



# CSR Beyond *Economy* and *Society*: A Post-capitalist Approach

Steffen Roth<sup>1,2</sup> · Vladislav Valentinov<sup>3</sup> · Markus Heidingsfelder<sup>4</sup> · Miguel Pérez-Valls<sup>5</sup>

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## Abstract

In this article, we draw on established views of CSR dysfunctionalities to show how and why CSR is regularly observed to be both shaped by and supportive of capitalism. We proceed to show that these dysfunctionalities are maintained by both the pro- and anticapitalist approaches to CSR, both of which imply an ill-defined separation of the economy and society as well as an overly strong problem or solution focus on political and economic issues. Finally, we present a post-capitalist approach to CSR that overcomes (1) the ill-defined separation of the economy and society, (2) the capitalist bias towards economic rationalities, and (3) the overidentification of society with its political system; this approach thus helps to manage the abovementioned CSR dysfunctionalities.

**Keywords** CSR · Capitalism · Functional differentiation

## Introduction

Corporate social responsibility (CSR) is often used as an umbrella term for cognate concepts such as corporate sustainability, corporate citizenship, or stakeholder management (Edward and Willmott 2008; Matten and Moon 2004, 2008; Scherer and Palazzo 2007). Potentially a critical resource for social innovation and change (Christensen

et al. 2013; Ciesielska and Iskoujina 2018), CSR is identified with the moderation of the negative externalities of business conduct (Windsor 2006), with the creation of public goods by private firms (Besley and Ghatak 2007), and with the strategic management of business firms' legitimacy (Scherer and Palazzo 2011; Johnsen et al. 2017). However, some doubt whether CSR is actually effective (Karnani 2011), as it increasingly appears to be commodified and to primarily seek to increase profits (Shamir 2004; Hanlon 2008; Gond et al. 2009, 2017; Gond and Nyberg 2017) or divert attention from negative externalities (Banerjee 2008).

Observations of these and further CSR failures are commonly associated with the observation of dysfunctional links between CSR and neoliberal capitalism (Streeck 2011). For example, Fleming and Jones (2013) argue that CSR increases the behavioural margin of capitalism rather than socially containing or embedding it, and Jones (1996) stated much earlier that CSR legitimizes capitalism instead of challenging it.

Our first aim in this article is to understand how and why CSR is regularly observed to be both shaped by and supportive of capitalism. We shall therefore explore established views of CSR dysfunctionalities, highlighting three prominent lines of argument that critique CSR as propaganda for capitalism in general and capitalist rationality in particular, as a legitimization of potentially questionable business operations, and as concomitant to the expansion of capitalist principles. We shall then proceed to show that the observation

✉ Steffen Roth  
roths@esc-larochelle.fr; steffen.roth@ysu.am

Vladislav Valentinov  
valentinov@iamo.de

Markus Heidingsfelder  
markus.heidingsfelder@ahss.habib.edu.pk

Miguel Pérez-Valls  
mivalls@ual.es

<sup>1</sup> La Rochelle Business School, 102 Rue de Coureilles,  
17000 La Rochelle, France

<sup>2</sup> Yerevan State University, Alex Manoogian 1, 0025 Yerevan,  
Armenia

<sup>3</sup> Leibniz Institute of Agricultural Development  
in Central and Eastern Europe, Theodor-Lieser-Straße 2,  
06120 Halle (Saale), Germany

<sup>4</sup> Habib University Karachi, 18, Faisal Cantonment, Karachi,  
Pakistan

<sup>5</sup> University of Almería, Ctra. Sacramento, s/n,  
04120 La Cañada, Almería, Spain

of these dysfunctionalities is linked to the observation that CSR contributes to the expansion of economic rationalities and, therefore, is often considered to be part of the problems that it tries to solve. In drawing on the social systems theory of Niklas Luhmann, we argue that observations of the increasing influence of economic issues on politics and other areas of society imply functional differentiation, i.e. a typically modern form of social differentiation we apply whenever we distinguish between function systems such as the economy and politics, science and religion, or education and health. In the present paper, we follow Luhmann's vision of functional differentiation as the distinctive feature of the modern society on the global scale (e.g. as contrasted with the segmentary and stratificatory societies), and use the terms “modern society” and “functionally differentiated society” interchangeably. Furthermore, as function systems may vary in importance to different historical or regional societies, we argue that the traditional overemphasis on the economy and its ostensible opposition to “society”—the latter moreover often being ill-defined as a nation state (e.g. in Giddens 1987)—implies a systematic and seldom considered undervaluation of non-economic and non-political function systems and their corresponding stakeholders. As we proceed by exploring the full spectrum of function systems, we present a post-capitalist approach to CSR that overcomes (1) the artificial distinction between economy and society, (2) the capitalist bias towards economic rationalities, and (3) the overidentification of society with its political system and thus that helps to manage the abovementioned CSR dysfunctionalities.

