

# “Business Responsibilities in a Divided World”: The Cold War Roots of the Corporate Social Responsibility Movement

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Both business executives and management scholars have, in recent years, focused a great deal of attention on the theme of corporate social responsibility (CSR). Calls for business leaders to expend resources on behalf of “social good” tend to downplay, if not ignore, what is fundamentally an ideological question: just what is a “good” society and who defines “goodness”? The ideological underpinnings of social responsibility and its relationship to the “good” society can be explored through an historical perspective. The roots of the CSR movement trace back to the early years of the Cold War. Led by Donald K David, Dean of the Harvard Business School and supported by other academics and executives given voice on the pages of the *Harvard Business Review*, advocates urged expanded business social responsibility as a means of aligning business interests with the defense of free-market capitalism against what was depicted as the clear-and-present danger of Soviet Communism. Today’s enthusiastic calls for business to “do well by doing good” could benefit from a similar critical analysis

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not just of the goals of CSR but also the ideological assumptions, often unacknowledged, that underlie those goals.

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After this war, the opportunity is going to be greater than ever because there is a type of literacy to be demanded from the leaders of the community such as we have never had in this country before. This time, gentlemen, this country has to take world leadership. We cannot slough it off. We did after the last world war. We cannot this time.

Dean Donald K. David, Greetings to Incoming MBA Class, Harvard Business School, Feb. 14, 1946.

Dean Donald K. David's greetings to the incoming MBA class at the Harvard Business School in 1946 carried special weight. This was the first MBA class admitted to Harvard since the School suspended civilian programs in 1943 to devote its full resources to wartime training.<sup>1</sup> On that winter morning, after acknowledging the recently completed worldwide conflict, David spoke to the gathered students about "the opportunity ahead for men in business, the demands that are going to be made upon the men in this country in business, the demands that are going to be made on American enterprises and business." Unique expectations and opportunities confronted business leaders in the postwar world. Businessmen would be called upon to help lead the country in playing its newly prominent role in the world. As future business executives, the dean said, Harvard MBAs would need to take heed of the "responsibilities" that had come to rest on the shoulders of "the business leaders of this country."<sup>2</sup>

Both business executives and management scholars have, in recent years, focused an "astounding" amount of attention on the theme of corporate social responsibility. Corporate social responsibility calls on business leaders to expend resources to promote social "good." The question of who gets to define "good," however, has been left largely unexplored. That process of defining the "good society" is, fundamentally, an ideological one. Yet awareness and exploration of ideology has largely been absent in the realm of management dialogue.

This article suggests that the roots of that current corporate social responsibility movement can be traced to the decade-and-a-half following World War II. The increasing dominance of large corporations

1. On the Harvard Business School's wartime efforts, see Cruikshank, *A Delicate Experiment*, 216–77.

2. "Greetings to Incoming Class," Feb. 14, 1946, Donald K. David Papers, Archives, Baker Library, Harvard Business School (hereafter referenced as DKD).

and of the Harvard Business School in training future executives and, through the *Harvard Business Review*, in shaping management dialogue, gave rise to a plea for a new, socially responsive role for those corporations to play. The dean of the School, Donald K. David, became the most frequent, consistent, and prominent advocate of an enhanced corporate role. To a lesser but still significant extent, the School and its *Review*, also offered a forum to debate, even dispute that advocacy of business responsibility. The article further suggests that the advocacy of business responsibility, as well as the opposition to that view, was profoundly shaped by and reflected a pervasive Cold War ideology.

### The Era of Big Business

Suspicion of the motives of big business and the men who directed large corporations ran deep throughout the country's history. Starting in the 1880s, agrarian populism and urban progressivism explicitly attacked what was held to be a malignant concentration of power within big business.<sup>3</sup> The collapse of capitalism during the Great Depression reinforced a general notion, widely shared among the American public, that "a few rich men and large corporations" wielded an unhealthy amount of power.<sup>4</sup>

Public attitudes toward corporations improved during World War II. Once business engaged war production, corporations took a proactive role in enhancing their image. Executives "incessantly proclaimed their patriotism and the indispensability of their huge productive capacities," writes Roland Merchand in his history of American public relations. Even companies still focused on consumer goods "found ways of touting their own sacrifices as they preached

3. Norman Pollack, *The Populist Response to Industrial America* (Cambridge: Harvard University Press, 1962); C. Vann Woodward, *Tom Watson: Agrarian Rebel*. (New York: Oxford University Press, 1963); David P. Thelen, *The New Citizenship: Origins of Progressivism in Wisconsin, 1885-1900* (Columbia: University of Missouri Press, 1972); Laurence Goodwyn, *The Populist Moment: A Short History of the Agrarian Revolt in America* (New York: Oxford University Press, 1978); David P. Thelen, *Paths of Resistance: Tradition and Dignity in Industrializing Missouri*. (New York: Oxford University Press, 1986); Michael Kazin, *The Populist Persuasion in American History* (Ithaca: Cornell University Press, 1998); Michael E. McGerr, *A Fierce Discontent: The Rise and Fall of the Progressive Movement in America* (New York: Free Press, 2003).

