CSP (Dorado 2006, p. 1; Dees 2001, p. 4). Here one might conjecture that concrete ideal interests at economic action already exist. Studying how CSP is generated in “green businesses” (Porter & Kramer 2006, pp. 90-91; Hart 1997), and especially the way individual managers engage this process, could also yield new insights on this item. In CSR research to date, the only idea resembling the concept of ideal interests which attracted some attention is “intrinsic motivation” for CSP (Donaldson & Preston 1995; Jones & Wicks 1999; Davis et al. 1997). Berman et al. (1999) provide a distinction between strategic and intrinsic CSP which could be developed further to differentiate between mere action-orientation and instrumentally rational action on the one hand, and ideal interests as drivers of action on the other. Building on the conceptually much more consistent Weberian ideal interests-framework, it should be possible to propel CSR research on this item much beyond the current state.

### **The emergence and influence of CSR-institutions**

A second item which lends itself to an analysis using the ideal interests-framework is the institutional landscape in CSR. In the dialectical framework, CSR-institutions would be analyzed as the results of interest-driven action, and simultaneously as social structure affecting those same actions. The process giving rise to these CSR-institutions would need to be attributable to “accumulations” of actions driven by ideal interests, thus leading the intuitions to embody the values that ideal interests relate to. The interplay of action and institutions reveals that, in CSR as in Webers case of the PE/SoC, the formation of new institutions based on ideal interests necessitates that a “breakaway group” manages to overcome the action-orientation provided by the formerly existing institutions. While this was the economic traditionalism in Weber’s *Protestant ethic*, in the case of CSR, actors would need to break away from purely individual utility-maximizing behavioral norms.

A certain “mainstreaming” of CSR-compliant actions should be observable that can be analyzed as action-orientation to CSR-institutions. The increasing acceptance of CSR-related values amongst mainstream businesses (Lee 2008, pp. 55, 63), the incorporation of CSP-standards into the core activities of corporations (Gill 2008, p. 466), and the growing tendency towards ethical consumption (Ernst & Young 2007, S. 6-7), could be interpreted in this way. Maybe more interestingly, research could explore the involvement of ideal interests in the institutionalization processes of the various CSR-related institutions that have already been shown to exist in civil society (Campbell 2007), law (Waddock 2008), and in the form of CSR-guidelines and associations (Waddock et al. 2002; Aguilera et al. 2007, p. 851). This could also lead to new insights on the increasingly observed differences in CSR and CSP across countries (Matten & Moon 2008; Aguilera et al. 2007). Finally, existing insights into organizational isomorphism in CSR (Edelman & Suchman 1997, pp. 496-97; Aguilera et al. 2007) could also be analyzed as attempts to embody the values that ideal interests relate to. It thus seems that a Weberian ideal interests-framework could add significantly also to the understanding of institutionalization processes in CSR and their effects on economic behavior, highlighting the complex actor-institution interplays that characterize the field.

### **CSR as economic ethic**

Finally, the concept of ideal interests requires a process of substantive ethical rationalization which gives rise to those ideal interests in the first place. This means that if one wishes to analyze CSR as an ideal interest-phenomenon, one would have to show that CSR amounts to something like an “economic ethic” or at least to one “in the making”.<sup>8</sup> It would thus need to be shown that the values which CSR relates to are undergoing a process of theoretical rationalization that develops them into “a world view”. Furthermore, it would be necessary to show that this abstract ethic is also made actionable by being transformed into ideal interests, especially through associations and other groups that act as “translators” of those values for their members. Only if these different elements of substantive rationalization aided by theoretical rationalization and translated by “mediators” were to exist in CSR, one could assume that it is a phenomenon leading to the emergence of new ideal interests in economic action.

If one takes into account what Weber understands the drivers of rationalizations processes to be, namely a conflict between the “rationality” of different “spheres of life” (Weber 1978, pp. 536-73; Schluchter 1988, pp. 70-71; Kalberg 1980, pp. 1150-51), it seems conceivable to approach CSR this way. After all, CSR has always been understood to result from conflicts between the principles of economic sphere with those of the social and ecological “spheres” (Waddock et al. 2002; Waddock 2008, p. 88; Matten & Moon 2008; Johnson & Greening 1999, pp. 564-65; Berman et al. 1999, pp. 489-90). CSR also seems to include the promotion of “sustainability values” which have been ‘bolstered by a cadre of committed scientists’ (Lee 2008, p. 70). Such processes, elsewhere referred to as the production of novel cognitive frames (Campbell 2007, p. 958), could constitute theoretical rationalization. Another hint in the direction of already existing commonalities between CSR and an economic ethic could be seen in the fact that many scholars in the field assume that CSP, that is to say action upon CSR, has results similar to the ones of trust generated from ethical behavior in that it helps solve cooperation problems (Aguilera et al. 2007; Berman et al. 1999; Davis et al. 1997; Jones & Wicks 1999; Jones 1995). Furthermore, the existence of special business associations that “educate” their members on CSR-related values has already been recognized (Campbell 2007, p. 958). Those could be analyzed as “translators” of complex theoretical values for their easier acceptance among its members. Applying an ideal interests-framework to the analysis of these elements in CSR seems to hold the potential to significantly expand our understanding of the nature of the phenomenon.