## Exploring Perceived CSR Dysfunctionalities: The Role of Capitalism

The first significant dysfunctionality of CSR appears when CSR is observed as a form of capitalist propaganda. Whereas the mainstream literature suggests that CSR has the potential to provide employees with a way to humanize capitalism (Leisinger 2016), Baker and Roberts (2011) claim that CSR could also be understood as a technique to rephrase corporate goals in ethical terms to manipulate how the corporation is viewed by its stakeholders. CSR is therefore observed to be of a piece with neoliberal capitalist ideologies (Djelic and Etchanchu 2017; Hafenbrädl and Waeger 2017). Even worse, because CSR highlights corporations' ability to address and solve even large-scale social and environmental problems, it nurtures hopes that business and society can be reconciled (see, e.g. Caldwell and Karri 2005; Caldwell et al. 2008) and that capitalism can solve the problems it creates. CSR therefore contributes to TINA syndrome: the observation that “there is no alternative” to capitalism. Thus, CSR may be observed to support the observation of capitalism as a

hyper-adaptive system (Boltanski and Chiapello 2005), which despite its insoluble inner tensions appears to be an autoimmune “system without an outside” (Bousquet 2002, p. 224). From this perspective, everyone who engages in CSR actively contributes to neoliberal indoctrination (Marens 2012) and thus to the maintenance of the capitalist system. In brief, mainstream CSR research is often criticized for a perceived failure to explore the root causes of the dark side of business activities and therefore for tending to naturalize these dark sides as well as the neoliberal capitalist context in which they necessarily occur (Fleming and Jones 2013).

The real benefits of CSR are transformed into market items that can be merchandized. In this setup, companies play the role of mere distribution channels through which these “social goods” are disseminated without necessarily assuming the cost of CSR activities. Companies distribute these costs along the value chain, blurring their own responsibility and perceived impact. For example, which stakeholder should pay for better working conditions? The cost of this is usually re-allocated to other actors such as local governments, subcontractors, producers or consumers who decide to pay a premium for it (Sheehy 2015).

A second critical often observed CSR dysfunctionality is that CSR seems to provide business firms with badly needed legitimacy (Porter and Kramer 2011). Corporations are frequently seen as the capitalist organizations par excellence and, hence, become the preferred target of anticapitalist criticism (Palazzo and Scherer 2006). Although it is recognized that all organizations require legitimacy for survival, business organizations have been recently observed to be increasingly concerned with their public image in a quest for legitimacy in the eyes of current (Lee et al. 2013) and potential employees (Turban and Greening 1997), customers and investors (Perrini 2006), or the communities in which they are embedded (Banerjee 2008; Roberts 2003).

All these efforts, however, have been criticized. For example, it has been observed that employee-oriented CSR may cause self-deception among employees (Marens 2012; Baker and Roberts 2011), while Archel et al. (2011) and Roberts (2003) contend that stakeholder-oriented CSR activities may also be (mis-)used as a technique for *legitimation through procedures* with the aim of stabilizing the status quo rather than actually solving the problems that undermine a firm's legitimacy.

In addition, CSR has been conceptualized as a managerial fashion (e.g. Sahlin-Andersson 2006) that allows the legitimation of managers as well as the institutions they manage. In this sense, Staw and Epstein (2000) highlighted that companies developing new management techniques were not obtaining direct economic benefits but were admired and better perceived and ranked, resulting in higher salaries for the chief executives. CSR is defined by managers who cherry-pick the areas of social benefit that the company will address (Bauer and Umlas 2017) when the real motivation

might be to foster executives' position in the labour market, thus reinforcing the capitalistic approach.

Even CSR activities aiming at increased transparency towards investors, customers, and the larger communities have been observed to be a form of public relations (Adams 2008) that mainly facilitate corporate whitewashing or greenwashing (Laufer 2003; Zyglidopoulos and Fleming 2011) and marketing (Maignan and Ferrell 2004). From this point of view, CSR is "consistent with corporate goals of shareholder wealth maximization" (O'Dwyer 2003, p. 523) and helps maintain neoliberal capitalism (Brei and Böhm 2011).

The third major criticism is that CSR treats social and environmental aspects as commodities and serves as a pretext for the expansion of financial and market logic, thereby fostering the commodification of social and natural life (Hanlon 2008; Lee 2008). This expansion is said to be most apparent when CSR activities are aimed at supposedly marginalized stakeholders. For example, multinational corporations have been repeatedly observed to exert their power to compel their upstream suppliers to adopt codes of conduct and systems of compliance (Gereffi et al. 2005). This behaviour can be viewed as imperialism and a particularly sophisticated means of exploitation because it enhances the multinationals' legitimacy and brand value, while the upstream suppliers—often in developing and emerging countries—are left with the resulting production cost increases (Khan and Lund-Thomsen 2011). These and similar developments have recently contributed to the emergence of "political CSR" as a new CSR subfield preoccupied with the political influence that large organizations exert on their regulatory environments through both CSR activities and lobbying or quasi-political activities (Scherer and Palazzo 2007, 2011; Banerjee 2008; den Hond et al. 2014). In this sense, CSR enables corporations to propagate and enforce neoliberal capitalist ideologies and business principles (Banerjee 2008; Khan et al. 2010) or to exercise quasi-governmental power under the ostensibly benevolent flag of corporate citizenship (Matten and Crane 2005). Unlike democratic governments, however, corporations cannot be voted out of office by those affected by their CSR activities (Scherer et al. 2006), which considerably reduces stakeholders' influence on which public goods are implemented and in what form. Moreover, both the choice and implementation of public goods are often closely related to a corporation's business model (Agafonow 2014). Even in less obvious cases, it is perceived to be relatively safe to assume that corporate provision of public goods is founded on the expectation that CSR investments—like any investments—should deliver a return (Besley and Ghatak 2007) and will be discontinued if this return fails to materialize. From an even more sceptical perspective, CSR appears not just, at best, a medium-term solution to institutional failures but rather a core element of a strategy aimed at perpetuating the domination of neoliberal capitalism: CSR initiatives are instrumentalized to

strategically highlight the failure of governments to provide public goods, which are then often provided with ostentatious display in the context of CSR activities. Thus, in the context of actual or supposed government failure, CSR can be seen as promoting neoliberal free market principles as the only remaining alternative (Kaplan and Kinderman 2017).