4. George Gallup, *The Gallup Poll: Public Opinion, 1935-1971. Vol. 2, 1949-1958* (New York: Random House, 1972), 277.

wartime sacrifice to the public.”<sup>5</sup> The reputation of big business now took on a “fresh luster” as corporations associated themselves with the “Can Do” spirit of America’s victory in the war.<sup>6</sup>

In the immediate aftermath of war, Peter Drucker’s unexpectedly popular study of General Motors, *Concept of the Corporation* (1946), asserted that the war made the large corporation “the representative institution of America society.” The public, claimed Drucker, embraced “the privately-owned, independently managed corporation” which “sets the standards for the way of life and the mode of living of our citizens.”<sup>7</sup>

In the decade-and-a-half following David’s greetings to the first postwar incoming MBA class, the economic landscape of the United States changed precipitously. Fueled by pent-up consumer demand created during World War II, huge infusions of federal spending on Cold War defense weaponry, and federal anti-trust enforcement that ironically encouraged large-scale diversification, giant complex corporate entities emerged as the defining institution of the postwar economy.<sup>8</sup> From their position atop the country’s postwar economic hierarchy, however, business executives found an uneasy reception within the American public.

Pollster Elmo Roper found that there existed a large body of public opinion “which is convinced that business is at best amoral and at worst greedy.”<sup>9</sup> Popular culture during the period reflected anxieties over the motivations and trustworthiness of business executives while simultaneously accepting the dominance of large corporations.<sup>10</sup>

Into that mixture of increasing dominance and lingering suspicion, the Dean of the Harvard Business School, Donald K. David, offered a persistent and consistent voice on behalf of expanding the role of business in American society. David urged businessmen to abandon their ivory tower seclusion (a phrase used with purposeful irony by the head of an academic institution) and engage the larger

5. Roland Merchand, *Creating the Corporate Soul: The Rise of Public Relations and Corporate Imagery in American Big Business*. (Berkeley: University California Press, 1998), 320.

6. Paul S. Boyer, *Promises to Keep: The United States Since World War II*, 2<sup>nd</sup> edition (Boston: Houghton Mifflin, 1999), 68.

7. Peter F. Drucker, *Concept of the Corporation*. (New York: John Day, 1946), 3, 6, 7.

8. Robert Sobel, *The Age of Giant Corporations: A Microeconomic History of American Business, 1914–1994* (Westport, CT: Greenwood Press, 1993).

9. Elmo Roper, “The Public Looks at Business,” *Harvard Business Review* 27 (March 1949), 171.

10. Bert Spector, “The Man in the Gray Flannel Suite in the Executive Suite: Corporate Movies of the 1950s,” *Journal of Management History* (2008).

world by acknowledging the “public responsibilities of enterprise.”<sup>11</sup> Business executives, David insisted, had a special responsibility to serve interests beyond shareholders and bottom-line profits. From his position as the head of one of the nation’s leading business schools, his membership on corporate and foundation boards, and his access to the school’s influential *Harvard Business Review*, David’s call on businessmen to embrace a broadly defined mission of responsibility resonated with both business executives and academics. He urged executives to look beyond the narrow financial interests of shareholders in order to promote the broader interests of society. But just how were those broader interests to be decided: *by* whom and *for* whom?

The process of defining social responsibility ultimately involves judgments about the nature of the desired end state, of just what constitutes the “good” society. Although the desire for a good society is universal, the definition of what constitutes goodness, and the process for achieving that state, is not.<sup>12</sup> That definition derives not from empirically based conclusions, but rather from ideologically based assumptions. David’s advocacy of business social responsibility occurred within a larger ideological framework, a framework established in the early years of the Cold War. Indeed, David referred continually and explicitly to Cold War tensions in his various speeches and writings. David and his colleagues—even his critics—situated their arguments within that ideological framework. Their view of the good society and the responsibility of business leaders to promote that society was a Cold War construct.

### A “Most Colossal Struggle”

Ideology refers to a widely shared and internally consistent belief system. It provides a value-based lens through which adherents view, understand, and react to external events. As an ideology becomes widely and deeply entrenched in a group or society, it tends to become invisible; that is, group members mistake value-based ideological judgments for empirically-based rational judgments. Ideology can serve a functional role by providing “social cement” for a society; it may also lead to distortions, false consciousness, and the concealment of real interests. Because interpretations and judgments concerning

11. The ivory tower references is contained in “Speech to Committee for Economic Development,” July 12, 1946; the public responsibilities quote is from “Remarks to the Interprofessionals Conference,” April 12, 1948; both from DKD.

