

**TOWARDS A POLITICAL CONCEPTION OF CORPORATE
SOCIAL RESPONSIBILITY
BUSINESS & SOCIETY AND THE CONTRIBUTION OF RECENT
HABERMASIAN POLITICAL PHILOSOPHY**

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Literature

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Overview

1. Pluralism of CSR concepts and challenges of a globalized world
 - 1.1 Positivist CSR
 - 1.2 Monological post-positivist CSR
 - 1.3 Discursive post-positivist CSR
 - 1.3.1 Postmodern/Postcolonial CSR
 - 1.3.2 Critical strategy / Habermas₁ approach to CSR
2. The need for a paradigm shift in CSR
3. Deliberative politics and the Habermas₂ approach to CSR
4. Summary

Corporate Social Responsibility: A Pluralism of Perspectives

- Various concepts that emphasize the social and environmental responsibilities of business
- e.g., Corporate Social Responsibility, Corporate Accountability, Corporate Sustainability, Corporate Citizenship, Business Ethics
- We use CSR as an umbrella term of the debate
- pluralism of methods and philosophies
 - descriptive, prescriptive (instrumental), normative theories
 - analytical and empirical research (quantitative and qualitative)
 - various political philosophies (liberalism, republicanism, communitarism, deliberative theory etc.) (mostly implicit)
- we suggest a typology of five different schools of thought (positivist CSR, monological post-positivist CSR, postmodern CSR, Habermas₁ CSR, Habermas₂ CSR)

Theses

- Available theories of CSR do not adequately respond to contemporary challenges of business firms
- Challenges of CSR in a globalized world
 - growing complexity and variety of stakeholders' expectations
 - pluralism of norms, values, cultures, and live styles
 - decline in nation states regulation capacity
 - (global) public goods (health, education, rights etc.) in short supply
 - new political actors (NGOs, International Org., MNCs)
 - business activities in territories and policy areas with state failure
 - business firms as direct addressees of legitimacy demands
 - new political mandate of business firms (CC, UN GC etc.)
- We need a new paradigm of CSR which encompasses the political activities of non state-actors and helps to compensate for regulation and legitimacy gaps in current systems of governance
- We propose a new concept of CSR based on recent Habermasian political philosophy („Habermas₂ CSR“)

Positivist CSR

- “positivist”: value free thesis, application of natural science methodology; here also: uncritical adaptation of economic ideology
- The contemporary positivist framework of CSR leads to a merely instrumental interpretation of corporate responsibility (see, e.g., Jones, 1995) that fits perfectly into an economic theory of the firm (Margolis & Walsh, 2003).
- Its aim is to respond to others and not to build strategy on moral principles (Freeman & Gilbert, 1988) (= CSR as an additional success factor for the corporation = „Does it pay to be socially responsible“ = opportunist corporation) (Dunfee & Fort, 2003)
- separation of political and economic responsibilities:
It is the role of the state to protect legitimate stakeholder interests (Sundaram & Inkpen, 2004)

Problem: « What happens when attention to stakeholder interests yields results that diverge from the wealth maximization ambitions of its shareholders? » (Margolis & Walsh, 2003). Within a positivist CSR one can not move from « what is » to « what should be »

Monological Post-positivist CSR

- monological: theorist assumes a position outside the social world and argues for universal principles or criteria to examine the moral status quo and justify an action (Goodpaster, 1998)
- Examples: social contracts theory (Donaldson & Dunfee, 1994); Kantian duty ethics (Bowie, 1999), Aristotelean virtue ethics (Solomon, 1993).

Main problems:

1. Discursive deficiency:

a universal « view from nowhere » (Donaldson & Dunfee, 1999: 14) does not suffice because it implies an a-cultural and a-historical archimedes' point

under the conditions of pluralism of values and cultures, the normative validity of any norm can only be tested in a discursive process involving those people who should accept the norms

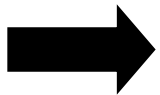
2. Pragmatic deficiency:

focus on on the link between management theory and moral philosophy
lack a critical analysis of the underlying concept of society and its democratic institutions

priority of philosophical theorizing to democratic practice has to be turned

Discursive post-positivist CSR: Postmodern/postcolonial management theory

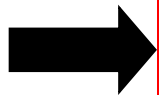
- postmodernism: attacks any universal concept of reason. There is no ultimate frame of reference (e.g. truth, knowledge, business ethics etc.)
- rejects positivist and functionalist theory for building upon established power relations
- calls for more reflexivity and a bigger awareness of the culture and history bound nature of knowledge creation
- Postmodern management theory helps in analyzing power relations behind discourses and behind established institutions