One side effect of all these lines of criticism of CSR dysfunctionalities is that they tend to create the impression that there is no social benefit to CSR at all. By contrast, our argument seeks to dispel this impression. We firmly believe that observations of examples of bad practice does not generally discredit the CSR concept, which is why, in "Beyond Capitalism or Social Differentiation Beyond *Economy and Society*" and "CSR beyond *Economy and Society*" sections, we develop a systems-theoretical framework that recognizes the multi-dimensional nature of CSR as well as the co-occurrence of both its dysfunctions and its benefits. Whereas the dysfunctionalities have been addressed in this section, the potential benefits of multifunctional CSR will be treated in "Towards Post-capitalist CSR: A Systems Theory Approach" section. This section will explore why CSR remains a valuable concept despite its occasional empirical failures, and will locate the strength of CSR in its post-capitalist orientation. Paradoxically, we will argue that CSR is good for capitalism to the extent that it is post-capitalist.

## Beyond Capitalism or Social Differentiation Beyond *Economy and Society*

The above observations of CSR dysfunctionalities are based on the assumption that CSR is compatible with, or even a crucial stabilizing and legitimizing factor for, capitalism. In these observations, CSR therefore shares capitalism's inherent paradoxes because capitalism's expansion continuously threatens its legitimacy. In fact, many scholars (Polanyi 1957; Habermas and McCarthy 1985; Chomsky 1999; Boltanski and Chiapello 2005; Lash 2007; Callon 2007; Çalışkan and Callon 2009, 2010; Jemielniak and Greenwood 2015) have observed the expansion of capitalism as the "increasing influence of economic factors and values on the political agenda and other areas of society" (Blumler and Kavanagh 1999, p. 210).

Any observation of an increasing influence of economic issues on politics and other areas of society implies functional differentiation. Functional differentiation is a specific form of social differentiation typical of modern societies, and we apply it whenever we distinguish between function systems such as the economy and politics, science and religion, or education and health. To better understand and navigate the abovementioned CSR dysfunctionalities, in this section of the article, we develop a systems-theoretical framework that accounts for the potential differentially

important role of these function systems in different historical or regional contexts and therefore rejects the idea that economic or political issues or stakeholders are, per se, more important than religious, educational, or scientific ones. To this end, we distinguish functional differentiation from earlier forms of social differentiation as a specific and typically modern form.

Social differentiation refers to the formation of subsystems within a system by means of drawing distinctions (Luhmann 1977, 1990). Table 1 shows how the cross-tabling of two foundational distinctions—dis-/similar and un-/equal—creates four basic forms of social differentiation: segmentation, centralization, stratification, and functional differentiation. True to Luhmann, these forms of social differentiation also have a historical dimension, as the key principle of system building in earliest societies was “either descent or settlement or a combination of both” (Luhmann 1977, p. 33). Thus, these segmental societies were differentiated into analytically similar and equal sets such as families, tribes, or settlements. In the course of this evolution, however, some segments started to exert more influence than others, making the former central and the latter peripheral. Although not an advantage in all cases, these *centralization* processes have often been the basis for social *stratification*. Stratified societies are defined as those in which the social order is primarily based on the observation of critical differences between subsystems that are neither similar nor equal such as castes, estates, or classes. In contrast, despite the enduring significance of hierarchies, the *functional differentiation* of dissimilar and equal subsystems such as religion, politics, art, science, the economy, and so forth constitutes the decisive form of social differentiation in modern societies (Beck et al. 2003; Berghaller and Schinko 2011; Brier 2006; Chang et al. 2008; Jönhill 2012; Leydesdorff 2002; Luhmann 1977; Schirmer and Hadamek 2007; Vanderstraeten 2005).

Newer forms of differentiation only superpose rather than supersede older forms. “For example, the segmentary family logic, according to which the elder discipline the younger (and not vice versa), might well remain valid within the families of a stratified society. However, the situation has now changed insofar as an old farmer cannot punish a young nobleman anymore.” (Roth et al. 2017a, p. 198). We may therefore continue to observe segments such as families, centres such cities, and stratifications into hierarchies even in functionally differentiated societies. All these forms of differentiation remain intact and continue to exert influence even in modern, functionally differentiated societies. Yet, in functionally differentiated times, we take comfort in the thought that it has become unimaginable that, for example, a noble idiot would make a better researcher or entrepreneur than a scientific or business genius with a humble family background. Moreover, whereas earlier forms of social differentiation were mutually exclusive (and sometimes

also jointly exhaustive)—a person normally belonged to one family and not to all others, a nobleman could not be a commoner at the same time—one and the same element can now play a role in potentially all function systems, i.e. communicative systems that evolved through reference to universal symbolically generalized communication media such as money (economy), power (politics), truth (science), or belief (religion). In this way, functional differentiation recodes and thus both divides and multiplies, all aspects of social life.