12. Bénabou and Tirole, “Belief in a Just World and Redistributive Politics,” 699–746.

external reality form the basis for actions, ideologies have behavioral consequences.<sup>13</sup>

Cold War ideology hardened into a pervasive consensus by 1949, crossing domestic party line while embracing both liberals and conservatives.<sup>14</sup> That consensus held that Soviet communism represented more than just a threat to Western power and dominance. International communism, controlled and directed from Moscow, represented “a massive, ideologically-based assault upon everything Americans valued.”<sup>15</sup> Business, political, even religious institutions, along with family ties and private ownership were all at stake in this struggle. “We, as citizens of the world, are engaged today in the most colossal struggle for the control of men’s thinking that the world has ever seen,” journalist Saville Davis warned readers of the *Harvard Business Review*.<sup>16</sup>

Within that ideological framework, business leaders proclaimed their responsibility to both their business and the world. By achieving robust financial performance, American corporations could also stand as a roadblock against the spread of totalitarian communism. Cold War ideology viewed communism as a clear and present danger that threatened world good. By supporting and encouraging free-market values, by fighting the spread of seditious and anti-capitalist points of view, and by opening trade and development with underserved regions in the global marketplace, business leaders could proclaim themselves to be agents of worldwide benefit in a way that also served their more immediate interests.<sup>17</sup>

### The Centrality of the Harvard Business School and Its Journal

Donald David’s position as an advocate of expanded social responsibility for business was amplified greatly by his position as dean of the Harvard Business School (HBS). Founded in 1908, HBS was among a small number of university-affiliated business schools seeking to

13. Walsby, *The Domain of Ideologies*; Althusser, *For Marx*; Shrivastava, “Is Strategic Management Ideological?,” 363–77; Burke, *Meaning and Ideology in Historical Archaeology*; Mayer, “The Role of Ideology in Disagreements among Economists,” 253–73; and Foley, “Rationality and Ideology in Economics,” 329–42.

14. The liberal embrace of Cold War ideology is expressed in Schlesinger, *The Vital Center* and analyzed in Gillon, *Politics and Vision: The ADA and American Liberalism*.

15. Freeland, *The Truman Doctrine and the Origins of McCarthyism*, 9.

16. Davis et al., “Struggle for Men’s Minds Abroad,” 121.

17. Spector, “The Harvard Business Review Goes to War,” 273–95.

professionalize the education of managers in America. The goal of HBS, along with the University of Pennsylvania's Wharton School (founded in 1881) and Dartmouth's Amos Tuck School of Business Administration (1900), was to increase executives' awareness "of themselves as constituting a distinct occupational group, separate from labor and capital."<sup>18</sup>

Although alumni of the newest of the "Big Three" business school, HBS graduates soon dominated the ranks of MBA-educated executives in corporate America.<sup>19</sup> HBS expanded its influence further by virtue of its becoming the primary training grounds for case-based teaching among business school professors. Large supporting grants from the Carnegie and Ford Foundations both recognized and reinforced HBS's leadership role in developing MBA curriculum, as well as the professors who taught around the country.<sup>20</sup>

The school's publication, the *Harvard Business Review*, provided yet another channel for authority and influence.<sup>21</sup> Fourteen years after the School opened, Dean Wallace B. Donham launched the *Review* to provide business executives with the "breadth of view so urgently demanded of business administrators in this century."<sup>22</sup> The *Review's* ambition extended beyond providing helpful how-to articles on management techniques. From its inception, the *Review* took a special role in presenting "the economic and social, the national and international, background" that would help shape the thinking and actions of its readers.<sup>23</sup> By focusing on and analyzing the great questions of the day, *Harvard Business Review* editors and writers hoped to inform and guide the thoughts and actions of the country's leading business executives. In the postwar years, a number of new journals targeted business readers. The *Review*, however, remained unique in its affiliation with a university, combined with its aspiration to reach and influence a professional executive readership. As a fully owned and operated arm of HBS, the *Review* attracted major management theorists from the worlds of academics and business who mingled with economists and other intellectuals in its issues.

The period after World War II saw explosive growth in the magazine's circulation: from 6,000 in 1946 to 35,000 in 1953.<sup>24</sup> Although the school's willingness to experiment with reader-friendly features (article summaries, letters from readers, glossy pages, and so forth)

18. Khurana, *From Higher Aims to Hired Hands*, 93.

19. Newcomer, *American Business Executives, 1964*; Mayo, Nohria, and Singleton, *Paths to Power*.

20. Khurana, *From Higher Aims to Hired Hands*, 233–38.

21. *Ibid.*, 319.

22. Bates, "Twenty Years," 3.

23. *Ibid.*, 2.

24. Landry, "A Brief History of the *Harvard Business Review*."

undoubtedly helped circulation, growth also coincided with an increasing professional self-image among managers. Regular appearances by the first popular “guru” of professional management—Peter Drucker—undoubtedly contributed to the emerging prominence of the *Review* among America’s leading executives.<sup>25</sup>

David’s influence in postwar America extended well beyond the confines of HBS or even the world of business schools. He served on federal commissions and corporate boards and as a member of the Ford Foundation’s board of trustees, eventually sitting as chairman of its executive committee. By shaping the curriculum of one of the nation’s leading professional business schools, speaking to numerous business associations, writing in his school’s influential *Review*, and serving the Ford Foundation, David emerged as a “prototypical member of America’s new postwar elite, equally at ease within the halls of government, the administrative centers of academia, and the boardrooms of America’s mightiest corporations.”<sup>26</sup>