Problem: Postmodern theory shows no way out of the criticized conditions. It is helpful for analysis but insufficient for solutions and the development of normative orientations

Discursive postpositivist CSR (2): Critical strategy research based on Jürgen Habermas' discourse ethics (Habermas₁)

- Corporations need a reasonable orientation based on a critical assessment of the status quo and the provision of ethical orientations and principles
- Guiding philosophical principle: Ideal discourse (Habermas) of all affected stakeholders independent from the power of the stakeholders
- « to critically explore taken-for-granted assumptions and ideologies that freeze the contemporary social order. What seems to be natural then becomes the target of 'de-naturalization': that is, the questioning and opening up of what has become seen as given, unproblematic and natural » (Alvesson & Willmott, 1995)



Problem: Unlimited stakeholder discourse is utopian. It does not take into consideration the conditions of the market economy, the necessity to make a profit and remain competitive.

The politicization of the corporation

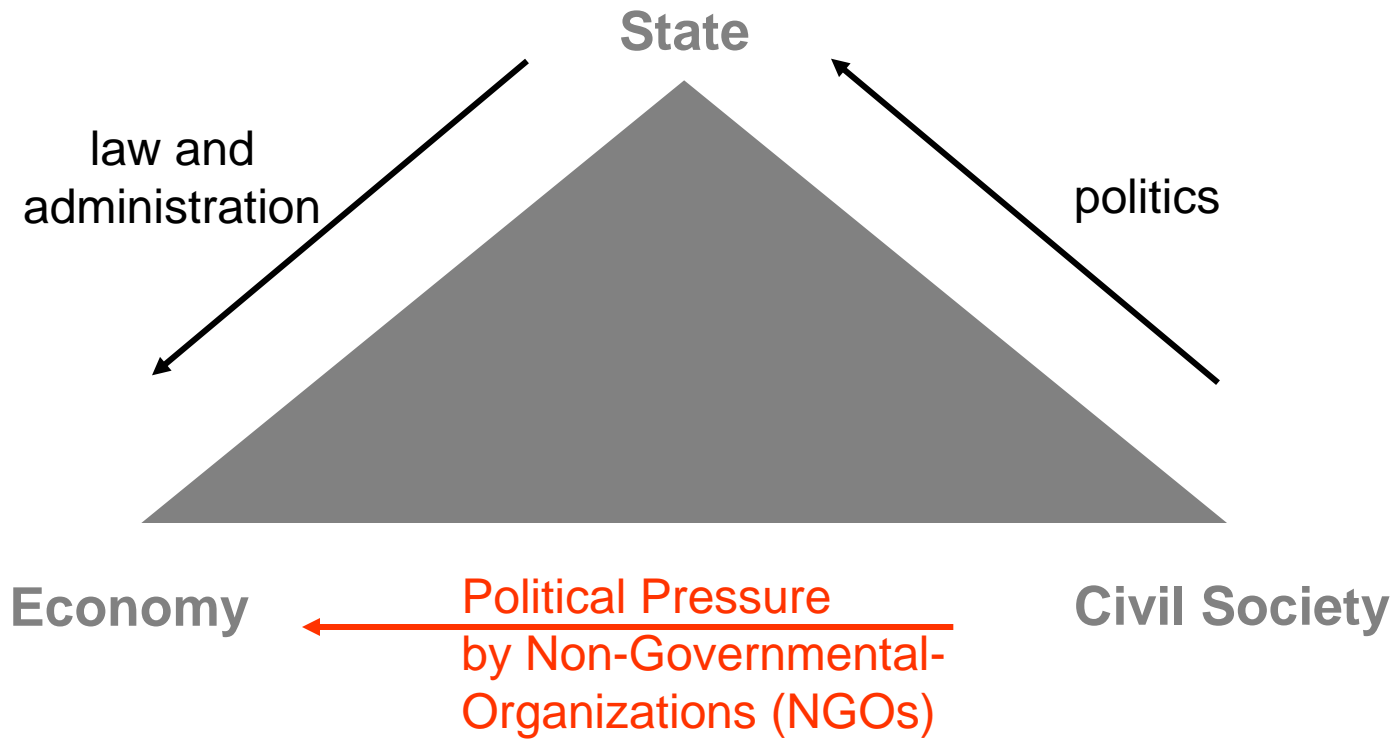
some anecdotal evidence

Corporations are increasingly assuming responsibilities that once were regarded as genuine governmental responsibilities (Walsh, Weber, & Margolis, 2003). They...