Against this backdrop, we recall that observations of the increasing influence of economic issues on society imply functional differentiation and are contingent on what is defined as ‘society’ in the given context. For example, we could adopt the perspective of the sociological classics and retrace the take-off of the economy from the moral basis of stratified segments such as the emerging nation states. This exercise may lead us to observe a morally (Durkheim 1933) or socially (Weber 1978) disintegrated economic sphere that recodes traditional national hierarchies into transnational economic ranking systems that we refer to as class structure or class society (Marx 1867). Nevertheless, these early diagnoses as well as many of the more contemporary observations of great transformations and disembedded economies (Polanyi 1957; Gemicci 2008) share two significant drawbacks. *First*, they are based on the mostly implicit assumption that the term ‘society’ can be properly defined and delimited by the borders of the then-emerging nation states. *Second*, they extract economic issues from social issues so that economic issues now almost paradoxically reappear both as alien to society and as the most basic, important, or critical social issues. In light of the above table, however, a merely political definition of society or a strong focus on economic issues appears as historically contingent observational choices. Whereas there is no doubt that economic trends have been among the most obvious, fascinating, and problematic societal trends of recent centuries, even the strongest consensus on these trends per se is only a necessary but not a sufficient condition for definitions of modern societies as being capitalist or otherwise dominated by the economy. In fact, observations of the growing influence of economic issues are fully informative only if this trend is put in the context of the trends of other subsystems because these trends could be stronger than the economic one (Roth et al. 2017b, 2018a), and an “economy and society” perspective would be of only limited use for the analysis of societies actually dominated by politics, mass media, or other subsystems. Consequently, Luhmann (1977, Fn. 10; 2013b, p. 62) has always remained sceptical of ultimately contingent pars pro toto definitions of society as “corpus Christi”, “civil society”, or capitalist and repeatedly insisted that politics, economy, religion, and all the other “function systems”

are incommensurable (id., 1977, 2013a) and therefore, in principle, of equal importance to society:

Since all functions have to be fulfilled and are the necessary interdependent, society itself cannot give functional primacy to one of them; it has to use a second level of subsystem-building to institutionalize a primacy of specific functions for a special set of system/environment relations. Salient examples are the political function of providing for collectively binding decisions, the economic function of securing want satisfaction within enlarged time horizons, and the religious function of interpreting the incomprehensible. (Luhmann 1977, p. 35)

Thus, even if *pari pro toto* definitions such as that of capitalism have their merits for specific subsystems of society overall or in specific historical contexts, the main challenge of social theorizing remains visible. It relies on the design of theories that are flexible enough to disclose rather than imply biases to particular function systems and therefore that allow for the systematic analyses of inter-trend changes such as those from past religion-dominated to present politics- or economy-dominated and future yet-to-be defined societies.

The first problem, i.e. the overidentification of society with politics, was addressed relatively early by Talcott Parsons, who replaced the idea of society as a nation state with a model in which politics and the economy are two different subsystems of society (see, e.g. Parsons and Smelser 1998, p. 53). Nevertheless, the second problem of a strong bias towards the economy remained to the extent that Parsons, too, maintained the strong economic or political-economic focus of the classics because politics and the economy still appear as society's two most prominent subsystems.

The social sciences' strong political-economic bias has survived the severe and ultimately destructive criticism of the Parsons oeuvre as well as the countless independent and critical readings of the classics on which it is, in one way or another, built.

Today, this bias is still at the heart of the social sciences, including concepts as disparate as critical theory and triple or quadruple helix innovation ecosystem models or prominent management tools such as PEST and its derivatives, all of which have a political-economic bias along with an increasing interest in scientific-technological aspects; their interest in other aspects—"the social" (in PEST) or "civil society" (in most other theories)—is desultory.

Both in theory and practice, we are hence confronted with the problem that the function systems are in theory incommensurable and in practice considered as holding differential importance in different contexts. This ostensible contradiction can be resolved if we realize that essentially unequal function systems would already be ranked and therefore could not be ranked. The general equivalence of function

systems is hence the prerequisite for an analysis of the significant differences in the importance they hold in particular contexts, e.g. in the necessarily politics- and economy-focused context of anticapitalist or politico-economic social criticism (see Schirmer and Hadamek 2007, for a comprehensive systems-theoretical reading of these critical theory traditions). Yet, the question of whether politics, economy, or any other subsystem is more important than another in specific contexts can only be answered if we desist from the idea of predefined, essential hierarchies between the function systems or isolated observations of only one or few subsystem trends, respectively.

In this sense, our approach to the idea of functional differentiation accentuates the importance of the contextual determination of function system priorities for particular sub-systems of society. Yet, to determine whether politics, economy, or any of the other are the most important subsystems in a given context, we would first need to engage in a comparative analysis of the *relative* importance of all the subsystems in a given context. In an organizational context, this means that a default accentuation of economic and power issues is likely to lead to skewed representations of organization that systematically neglect or underestimate the importance of non-political and non-economic aspects of organization. In this sense, it is the core implication of our approach to functional differentiation that possibly preconceived assumptions about the importance of particular function systems to particular forms of organization are turned into testable research questions. More generally, it seems that the assumption of any kind of dominance of specific function systems in the settings of functional differentiation tend to result in straw man constructions which however can be effectively neutralized by the idea of multifunctionality.

At the societal level, too, we cannot deduce from the mere observation of the economy's increasing importance that it is the most important subsystem. The importance of another subsystem, such as religion or science, may have increased even more in the same period of time. Consequently, it might be prudent to refrain from calling modern society capitalist until we have clear and compelling evidence that the (political) economy is indeed more important than its other functional subsystems. This abstinence may prove useful for the analysis of CSR activities in regional or historical contexts in which not (only) states and markets (Hagen 2000) but (also) churches, schools, and mass media organizations act as "structural couplings" between function systems and may thus be seen as playing a key role in the distribution of material as well as cultural resources in society. Thus, a less economy-focused approach to CSR has the potential to be even more critical of capitalism than an insistence on the predominance of the economy. Even if this insistence is motivated by anticapitalist intentions, it necessarily helps to maintain the observation of the predominance of the



economy and thus of the serious problems that are often observed to result from it.