### Introducing “Business Responsibility” to the Dialogue on Management

David was not the first dean of the Harvard Business School to call upon business leaders to exert broad social influence in American society. He stood, in fact, on the shoulders of his immediate predecessor, Wallace B. Donham. Even before the post–World War II rise of giant corporations, Dean Donham, a Harvard Law School graduate and former vice president of Old Colony Trust, proclaimed the responsibilities of businessmen not just to their enterprise but also to the society in which their business operated. In a 1927 speech delivered at the dedication of the George F. Baker Foundation, Donham related the emerging professionalism of business leaders with the idea of what he labeled “social consciousness.”<sup>27</sup> At the same time, he took to the pages of the School’s *Business Review* to amplify his concern that the “development, strengthening, and multiplication of socially-minded business men” was “the central problem of business.”<sup>28</sup> If businessmen did not respond and respond quickly, civilization was threatened:

25. Between 1950 and 1960, the *Harvard Business Review* published five Drucker articles plus occasional untitled columns and letters.

26. The assessment of David’s role is from Khurana, *From Higher Aims to Hired Hands*. The quote is from page 241.

27. Donham, “The Emerging Profession of Business,” 401.

28. Donham, “The Social Significance of Business,” 406.



Moreover, it is one of the great problems of civilization, for such men can do more than any other type to rehabilitate the ethical and social forces of the community and to create the background which is essential to a more idealistic working philosophy in the community. Unless more of our business leaders learn to exercise their powers and responsibilities with a definitely increased sense of responsibility toward other groups in the community, unless without great lapse in time there is through the initiative of such men an important socializing of business, our civilization may well head for one of its periods of decline.<sup>29</sup>

The threat to “our civilization,” Donham asserted, was both immediate and real. “Discontent with the existing condition of things,” he stated, “is perhaps more widespread than ever before in history.”<sup>30</sup> He pointed to the recent Bolshevik revolution in Russia and the more distant French revolution, while also warning about the small but vocal popularity of socialism in the United States.<sup>31</sup>

“There is a close analogy,” Donham suggested, “between the position of the governing class in the earlier, simple societies [France and Russia] and that of the business group in our present complex social organization.” It was essential that business leaders assume responsibility in order to ensure “the continuance of our economic order and its sane evolution.”<sup>32</sup> Thus did Donham set two forces in motion: the advocacy of broadened social responsibility for businessmen and the insistence that if business leaders did not get it right in terms of serving their communities, “we face either revolution or a feudal system based on business ownership.”<sup>33</sup>

#### Donald David’s call for business responsibilities

Upon Donham’s retirement in 1943, his chosen successor Donald K. David assumed the reins. Born in Moscow, Idaho, David enrolled in HBS after receiving an undergraduate degree from the University of Idaho and working for two years in his family’s business.<sup>34</sup> Immedi-

29. *Ibid.*

30. *Ibid.*

31. Socialist Party leader Eugene V. Debs had received 6 percent of the presidential vote in 1912 and 3.4 percent in 1920.

32. Donham, “The Social Significance of Business,” 404. Other writings by Donham on the social responsibilities of business leaders include: “Business Ethics – A General Survey”; “The Failure of Business Leadership and the Responsibility of the Universities”; “Training for Leadership in a Democracy”; and “The Theory and Practice of Administration.”

33. Donham, “Business Ethics,” 388.

34. Biographical information is from Cruikshank, *A Delicate Experiment*, 234–35.

ately after graduation, David joined the HBS faculty's marketing department, where he remained until 1927. He then served as executive vice president of the Royal Baking Powder Company and president of American Maize. In 1941, he returned to the HBS faculty at the personal request of Dean Donham. In addition to his appointment as the William Zeigler Professor of Business Management, David quickly emerged as Donham's heir apparent.

Simultaneous with the admission of the first postwar MBA class, David and his faculty reevaluated the goals of business education. David first asked the faculty to abolish the current MBA curriculum in order to create a "clean slate." After receiving unanimous approval, David then presented a report to the school's policy committee. The committee requested a new curriculum with a focus on "getting action through human beings and duties of operating executives [and on] *public responsibilities of the enterprise*" [emphasis added]. To clarify that goal of public responsibilities, the policy committee urged a codified objective: "Understanding of the useful generalization of political economy and ability to develop at least the beginnings of an integrated social and economic philosophy." David endorsed the report and the faculty agreed, again offering unanimous approval.<sup>35</sup> In a speech to the National Business Conference, David explained that the new curriculum would teach HBS's MBA students "*how* (not necessarily *what*) to think about the impact of their behavior as individual businessmen and as members of the business world upon their community."<sup>36</sup>

David's core manifesto regarding business responsibilities appeared in a special May 1949 supplement to the *Harvard Business Review*. That year, 1949, had already witnessed a hardening of Cold War tensions with the creation of the North Atlantic Treaty Organization, the proclamation of the Truman Doctrine, the Berlin Airlift, and Congressional inquiries into domestic spying by alleged Soviet agents and sympathizers. Entitled "Business Responsibilities in an Uncertain World," the article's content had percolated over the course of the previous year in speeches at the Economic Club in Detroit, the Chamber of Commerce in St. Louis, and at Washington and Lee University in Lexington, Virginia. Those talks evoked "such interest," noted *Review* editors, "that we are issuing it in the form of a special supplement for the benefit of *Review* readers."<sup>37</sup>

35. The account of the curriculum change is from Cruikshank, *A Delicate Experiment*, 270.

36. "Remarks to the Interprofessionals Conference," April 12, 1948; "Developing Administrative Concepts in Business: remarks at the National Business Conference, June 7, 1953; both from DKD.