- engage in public health, education, social security, and protection of human rights while operating in countries with repressive regimes (Kinley & Tadaki, 2004; Matten & Crane, 2005)
- address social ills such as AIDS, malnutrition, homelessness, and illiteracy (Margolis & Walsh, 2003)
- engage in self-regulation to fill global gaps in legal regulation and moral orientation (Leisinger, 2003; Scherer & Smid, 2000)
- promote societal peace and stability (Fort & Schipani, 2004).

Those activities go beyond the common understanding of CSR as conceptualized in the positivist tradition and are even difficult to explain in a context of current post-positivist theory (Walsh, 2005).

The corporation in a transnational context



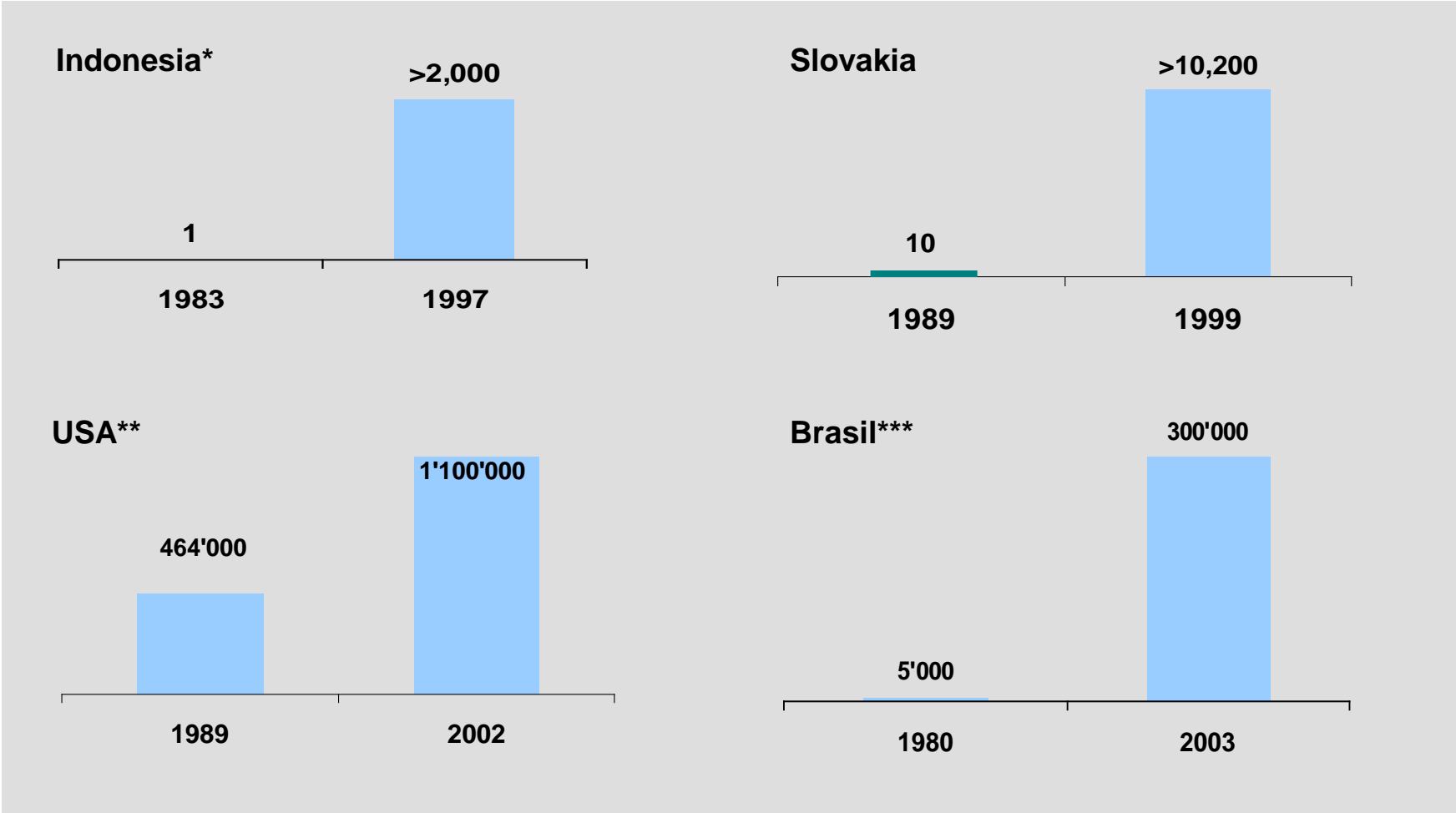
The regulation capacity of state governance shrinks. Citizens are no longer able to (indirectly) control the economy by democratic nation state politics

Powerlessness creates distrust and people start to look after their interests on their own.