For CSR, a perspective beyond the *Economy and Society* focus would imply first a critical appraisal of the environment-screening tools commonly used for CSR decision-making. If these tools share the same bias as most social science theories (which is likely because most management tools are based on theory in one way or another), then it is equally likely that a biased view of their organizational environment leads businesses to identify the wrong social issues and to please the wrong stakeholders. If this is true, current stakeholder theory in general and materiality analyses in particular constitute highly contingent approaches advocated by both capitalist and anticapitalist scholars, policymakers, and NGOs.

### CSR Beyond *Economy and Society*

Freeman et al. (2010, p. 237) identify the works of Davis (1960, 1973) and Post (1978) as important precursors of modern scholarship on CSR. It is noteworthy that a number of their ideas adumbrate some elements of a Luhmannian systems-theoretical interpretation of the CSR phenomenon. To Davis (1960), CSR is manifested in “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (ibid, p. 60). Therefore, CSR is necessarily concerned with “issues beyond the narrow economic, technical and legal requirements of the firm” (Davis 1973, p. 312). The innovation of Post (1978) and Preston and Post (1981) was to link CSR to the uncertain and turbulent nature of the business environment, and their idea of the *interpenetration* of firm and society is remarkably close to the systems-theoretical state of the art of that time.

The Luhmannian systems-theoretical perspective developed here agrees with the understanding of CSR as going beyond narrow money, power, or rights models (Davis 1960; McMahon 1986) and shares Post’s (1978) and Preston and Post’s (1981) vision of a highly turbulent environment. The major difference stems from recent advances in systems theory, which in the late 1970s and early 1980s moved from open systems to operationally or autopoietically closed systems. As a result of this autopoietic turn (Luhmann 1995), systems are now characterized as both open and closed. They are open because they have the ability to make sense of their environment and closed because they can do this only through the filters of their own mode of observation. This autopoietic shift also changes how we may conceive of information. Whereas for traditional *open systems* theories, information is present in the environment and may be transferred from one system to another, advanced systems theory insists that there is no information transfer between systems. First, advanced systems theory insists that transfer would

imply that the transmitting system loses what the receiving system gains (which is, however, not the case with communicative systems; see Luhmann 1995, p. 139 ff). Second, it argues that information is a difference that makes a difference (Bateson 1972); that is, it is a difference that has been transformed by the systems’ own filters and thus has been created by the system itself. In this sense, there is no interpenetration between the system and its environment, just as there is no sunlight in our brain when we look at the sun.

If there is no direct transfer of information between systems or between systems and environments, however, then there is also no way for specific moral values or ethical standards to be copied and pasted between systems or systems and environments. An advanced systems-theoretical perspective of CSR would therefore not assume that there is ethical or social-responsibility-oriented information *out there* in a corporation’s environment and that this corporation would only need to properly identify and incorporate this information. Rather, a systems approach to CSR would focus on how either the corporation or other systems in its environment produce the ethics- and responsibility-related information that is at stake in a given situation.

An important implication of this shift in perspective is that the question of how a corporation can do good or do well by doing good is now overshadowed by the much more significant question of whose *good* a corporation is supposed to deliver. In other words, what is critical now is not *how* ethical a corporation is but rather *who* actually defines what is ethical.

In looking for answers to the *who* question, however, we again find ourselves left with the abovementioned stakeholder maps and CSR tools, all of which again have a significant bias towards the political and economic subsystems in a corporation’s environment. Although a strong focus on economic stakeholders is consistent with a business mission, a strong focus on political stakeholders per se is as contingent as a focus on religious or educational stakeholders. A little less focus on politics might therefore be sensible, not the least because corporations could use the time and energy this saves them to observe scientific stakeholders, particularly those that develop their CSR management tools. This shift of attention is critical because many of these tools have been sold as and are understood to be windows into the corporate environment and therefore continue to frame the corporate worldview.

In this sense, both pro-capitalist and anticapitalist CSR scholars continue to frame and maintain narrow capitalist corporate worldviews because both insist on an observational bias towards questions of money and power, despite the fact that there is no logical reason why corporations should prefer the expectations of not only economic but also political stakeholders to those of educational or religious stakeholders. By contrast, we suggest that a political-economic gaze is, if at all adequate, adequate only in specific historical or regional contingent contexts. For example, there is little doubt that business

activities pursued in Islamic finance and business contexts often require a stronger focus on religious than on political and even economic issues, not least because investors place higher value on an organization's religious than on its managerial performance (see, e.g. Ali Aribi and Arun 2015, p. 792).

Moreover, referring to examples such as BMW or BASF, Siri and von Groddeck (2012, p. 16) have shown that corporations may cultivate multifunctional organizational identities not only to present themselves as a "considerate corporate citizen" but also to demonstrate that they make a great home for employees with expertise and talents in or preferences to non-economic function systems.

Thus, as shown by Andersen (2003) and Andersen & Born (2007), even the most dedicated business organizations depend on support from non-economic stakeholders and therefore need to observe and refer to a multitude of function systems. Von Groddeck (2010, 2011) further argues that organizational value communication may act as a switch between or moderator of these heterogeneous multifunctional contexts. Will et al. (2017) suggest that this capability to switch between function systems is typical of all forms of organization and refer to non-profit and non-/governmental organizations to demonstrate that CSR and stakeholder management concepts need to and can be adapted to contexts where both organizations and their main stakeholders are focused on function systems other than the economy (and politics).