37. Editor's note, May 1949 Supplement, 1.

David's article commenced by planting his argument solidly within the Cold War context. The "uncertain world" to which he referred directly arose from the struggle between the United States and the Soviet Union:

The adversaries are democracy and totalitarianism. The conflict is one of social systems—of methods through which society makes its decisions in social, political, and economic affairs. The weapons which are in use are military, political, economic, intellectual, and even religious. The test of these systems will lie in their effectiveness in attaining the satisfactions—material, human, and spiritual—which are the goals of any society. This war of methods and ideas gives rise to new problems, and it underscores older ones with which we are already familiar; it is the source of the greatest uncertainties of our world.<sup>38</sup>

The possibility of war, David made clear, "arises currently of course from the challenge of communism [to] our way of life." The role of business and business leaders was to ensure robust economic performance coupled with service to "the dignity of man" in order to assure victory in the Cold War confrontation.<sup>39</sup>

Business leaders, David believed, possessed a special capacity to fight the "conflict of social systems" based on the skills required of business stewardship. The executive's "daily task of making it possible for the people within his business to work toward a common goal is not unlike the one society now faces on a somewhat larger scale."<sup>40</sup> Business executives could fill the void of leadership in postwar America by bringing their own unique skills to bear on an uncertain and dangerous world:

The effective businessman has, it seems to me, two special abilities. He is skilled in the art and science of the purposeful organization of men and things. He is also trained in the taking of risks and the facing of uncertainties. He makes his decisions and carries out his actions after a considered appraisal of the risks involved. These twin capacities—purposeful organization and the exercise of judgment leading to action—are needed today as never before.

Business leadership "can and must" apply those skills to ensure the success, even the survival, of a capitalist society.<sup>41</sup>

38. David, "Business Responsibilities in an Uncertain World," 1.

39. *Ibid.*, 1, 2.

40. *Ibid.*, 2.

41. *Ibid.*, 3.

During speeches delivered in the immediate aftermath of the special supplement's appearance, David sharpened his references to Cold War divisions and the responsibility of businessmen in preserving "democracy" and "our way of life." A December appearance before the Canadian Club in Montreal repeated the article virtually verbatim but included an alteration in title. The "uncertain world" now became "the divided world."<sup>42</sup> The U.S. atomic monopoly had ended just months earlier with the announcement of a successful Soviet atomic bomb test. Now, at the graduation of the Harvard Business School's Advanced Management class, he issued an even more ominous warning. "The world has practically gone to socialism," he insisted, "and the United States is rapidly drifting toward a welfare state. We are faced with ideological conflict, a war of ideas."<sup>43</sup> The role of businessmen was to enlist in that war and help to correct the misdirection away from free-market capitalism and toward socialism that David saw as a dangerous threat throughout the Cold War world.

#### Aligning business and Cold War responsibilities

The *Harvard Business Review* offered a prominent forum for executives and scholars to take up David's call to action: serve the interests of society against the threatened encroachment of Communism. But what, precisely, were the interests of society? Once again, a series of articles in the *Review* suggested answers. For many business leaders, both educators and practitioners, business responsibility came to be equated with lending support to free-market capitalism against the threatened encroachment of Soviet communism. Management had become a profession, argued Frank W. Abrams, president of Esso Standard Oil, and "the hallmark of a profession is its sense of duty." No business would prosper for long "if its sole concern is to make as much money as possible as quickly as possible, and without concern for other values." It was time for executives to enlist their talents and resources in order to promote "the good of mankind."<sup>44</sup>

At the base of that sense of responsibility rested a "patriotic motive" that, insisted Abrams, any intelligent, professional manager would understand:

In a democratic state, only those institutions which so conduct themselves as to deserve, secure, and hold public confidence can

42. David, "Business Responsibilities in a Divided World," December 1949, DKD.

43. David, "Advanced Management Graduation," Dec. 9, 1949, DKD.

44. Abrams, "Management's Responsibilities in a Complex World," 29.

survive and prosper. It is a plain ordinary fact that our country, to be strong and constructive in a troubled world, is dependent upon free, competitive institutions to give its people opportunity of self-expression and advancement.<sup>45</sup>

By their example and actions, Abrams concluded, business leaders must help advance “our American way of life.”