= “globalization from below” (Giddens), “subpolitics” (Beck), “paragovernmental activities” (Dryzek)

The number of NGOs is exploding – not only in the developed world

Number of NGOs



* Only Environmental Groups
Registered Non Profits (501©3);*only officially registered
Source: Urban Institute, John Hopkins Survey, Ashoka Brazil, Walhi (Indonesia), Ashoka

CSR in a global context

Key challenges:

1. A **pragmatic/political challenge**:
If the CSR engagement of multinational corporations is eroding the strict division of labor between politics and business – how can these activities be legitimized? - how can these activities be embedded in processes of democratic will-formation?
2. An **ethical challenge**:
If the global playing field offers no substitute for the nationally bound legal and moral framework of business, how can corporations align their activities with "broader community values" (Swanson 1999: 517) and derive their responsibilities from societal expectations "at a given point in time" (Carroll, 1979: 500) or conform to "the basic rules of the society" (Friedman, 1970: 218)?

The debate on CSR has to be recalibrated

- A pragmatic turn that takes the direct practice of life as a starting point (Dewey, 1926)
- A priority of democracy to philosophy due to the political challenges of current societal changes (Habermas, 1996; Rorty, 1991).
- A normative theory for the growing political activities of corporations (Walsh, 2005)
- A discursive concept of CSR for pacifying normative conflicts and delivering legitimate solutions in a context of ongoing value fragmentation and cultural pluralization (Habermas, 1996).
- A globalized concept of political governance that builds upon a decentred concept of authority and includes the emerging political power of originally non-political and non-state actors such as corporations and NGOs

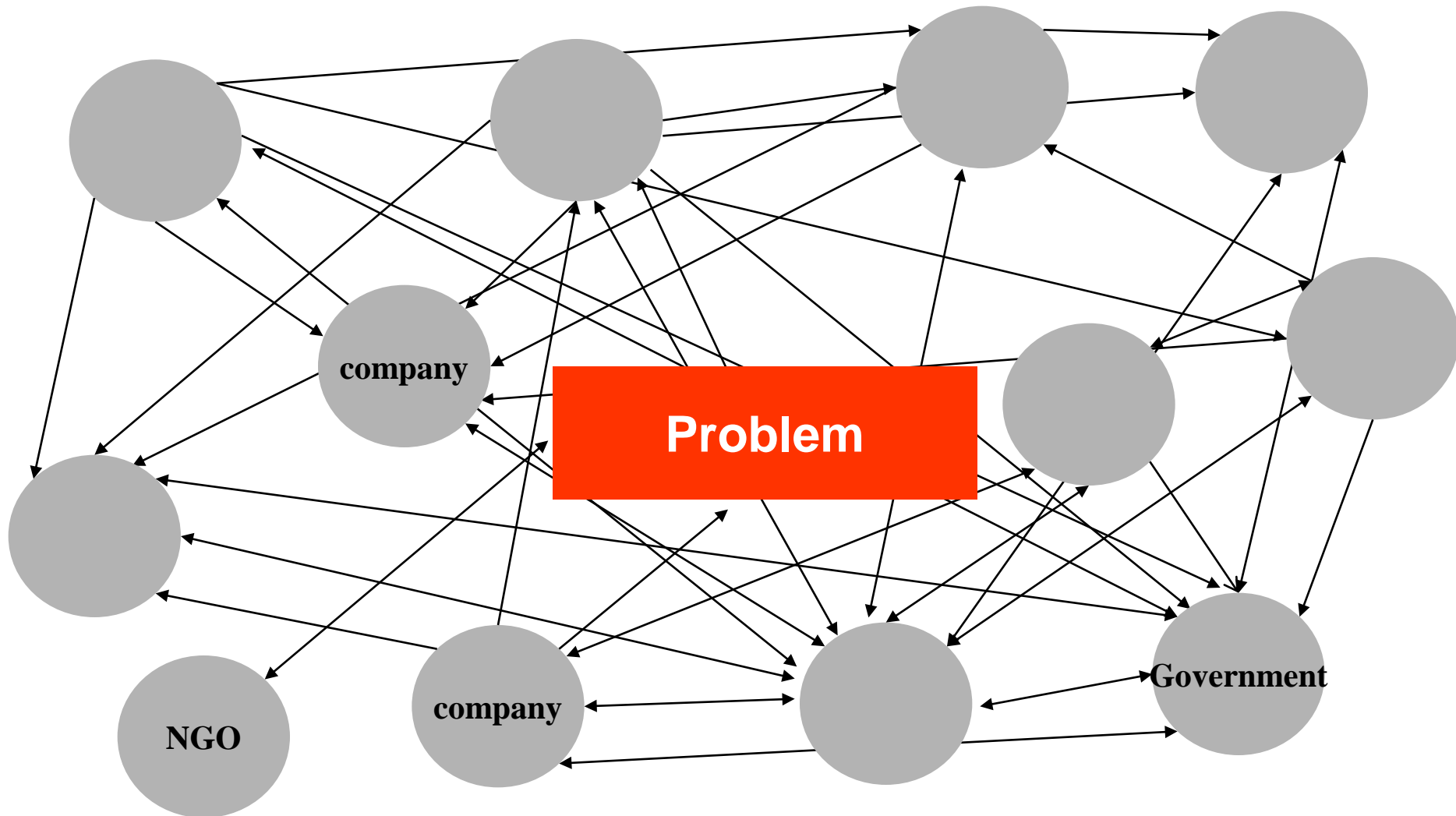
The Habermasian concept of deliberative democracy