In insisting on the need to overcome the quasi-automatic political-economic gaze, we by no means imply that in the future, all subsystems should be equally important to all organizations all the time. Rather, we suggest that based on the organizational mission and environment, particular systems might be more important than others; yet, we insist that this importance may be subject to change both through reactions to environmental changes and as result of attempts to change the organizational environment. Thus, from our point of view, the prevailing focus on economic and political problems, solutions, or stakeholders is by no means an unchangeable law of nature or society.

To overcome the narrow, unsustainable, and persistent but nonetheless changeable political-economic gaze and thus to develop a post-capitalist perspective of CSR, we only need to repair an intellectual short circuit. The first step is to start paying more attention to the full spectrum of functional differentiation, instead of focusing attention mainly on the political system. This shift in attention would mean that the economy would no longer be the opposite of society or of politics. Rather, both politics and the economy would be what they are: two of roughly ten social subsystems (the other main subsystems being science, art, religion, law, sport, health, education, and the mass media). Then, we might realize that all of these systems and all of the corresponding stakeholders and their ethical judgements deserve, in principle, the same attention.

## Towards Post-capitalist CSR: A Systems Theory Approach

The proposed analysis of CSR dysfunctionalities is rooted in the sociological systems theory of Niklas Luhmann, the prominent German sociologist of the twentieth century. Luhmann not only elaborated the theoretical vision of functional differentiation that directly informs the post-capitalist approach to CSR but also firmly established the theme of precarious system-environment relations in the more general systems-theoretic literature. Commentators on Luhmann have noted that the assumption of complexity reduction as the main function of a social system may invoke the tradeoff between systemic complexity and sustainability because "the growing systemic complexity entails the increasing risk that systems develop insensitivity to those environmental conditions on which they critically depend" (Valentinov 2014, p. 14). In the organizational context, this tradeoff is discernible in a number of seminal theoretical constructs, such as those of the resource dependence theory (Pfeffer and Salancik 1978a, b) and the iron law of responsibility (Davis 1967), each of which suggests specific ways to observe organizational sustainability. The theory of functional differentiation indicates, however, that neither of these ways is privileged or uniquely correct. The functionally differentiated society is polycontextual, i.e. constructed by alternative and contingent observational perspectives that may be mutually conflicting and discrepant. To operate sustainably in a polycontextual environment, organizations need to be multifunctional, i.e. able to deploy and switch between a variety of observational perspectives corresponding to the typology of the existing function systems (see Andersen 2003; Andersen and Born 2007; Andersen and Knudsen 2014; Schirmer and Michailakis 2014; Will et al. 2017).

Applying the idea of organizational multifunctionality to corporations brings us closer to a Luhmannian systems-theoretic understanding of CSR. Corporations may have profiles in any number of function systems, but there is a sense that their reference function system affiliation is with the economic system. If this classification is accepted, then the non-economic function system affiliations of corporations may be taken to be constitutive of their CSR profiles. This argument may appear less controversial once it is recalled that CSR has been frequently associated with the "political role of the firm", i.e. the affiliation of corporations with the function system of politics (Scherer and Palazzo 2007, 2011; Pies et al. 2014). There is little doubt that much CSR has indeed been undertaken within the framework of the political activity of corporations (Banerjee 2008; den Hond et al. 2014; Kahn and; Lund-Thomsen 2011), which thereby moves beyond their reference affiliation with the economic system. However, the idea of organizational multifunctionality implies that politics is just one of several relevant function

systems and that CSR activities do not need to be limited to the political function of corporations. In fact, if corporations are assumed to exercise their political functions, they are implicitly assumed to possess the expertise required to meet societal challenges and engage in new governance initiatives (e.g. Pies et al. 2014). Much of this expertise, if available, comes from their affiliation with function systems other than politics and the economy, so that ultimately, the corporate capacity for CSR activities turns on the firm's affiliation with the full spectrum of function systems.

It is interesting to note that even some of the Luhmannian systems-theoretic interpretations of corporations and CSR apparently remain stuck in the economy and society tradition. Drawing inspiration from Thompson and Valentinov (2017, p. 1078) conceptualize corporations “as social systems, whose complexity-reducing function leads them to disregard their critical environmental dependencies and thus undermine their own sustainability”. Combining Luhmann's idea of precarious system-environment relations and the transaction cost theory of the firm, Valentinov (2013) envisioned CSR as “vertical integration into society” aimed at forestalling some of the social risks emanating from business activities. These interpretations, however, presuppose a tradeoff between intra-systemic complexity and systemic sustainability and thus inadvertently endorse an antagonism between the interests of corporations and those of society. Much of the current business ethics scholarship, in contrast, underscores the need to supplant tradeoff thinking with the win-win paradigm, exploring how corporations can create value for a wide range of stakeholders (Pies et al. 2014).

A Luhmannian perspective becomes consistent with Pies et al.'s (2014) win-win paradigm once the basic intuition of the precariousness of system-environment relations is supplemented with acknowledgement of the polycontextuality of a functionally differentiated society. Karl William Kapp, one of the founding fathers of modern ecological economics, has rightly noted “the built-in tendency of the system of business to disregard those negative effects on the environment that are external to the decision-making unit” (Kapp 1975, p. xiii). According to Kapp, these negative effects, social costs in his terminology, are not created intentionally out of ill will; social costs merely fail to be registered by corporations. The reasons for this failure may well be captured by Luhmann's idea that the blind spot of an observational perspective corresponds to the reference affiliation of corporations with the economic system. Kapp did believe, however, that at least some of the social costs generated by corporations can be addressed by the function systems of law, politics, and science. There is a sense in which Kapp's theory of social costs indeed embraces the win-lose perspective. However, a more interesting implication of his theory is that corporations could refrain from the generation of social costs if they were equipped with the sensitivity channels supplied by the function systems of law,

politics, and science. The idea of multifunctionality addresses precisely this issue. To the extent that corporations are multifunctional, they are able to register social costs, and even more crucially, they are able to realize a more diverse set of win-win scenarios with a more diverse set of stakeholders. This is indeed the main task of multifunctional post-capitalist CSR, to transform social costs into win-win scenarios, whereas when social costs are visualized by the *economy and society* tradition, win-win scenarios unfold insofar as the polycontextuality of the functionally differentiated society is matched by the development of corporate multifunctionality.