“Common good” was a phrase that appeared regularly in calls for business social responsibility. And there was no shortage of suggestions on what mechanisms business leaders could call upon in order to serve that “common good” amid the Cold War:

- Within their own organizations, suggested Johnson and Johnson’s Robert Wood Johnson, business leaders could create a social environment of inclusion and respect based on “sound, cooperative relations between workers and management” as a way of demonstrating to the world “what free men can achieve.”<sup>46</sup>
- “Our race relations have far-reaching implications for democracy,” insisted Pitney-Bowes personnel director Joseph J. Morrow, “for the struggle against communism, as well as the endeavor to overcome discord within our own borders.” It was now time for businessmen to remove racial bias from business by “hiring more Negroes.”<sup>47</sup>
- Business leaders could work, wrote University of Michigan economics professor Kenneth E. Boulding, “to solve what is by far the greatest single economic problem facing the world today; the development of the so-called underdeveloped areas—inhabited by about three-quarters of the world’s population—to the point where at least the grim consequences of extreme poverty (malnutrition, early death, constant ill health, superstition, squalor, and misery) are mitigated.”<sup>48</sup> Areas of extreme poverty were widely believed to be breeding grounds for communist recruitment.
- Business leaders could support a robust world trade in order to break down America’s traditional isolationism as a way of ensuring world peace. Newspaper editor Gardner Cowles warned, “If goods do not cross borders, soldiers will.”<sup>49</sup>
- Business leaders could bring their organizing talents to bear on behalf of the defense department to make sure the country was prepared to face down the totalitarian threat, said *Wall Street*

45. *Ibid.*, 34.

46. Johnson, “Human Relations in Modern Business,” 521, 540.

47. Morrow, “American Negroes - A Wasted Resource,” 65.

48. Boulding, “Religious Foundations of Economic Progress,” 38–9.

49. Cowles, “Half a Foreign Policy,” 116.

*Journal* and *Chicago Tribune* correspondent Eugene Duffield or, added Marshall K. Wood, on behalf of post-atomic-war planning so that the United States would not have to “surrender and accept communist domination.”<sup>50</sup>

- Corporate lawyer W. Jack Butler urged business leaders to focus their competitive fervor on fighting “communist aggression. . . on the industrial battlefield” while insisting on a “give-and-take spirit of accommodation” that will achieve “peace in our competitive world.”<sup>51</sup>

Repeatedly, common good came to be associated with the “American way of life” in direct contrast to the looming communist threat.

David’s agenda for social responsibility included more than standing up to global communism. He was equally concerned with what he perceived as a dangerous drift toward a “welfare state” within the United States. In his 1949 *Harvard Business Review* article, David explicitly coupled the new and threatening “uncertainties of war and of the totalitarian challenge from without” with “more familiar” domestic uncertainties:

These [domestic uncertainties] arise in part from the developing and changing relationships among various groups within our society. In our dynamic society we are constantly working out new balances among the manifold interests of business, labor, agriculture, and other segments of the national community. Often businessmen have expressed their concern as they have watched the process and have seen other groups rise to more powerful positions than in the past. But this process is essential to our way of life, for a dynamic society is by definition a changing one, and it is only to be expected that new patterns of relationship among the various sectors of our society will develop.<sup>52</sup>

The task of business leaders was to make sure “the pendulum swings” of power distribution did not go “too far,” and when that happened, to seek adjustment. The following year, David made explicit the danger of a “drift” toward a “welfare state” that would lead to “the loss of human dignity.”<sup>53</sup> His assumption of business responsibility involved the untangling of the federal government from the affairs of business.

After his retirement from HBS and for the remainder of the decade, David served as chairman of the Ford Foundation board of trustees.

50. Duffield, “Organizing for Defense,” 29–42; Wood, “Industry Must Prepare for Atomic Attack,” 118.

51. Butler, “Business Fights Communism Overseas,” 96.

52. David, “Business Responsibilities in an Uncertain World,” 2.

53. David, “The Danger of Drifting,” 25.

Ford became, by virtue of its grants, the de facto agenda setter for business school curriculum.<sup>54</sup> From his Foundation position, David continued his calls for an expanded role for businessmen in a society threatened by communism. In a September 1958 speech to the Harvard Business School Association, David called on business executives to enter public service. Compared with the Soviet Union, he told in September 1958, “Government does not have the best talents and skills at its direct disposal because, unlike the Soviet Union, the production and managerial genius of America is located in the private sector.” His suggestion was to “mobilize, as in war, the full resources of our private enterprise economy by having responsible government agencies contract with private companies and private management to do a massive and effective job of foreign economic development.”<sup>55</sup>

### Widening the social responsibility debate

David’s decade-long call for enlarged social responsibility invited spirited challenge. The main point of contention involved the question of whether attention to a multiplicity of stakeholder interests would, in some way dilute the attention paid to bottom-line performance. Doing well, not doing good, was all that should matter to business leaders, and doing well meant generating as much profit as possible.<sup>56</sup> Keith Powlison, a vice president with Armstrong Cork, worried that attention to doing good would come at a cost to doing well. The profit motive, he suggested, was in danger of being compromised. When executives fail to give their full attention to profits, “the whole system may fail.”<sup>57</sup>

In 1958, the *Harvard Business Review* published an elaborate, thorough challenge to David’s advocacy of business responsibility. Although not once mentioning David by name, the article entitled, “The Dangers of Social Responsibility,” announced its direct challenge to the former Dean’s position. The *Review’s* editors took special note of the dissenting view being offered by marketing consultant Theodore Levitt (who would join the Harvard Business School faculty in 1959 and serve as the *Review’s* editor from 1985 to 1989):

54. Rakesh Khurana traces the declining influence of the American Association of Colleges and Schools of Business, along with the rise of the Ford Foundation in Khurana, *From Higher Aims to Hired Hands*, 233–90.