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<sup>8</sup> Using a Weberian framework, it seems possible to interpret the phenomenon this way, because Weber saw economic ethics more broadly, not only the PE and the SoC, as substantive or ethical “rationality” (see, e.g. Weber 1978, pp. 10, 246-47, 263-75, 537-46). In an interesting twist, this would contradict Weber who himself believed that substantive rationalization had come to an end, partially because of his own notion of value-neutrality (Wertfreiheit) of social sciences (Kalberg 1980, pp. 1173-74; Swedberg 1998, pp. 175-77).

## DISCUSSION

At the outset, this paper joined the call for a different approach to CSR, which was then outlined on the basis of Max Weber's economic sociology. The last section finally transferred the ideal interests-framework to the analysis of CSR. It demonstrated that it would be possible to apply Weber's framework to CSR. In an exemplary manner, it was outlined how an approach to CSR based on an ideal interests-framework could probe into the under-researched role of actors and institutions in CSR. The section concluded that employing this new approach holds the potential to significantly advance the understanding of what CSR is, and how it affects actors, institutions, as well as the economy and its role in society.

However, approaching CSR in such a way could also contribute to questions of concern to modern economic sociology more broadly. This is because a research program along the lines outlined above would follow Weber's theorizing in an interesting way. As Swedberg recognizes, Weber had managed to theoretically connect interests-based action and the influence of social structure on that action with a concept of institutionalization that rests equally on those two elements (1998, pp. 165 -170; 2003a, p. 293). These items are high on the research agenda in economic sociology today (Nee 2003; Swedberg 2003b; Seo & Creed 2002, p. 222; Dorado 2005, p. 385). Lee (2008, p. 68) had already argued that 'evolving corporate social relations with actors possessing different material or ideal interests ... [offer] an opportunity to examine a hitherto unexplored territory of corporation-society relations that is teeming with potentially robust middle range theories.' If the conjectures presented above on how a Weberian ideal interest framework may add to research on CSR prove fruitful, I propose that Lee's notion even understates the relevance of studying CSR. This is because Weber's integration of his theory of action and institutions, I suggest, rests crucially on his concept of ideal interests. Approaching CSR as a phenomenon of potentially newly emerging ideal interests in economic action could thus probe the potential for a development of a modern adaptation of this concept.

This perspective is particularly substantial if one assumes that Weber constructed his theory based on his empirical analysis. Weber seemed to have recognized early in his historical works that people were driven by more than material interests in their economic actions (Marshall 1982, pp. 31-32, who is referring to Weber 1999 and Weber 1984). In the *Protestant Ethic*, he described the first concrete case that highlighted the significance of the conjunction of ideal and material interests in economic action (Smelser & Swedberg 2005, pp. 8-9). Considering Weber's position in the *Methodenstreit*, one could come to the conclusion that this empirical study was constitutive for developing his concept of ideal interests.<sup>9</sup> The

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<sup>9</sup> The assumption of such an evolutionary development of Weber's theory has been suggested by Marshall (1982) and Swedberg (1998, pp. 180-203). It fits well with the position that Weber took in the *Methodenstreit*, in which he advocated *for* theorizing in the social sciences, however on the basis of concrete historical facts as he describes it in his concept of *verstehende* sociology. For a detailed description of Weber's position, see Hennis (1994) and Swedberg (1998, pp. 175-76, 192). For the purpose of this paper, thus referring back to earlier issue, it is suggested that the interpretation of evolutionary theory development renders the (at least

suggested research would thus offer a program that combines the idea that ‘in economic sociology a useful point of departure (...) may be the (...) maxim: *follow the interests*’ (Swedberg 2003b, p. 49), with putting ‘items as “mentality”, “ethos”, “lifestyle”, “economic ethic”, ... high on the current agenda’ (Swedberg 2002, p. 251). The result of which might well prove to be the insight into the continuous centrality of Weber’s much quoted line:

Alles Wirtschaften wird (...) von *einzelnen* Wirtschaftenden zur Deckung *eigener*, ideeller oder materieller Interessen unternommen und durchgeführt. Auch dann natürlich, wenn es sich an den Ordnungen (...) [und] *Verbänden* (...) orientiert, - was merkwürdigerweise oft verkannt wird (1976, p. 119).

## CONCLUSION

In this paper I suggested that in order to advance beyond the questions of financial benefits of accounting for stakeholder interest and to produce insights into what CSR is and how it might change economic actors and structure, research needs an approach that has three characteristics: it should be non-normative and non-instrumental, it should account for actor-institution interplay, and it should frame CSR as a discourse of the role of the economy in society. I argued that such an approach can be found in economic sociology. As frameworks in the New Economic Sociology seemed not to fulfill all criteria, the old economic sociology of Max Weber was turned to. In particular Weber’s concept of ideal interests in economic action that forms an integral part of his theory of action and institutions was identified as a promising starting point. It was demonstrated that Weber used this framework to explain changes in the role of the economy in society for the historical case he describes in the *Protestant ethic*, but also beyond that example. The possible application of this framework to three exemplary, under-researched items in CSR was then outlined: individual actors and institutions in CSR, as well as to the question whether CSR can be understood to be a process of value-rationalization of economic action. I believe that such research holds great potential to further our understanding of what exactly CSR *is* and how it might cause changes in economy-society relations. Finally, this line of research could also lead to a revival of core elements of Weberian theory, thus adding to pressing questions on the research agenda of modern economic sociology.

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implicit) existence of the ideal-interests-framework in Weber’s argumentation in the *Protestant ethic* sufficiently likely.

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