The critical role of polycontextuality explains why corporate multifunctionality profiles should be equally open to any function system and why any priority or bias in favour of any of these systems may forestall the realization of win-win scenarios. The existence and persistence of these biases seem to be the key obstacles to the development of post-capitalist CSR. First, there is the traditional bias in favour of the economic system because corporations see this function system as their primary affiliation. Second, over the course of history, corporations have immensely benefited from, and indeed could not have emerged without, the supportive regimes created by the political system. A relevant example is the rise of the neoliberal political regime at the end of the last century, but a more basic example is political liberalization, which set the stage for the industrial revolution and the rise of the idea of classic capitalism some centuries ago.

It is noteworthy that classic capitalism, at least in the representation of Adam Smith, is a highly ethical notion embracing justice and freedom. To Smith, the morality of classic capitalism consisted of reliance on a clear institutional framework that channelled the pursuit of individual self-interest into the promotion of the public interest. A number of evolutionary trends that have occurred since the time Smith was writing can be arguably subsumed under the rubric of the growing complexity of economic life and the concomitantly growing complexity of the moral responsibilities of economic decision-makers. It was still in the beginning of the twentieth century that John Maurice Clark pointed out the shifting basis of such responsibilities in view of the fact that “we are becoming interdependent in new and unforeseen ways, and ... we are finding out more about the remote causes of things, which we used to take for granted” (Clark 1916, p. 70). This interdependence makes the unrestrained pursuit of individual self-interest more problematic and thus creates a functional niche for the CSR activities discussed in the present-day business ethics scholarship.

The contribution of the post-capitalist approach to CSR is in the argument that much of the growing complexity and interdependence of economic life can be traced back to the polycontextuality of the functionally differentiated society and that polycontextuality needs to be matched by the respective diversity of observational perspectives that can



be deployed by corporations. In the words of Freeman et al. (2010, p. 4), “as capitalism became the dominant means of organizing value creation and trade, it became clear that restricting attention to its ‘economic’ effects yields a damaging partial view”. The post-capitalist approach to CSR subscribes to this statement and underscores the so-far rather implicit assumption of polycontextuality that makes the automatic dominance of any single observational perspective, economic or political alike, dysfunctional.

Another implication of the post-capitalist approach is that the damaging effects of the dominance of the economic or any other observational perspective go beyond the imposition of social costs on stakeholders and provide fertile ground for the emergence of zero-sum visions of the interaction of business and society. These visions arise out of the inability of the economic observational perspective to do justice to the polycontextuality of the societal environment. It is not only that corporations lacking the requisite multifunctional profiles cannot register many win–win solutions; a further, no less serious, problem is that these solutions, even after they are formulated, are resisted by those corporations that perceive them as contrary to economic rationality. As Pies et al. (2014) rightly argue, CSR cannot be sustainable if it undermines the competitive standing of corporations. The post-capitalist approach adds that the perception of the competitive disadvantage of CSR may be a product of insufficiently developed multifunctionality profiles. Accordingly, as mentioned above, post-capitalist CSR is called upon to bridge the gap between the polycontextuality of the societal environment and the quality of corporate multifunctionality profiles. Crucially, this CSR detects and constructs win–win scenarios where the economy and society tradition observes social costs, business-society tensions, and a tradeoff relation between profit-seeking and public interest.

It seems fair to say that the primary obstacle standing in the way of post-capitalist CSR at present consists of the widespread persistence of models that are framed by forms of social differentiation other than functional differentiation. To the extent that corporate managers incorporate these traditional models, they are prevented from developing the skills required to navigate the polycontextual societal environment (Costas and Kärreman 2013). However, even some parts of the scholarly community fall prey to these models and are accordingly puzzled that CSR paradoxically tends to perpetuate the problematic business-society tensions that it tries to address. As noted by Schumpeter (2003) and Boulding (1981), and a number of critical sociologists, capitalism may indeed fail to generate the loyalty and legitimacy that it requires to be a sustainable form of social organization. Furthermore, it has been acknowledged that capitalism’s addiction to growth and consumption has engendered destructive ecological and social side effects. The post-capitalist approach fully agrees with the critical management

studies literature that as long as CSR remains coded in the language of economic rationality, it will inevitably be seen as the part of the system that creates the problems that CSR must solve. For this reason, the post-capitalist approach speaks of the polycontextual regime of functional differentiation rather than of capitalism and sees the role of CSR as supporting visionary, aspirational, and ultimately performative organizational (self-) images and identities (Christensen et al. 2013) that move beyond political-economic concepts of organization and create win–win potential rather than perpetuate antiquated business-society tensions.