55. “The New Relationship of Business to Society,” Harvard Business School Association, Sept. 5, 1958, DKD.

56. The counterattack on the business responsibility argument in the 1950s is summarized in Walton, *Corporate Business Responsibilities*.

57. Powilson, “The Profit Motive Compromised,” 102. Oberlin College economics professor Ben W. Lewis offered a similar argument in a 1958 speech to the American Economic Association. See Lewis, “Open Season on Bigness,” 105–13.

In *HBR*'s pages many authors have urged businessmen to develop a sense of social responsibility and act accordingly. No doubt there will be many other articles with variations of the same theme in the future. But here is an author who strongly disagrees.<sup>58</sup>

Levitt's challenge, the Editors insisted, "deserves full consideration."

The call for increased social responsibility, Levitt insisted, represented an implicit attack on the profit motive, especially a fear of excessive profitability: "Today's profits must be merely adequate, not maximum. If they are big, it is cause for apologetic rationalization (for example, that they are needed to expand the company's ability to 'serve' the public even better) rather than for boastful celebration." Instead, Levitt proposed exhuming "the apparently antique notion that the business of business is profits; that virtue lies in the vigorous, undiluted assertion of the corporation's profit-making function."<sup>59</sup> Like David, Levitt placed his own rejection of social responsibility within a Cold War framework of standing up to the communist challenge. The Soviet Union and their "adherents" misled the world about their embrace of materialism while failing to develop a robust domestic economy. American business leaders would stand "a much better chance of surviving if there is no nonsense about [their] goals—that is, if long-run profit maximization is the one dominant objective in practice as well as in theory."<sup>60</sup> In order to thrive in a divided world, Levitt concluded, American business should become narrowly profit-focused.

David addressed the criticism that social responsibility would detract from "the business of business" by offering assurance—based on little beyond his own assertion—that the enactment of social and business responsibilities was mutually reinforcing. Addressing the National Business Conference, he asserted the likelihood that the enactment of business responsibilities would do more than protect "our way of life": it could also contribute to the efficient discharge of businesses shareholder responsibilities. "We know that the objectives of business success and social responsibility are by no means in conflict," he said, "but we have not yet closed the gap of inexperience that lies between them."<sup>61</sup> It would become the responsibility of scholars to provide the evidence that the enactment of business responsibilities and the performance of the business were indeed compatible.

Despite the lack of compelling evidence that business could "do well" by "doing good," and despite the vigorous assault on social

58. Editor's Note, September–October 1958, 43.

59. Levitt, "The Dangers of Social Responsibility," 42.

60. *Ibid.*, 49.

61. "Developing Administrative Concepts in Business," June 7, 1952, DKD.



responsibility as a dilution of profit-focused activities, David's call found a significant audience as the 1960s opened.<sup>62</sup> The changed character of capitalism—the dominance of giant, complex entities—led to a keen awareness of the part of corporate executives of the need to acknowledge broader social responsibilities. Thomas Watson, IBM chief executive, expressed the view that the possession of “special power imposes social responsibility on those who hold it.”<sup>63</sup> The notion that bigness imposed a social burden on corporations became a generally, if not universally, accepted tenet of American business thinking.<sup>64</sup> In 1961, the *Harvard Business Review* conducted a reader survey. The 1700 respondents comprised mainly top and middle management personnel (73 percent), a large percentage of whom held graduate (40 percent) and undergraduate (36 percent) degrees. Nearly half (49 percent) worked for companies with 1000 or more employees, and 41 percent identified their industry as manufacturing. In that survey, five out of six respondents expressed the view that it was unethical for executives to act solely in the interests of company shareholders.<sup>65</sup> The David argument had apparently triumphed over the profit maximization position.

### Implications for the Contemporary Corporate Social Responsibility Movement

Increasing globalization and interdependency of economic networks, reaction against widespread corporate scandals and eruptions of manifest greed, and scientific evidence (and public acceptance) of the impending dangers posed by global warming have combined in the opening years of the 21st century to refocus the attention of business leaders on corporate social responsibility (CSR). A 2005 survey, cosponsored by the U.S. Chamber of Commerce, the Hitachi Foundation, and the Boston College Center for Corporate Social Responsibility, insisted “that business generally, and their company specifically,

62. Empirical evidence is still lacking, although studies have found that doing good does not impose a direct cost to shareholders. In a review of 35 years worth of research, Joshua Margolis and Hillary Anger Elfenbein conclude that companies “can do good *and* do well, even if they don't do well *by* doing good.” Margolis and Elfenbein, “Do Well by Doing Good? Don't Count on It,” 4.