- **Liberal** concept of legitimacy = analysis of the output of political decisions
- **Deliberative** concept of legitimacy = analysis of the procedural input that precedes decisions
- Main assumption: It is necessary to make « the routines of bargaining, campaigning, voting, and other important political activities more public-spirited in both process and outcome“ (Gutmann & Thompson, 2004: 56)
- The market can not be insulated from democratic control and processes of self-determination (Habermas, 1996; Gutmann & Thompson, 2004)
- Political decision-making ”on the basis of dialogue and public justification accessible to all citizens“ (C. Parker, 2002: 37), will lead to more informed and rational results, will increase the acceptability of the decisions, and will promote mutual respect (Fung, 2005; Gutmann & Thompson, 2004)
- A regulation can claim political legitimation only if it could be based on a rational discourse of those potentially affected by it. This legitimacy claim is tested against the institutionalization of the required forms of deliberation

CSR seen from a Habermasian perspective

- We propose a deliberative concept of CSR that mirrors the discursive link between civil society and the state
- Political co-responsibility of corporations unfolds in three domains: 1) self-regulation (Crane et al., 2004), 2) transparent participation in political decision making (Rondinelli, 2002), and 3) infrastructural investments in the common good (Porter & Kramer, 2002)
- It aims at the democratic integration of the corporate use of power, especially in the transnational context of incomplete legal and moral regulation
- The focus shifts from analyzing corporate reaction to stakeholder pressure to an analysis of the corporation's role in the overarching processes of (national and transnational) public will-formation and their contribution to the public good
- Political co-responsibility describes a slow transition from voluntary, patriarchal, business-driven, and case-wise philanthropic acts to a long-term, politicized collaboration with governments and civil society actors