First examples of and practical recommendations for the implementation of such multifunctional approaches to organizational and business modelling have recently been presented by Roth et al. (2018b, c). In radicalizing their approach, we recall that most people paradoxically use money to achieve non-economic goals and anticipate post-capitalist thought experiments or even a research agenda on entrepreneurship and enterprising without money. Meanwhile we agree with Will et al. (2017) that the distinction between non-profit and for-profit organizations is artificial not only insofar as the latter form of organization is only negatively defined by the former, but also as both forms of organization do place value on economic issues, albeit admittedly to different extent. Yet, an underestimated consequence of this common sense is that an increasing and increasingly sincere CSR orientation would necessarily lead to a non-profitization of corporations. In the course of this process, however, the typical paradoxes and tensions of CSR would equally necessarily turn into paradoxes and tensions of a more general organizational social responsibility discourse. An increasing interest in this particular paradox and its self-cannibalizing implications for a vibrant field of scholarly discourse, too, would also contribute to the emergence and success of a post-capitalist CSR.

## Outlook to the Futures of Post-capitalist CSR: From Ethical Underdetermination to Organizational Multifunctionality

A post-capitalist approach to CSR that challenges both the observational bias towards the economy and the overidentification of society with its political system can help overcome the abovementioned CSR dysfunctionalities in the following ways:

First, CSR would no longer contribute to the proliferation of capitalist rationalities as soon as CSR scholars agree that an economic issue is as much a social issue as is a scientific, religious, educational or even a political one. This shift of perspective is critical, as it would prevent both capitalist and anticapitalist CSR scholars from continuing to single out economic issues and from implying that the main focus of the

field ought to be on economic (and political) stakeholders and issues.

Second, the less CSR is focused on economic issues and stakeholders, the more it becomes immune to its own commodification.

Third, if CSR accepts that economic and political stakeholders or issues are, in principle, no more important than religious, scientific, artistic, or educational ones, then CSR can no longer be used to legitimize the political-economic gaze that is typical of both capitalist and anticapitalist ideologies. A truly unbiased, multifunctional CSR perspective that is interested in *all* function systems would promote a transition towards a post-capitalist society and thus a process that is currently still thwarted by both capitalist and anticapitalist insistence on the supposed predominance of (political and) economic issues.

Overall, greater interest in the full spectrum of functional differentiation and, concomitantly, reduced relative interest in political and economic issues would create opportunities to observe real alternatives to the TINA perspective according to which there is no alternative to capitalism, neither in CSR nor in society as a whole.

If we accept that functional differentiation (rather than stratification and its hierarchical architectures of values) is the main form of social differentiation of modern societies, then we find that one and the same issue can be considered morally positive in one subsystem and morally negative in another. This circumstance was discovered and discussed relatively early in the process of modernization. For example, anatomic dissections were considered unethical from a religious viewpoint and ethical from a scientific or medical viewpoint. Adversaries could even refer to the same basic guiding principle—physical integrity—to make their opposing arguments. The religious side could claim that they are defending this principle beyond the grave, whereas the other side could argue that the religious defence of everyone's physical integrity in the afterlife might well prevent scientific and medical progress and could therefore endanger everyone's physical integrity in this life. As a consequence, "mere identification with the morally correct side of a dualism [wa]s increasingly viewed as suspicious and naïve" (Ward 2005, p. 284) because the main challenge in modern societies is to first choose the right (functional) context and only then the (morally) right answer.

For the case of the post-capitalist CSR, the key lesson from this example is the radical heterogeneity of the organizational contexts that correspond to the organization's involvement in different function systems. In view of this heterogeneity, the evolutionary determination of the functional profile of any organization cannot be analysed in terms of win-lose semantics. More organizational attention to the economy does not necessitate less attention to politics or science. This may be a counterintuitive argument, but it directly follows from the fact that the function systems of the modern have no common

denominator in terms of which they could be comparable. In his systems-theoretic analysis of the fundamental human rights, Luhmann defined human dignity as the consistence of individual self-presentations across various communicative settings. In a similar fashion, the post-capitalist CSR implies corporate, or organizational, dignity, which would mean that the organization does not underestimate the importance of its involvement in any of the relevant function systems. A hospital, for example, could be said to have organizational dignity if it provides high-quality medical treatment while not going bankrupt and not violating the law. The maintenance of organizational dignity is what an effective functional profile of an organization is supposed to deliver. The maintenance of organizational dignity can likewise be seen as an exercise of a responsible and far-reaching stakeholder approach that simultaneously eschews the conventional capitalist semantics or rhetoric.

As long as CSR remains fascinated primarily with claims for ethical behaviours or communications rather than with the functional context in which they are observed as ethical, it runs a considerable risk of continuing to support, legitimize, and maintain the status quo. Today, it is no longer possible to defend the notion that the value architectures and ethical expectations of politically legitimized stakeholders are more justified than those of economically legitimized organizations. This is true because there is no logical reason why politics is, in principle, more important than the economy (or vice versa) or why both politics and economy should be more important than, say, science, art, or religion.

A CSR discourse that reflects upon and challenges its own bias towards economic problems and political solutions will therefore soon adopt a multifunctional perspective on "economy and society", a perspective that literally in *corporates* all function systems present in the corporate environment and thus fosters a post-capitalist transformation of both that environment and the formerly capitalist corporations.

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## Compliance with Ethical Standards

**Conflict of interest** The authors declare that they have no conflicts of interest.

**Ethical Approval** This article does not contain any studies with human participants or animals performed by any of the authors.

## Annex

See Table 1.

**Table 1** Social differentiation (Roth et al. 2017a, p. 198)

	Equal	Unequal
Similar	Segmentation (Families, tribes, nations, etc.)	Centralization (Civilizations, empires, etc.)
Dissimilar	Functional Differentiation (Economy, science, art, etc.)	Stratification (Castes, estates, classes, etc.)

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