63. Watson, *A Business and Its Beliefs*, 91.

64. Heilbroner, “The View from the Top,” in Cheit, ed., *The Business Establishment*, 1–36.

65. Baumhart, “How Ethical are Businessmen?,” 6–16.

should help strengthen communities because the health of society and business are inextricably linked.”<sup>66</sup>

Despite “an astounding ascendancy and resurgence” of interest in the theme of CSR, no one common definition of CSR existed.<sup>67</sup> Corporate social responsibility is meant to promote “positive social change.”<sup>68</sup> There are a number of traits common to most definitions of that process. CSR accepts as necessary but not sufficient the triple requirements that a corporation and its leaders act legally, meet fiduciary requirements to shareholders, and avoid harm to their communities. CSR also asks corporations to take affirmative action to ensure that a portion of the economic resources they generate are redistributed from private to public hands in a manner that is both equitable and sustainable. Further, sustainability should take account of the needs of multiple stakeholders in the organization as well as the global environment. A consensus has emerged, say the editors of the *Academy of Management Review's* 2007 special topic forum, “that corporations *should* act as social change agents.”<sup>69</sup>

That is not to say, however, that all debate has disappeared. The methods and meaning of CSR remain open to discussion. Matthew Hirschland captured the suspicion that greets many corporate efforts in the field: “Many skeptics are often unimpressed and see CSR efforts as misleading attempts to slow down real change, defer criticism, or, as slick public relations hype for what are otherwise destructive business practices.”<sup>70</sup> Catherine Liston-Heyes and Gwen Ceton take note of the self-serving motivations of corporations seeking to curry favor from politicians, noting that companies regularly use CSR “as a tool to modify or influence the regulatory framework in their favour” in order to “secure business advantages of all sorts.”<sup>71</sup>

These occasional critiques aside, contemporary literature on CSR has largely neglected an analysis of ideology imbedded in calls for “good” and “positive” social change. The lack of attention to ideology in the analysis of CSR fits a larger pattern in management dialogue. Writing over thirty years ago, George Lodge noted a disturbing

66. Center for Corporate Citizenship, *The State of Corporate Citizenship in the U.S.*, 2.

67. Jamali and Mirshak, “Corporate Social Responsibility (CSR): Theory and Practice,” 244.

68. Aguilera, Rupp, Williams, and Ganapath, “Putting the S Back in Corporate Social Responsibility,” 836.

69. Bies, et al., “Corporations as Social Change Agents,” 789.

70. Hirschland, *Corporate Social Responsibility*, 11.

71. Liston-Heyes and Ceton “Corporate Social Performance and Politics,” 97, 99. On the instrumental exchange between corporations and politicians in regards to corporate social responsibility, see also Baron, “Private Politics, Corporate Social Responsibility, and Integrated Strategy,” 7–46.

omission of a recognition and analysis of ideology in the prevailing discourse on American management.<sup>72</sup> Americans generally tend to ignore, leave unexamined, or even deny the influence of a dominant ideology. Ideologies are viewed as alien constructs, essentially European in origin. Communism, fascism, totalitarianism—these and other “isms” denoted non-American, perhaps even un-American activities. Americans pride themselves in a non-ideological approach: pragmatic, scientific, and instrumental.

What disturbed Lodge was that the omission of ideology from discourse left unacknowledged—and thus, unquestioned and undebatable—the collection of ideas and the dominant influences that shaped patterns of thinking and acting. And make no mistake about it, Lodge argued: “No community has been more deeply imbued with ideology than ours.”<sup>73</sup> Far from being non-ideological, Americans held a robust and coherent set of values. By combining Adam Smith with John Locke, Americans forged an ideology that extolled the virtues of individualism, property rights, and free-market competition while rejecting the notion of a strong central state as a threat to liberty and freedom.

A critical review of the Cold War origins of the social responsibility movement suggests just how deeply ideological was the process of defining a desired end state. For Dean David and his followers, the exercise of social responsibility meant aligning business interests with the anti-Communist ideology of the Cold War. Even critics of expanded social responsibility argued their position within the same framework of defending capitalism and free markets against perceived communist threats.

A belief in the need to defend the United States against totalitarian communism was not unique to business leaders; rather it represented a component of the pervasive and broadly inclusive Cold War ideology. Likewise, the assumption underlying the social responsibility position—that all other residents of the earth would also benefit from a victory of free-market capitalism—was so widely shared as to invite little debate, at least until the 1960s. The pervasiveness of the ideology in the 1950s may have clouded its basic assumptions, even its biases and distortions. It was the pervasiveness of that ideology that helped participants in managerial discourse shape their arguments and present their case. With widespread public skepticism toward the newly emergent corporate landscape, the theme of corporate social responsibility offered an important opportunity to establish legitimacy.

72. Lodge, *The New American Ideology*.

73. *Ibid.* 9.

A critical reading of the past does not suggest that business cannot or should not act as an agent of world benefit. It does suggest the possibility that doing well by doing good can lead to goals not shared by every advocate. Today's enthusiasm over doing well by doing good needs to be contained within a critical context—one that demands analysis and debate and makes transparent and debatable not just the goals of the agenda but also the process by which those goals are set.

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