Stakeholder Management: A political vision of deliberation

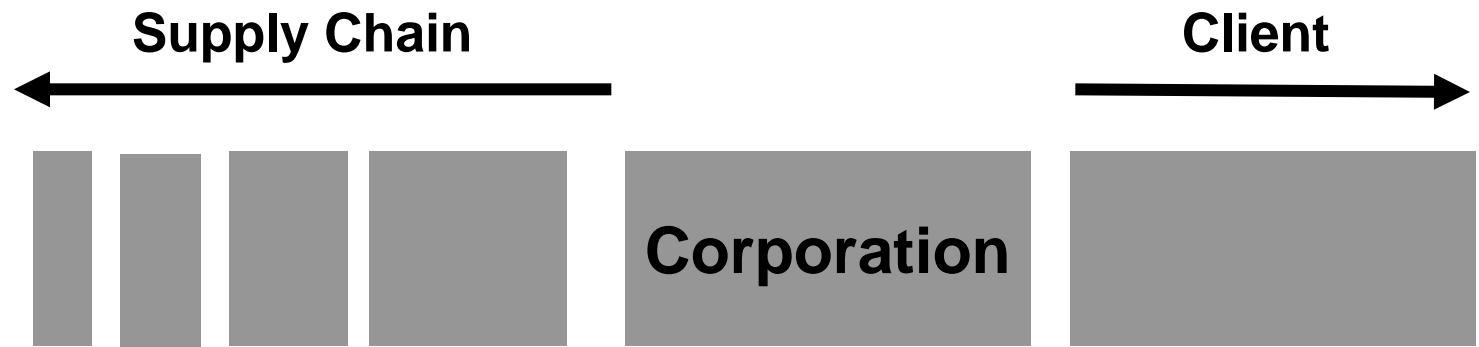


The Forest Stewardship Council (FSC) as an example of deliberative CSR

- In 1992 at the United Nations Conference on Environment and Development (UNCED) governments failed to develop shared standards for the protection of the world forests
- The global governance gap then was addressed by a group of NGOs and corporations. In 1993 they founded the FSC.
- Today, the organization includes a wide range of members interacting in a governance structure that aims at a broad level of equal participation and deliberation.
- It includes corporations such as IKEA, human rights activists, development aid agencies, indigenous peoples groups and environmental NGOs.
- The General Assembly as the highest decision-making body of the FSC is organized in three membership chambers, environmental, social and economic for balancing the voting power of its diverse members.
- The FSC has developed a certification for timber and timber products which is certified by independent bodies. The certification process itself contains rigorous standards and independent monitoring procedures which lead to a broad acceptance of the council among critical NGOs.

Our thesis: The FSC does not represent a form of stakeholder dialogue, in which corporations invite stakeholders into their internal decision-making processes. It rather represents a corporate move into the tackling of pressing societal problems by co-creating a new institution of political governance on the interface of global business and global civil society.

The political expansion of corporate responsibility



Summarizing Overview over CSR approaches

	positivist CSR	non-positivist CSR	postmodern CSR	Habermas₁ CSR	Habermas₂ CSR
foundation	empirical	philosophical (monological)	culture and history bound (discursive)	philosophical (discursive)	democratic (discursive)
ideology	economic/instrumental	foundational	relativistic	utopian	pragmatic
main concepts	social performance	character/virtue, duty, social contract, hyper-norms, integrity	discourse (power)	discourse (ideal speech situation)	discourse (public deliberation)
mode of coordination in society	private contracts and legal compliance	social contracts and conformity with moral rules	discourse and power	discourse and consensus	political discourse, market, and administrative routine
role of corporation	economic actor, opportunist corporation	economically and socially responsible actor	"bad guy" vs. corporate chameleon	"bad guy", has to change to utopian altruist	political and economic actor
role of market	taken for granted	critical support	focus of critique	underestimated	politically embedded
role of power	dominant	disciplined by moral rules and/or personal integrity	focus of critique, but considered unavoidable	disciplined by ideal discourse	disciplined by democratic institutions
role of legitimacy	marginalized	conformity with existing moral norms	positive legitimacy not possible	philosophical legitimacy	democratic legitimacy
relation to economic rationality	dominance of economic rationality	critical support	critical	critical, antagonistic	domestication of economic rationality
message to managers	comply with law and respond (only) to powerful stakeholders	comply with ethical norms and develop personal integrity	stop manipulation and exploitation, adapt to local culture	engage in ideal discourse	engage in political discourse
main philosophers	Hempel, Nagel, Popper	Aristoteles, Gauthier, Hobbes, Kant, Rawls (-1980s)	Derrida, Foucault, Lyotard	Habermas (1960s-1980s)	Habermas (1990s-today); Dewey, Rawls (1990s-today), Rorty
management theories	CSP, "business case" CSR, instrumental stakeholder theory	business ethics, normative stakeholder theory, social contract theory	postmodern/postcolonial organization theory, critical management studies	critical strategy research, critical management studies	political CSR, corporate citizenship
management authors	Carroll, Jones, Wood	Bowie, Donaldson, Dunfee, Freeman, Phillips, Solomon	Banerjee, Boje, Calás, Smircich	Alvesson, Deetz, Grimes, Steffy, Willmott	not yet developed, limited to descriptive analysis (Matten & Crane)