TOWARD A POLITICAL CONCEPTION OF CORPORATE RESPONSIBILITY –

BUSINESS AND SOCIETY SEEN FROM A HABERMASIAN PERSPECTIVE

Andreas Georg Scherer

(andreas.scherer@iou.unizh.ch)

University of Zurich, IOU, Winterthurerstr. 92, CH – 8006 Zurich

Guido Palazzo

(guido.palazzo@unil.ch)

University of Lausanne, HEC, 619-BFSH-1, CH – 1015 Lausanne-Dorigny

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Abstract

We review two important schools within business and society research, which we label positivist and post-positivist corporate social responsibility (CSR). The former is criticized because of its instrumentalism and normative vacuity, and the latter because of its relativism, foundationalism, and utopianism. We propose a new approach, based on Jürgen Habermas's theory of democracy, and define the new role of the business firm as a political actor in a globalizing society.

Key words: Business and society, corporate social responsibility, critical theory

INTRODUCTION

The existence and scope of social responsibilities of business firms have been important issues for decades (Baumhart, 1961; Bowen, 1953; Donham, 1927; for an overview see Whetten, Rands, & Godfrey, 2002). Discussions of the responsibilities of business and its role in society have been motivated by the growing awareness of unfair or discriminatory business behaviour and an increasing number of social and environmental scandals (Epstein, 1987; Matthews, Goodpaster, & Nash, 1985). The current scrutiny builds both on recent financial scandals and changing social expectations. It is expected of companies that they become socially committed even in areas which are not directly related to their business or the efficient supply of goods (Harman & Porter, 1997; Matten & Crane, 2005; Sethi, 1995). These developments are reinforced by the process of globalization, which is eroding the established (primarily national) institutions and procedures of governance (Beck, 2000; Matten & Crane, 2005).

These themes have been discussed in subfields such as corporate social responsibility (e.g., Carroll, 1977), business and society (e.g., Frederick, Davis, & Post, 1988; Preston, 1975), business ethics (see Goodpaster, 1998), and stakeholder theory (Freeman, 1984). In our paper we will refer to corporate social responsibility (CSR) as an umbrella term for the debate. Major issues are how the social responsibility of business firms should be defined and whether it is possible to integrate ethical concerns and efficient management within a general approach (Jones & Wicks, 1999). Many of the CSR studies comply with the positivist research paradigm in management (e.g., Bacharach, 1989; Seth & Zinkhan, 1991). By *positivist*, we mean a paradigm that tries to uncover correlations and causal relationships in the social world by using the empirical methods of (natural) science (L. Donaldson, 1996). Research interest is directed towards the description and explanation of observable social phenomena. Once the cause-effect relationships are identified, this knowledge can be applied in managerial practice to achieve certain outcomes. We will argue that the positivist framework of CSR leads to a merely instrumental interpretation of corporate responsibility (see, Jones, 1995) that fits into an economic theory of the firm (see, critically, Margolis & Walsh, 2003). We will show that positivist CSR does not provide a good moral grounding to the issue of corporate social responsibility.

Some conceptions of CSR, however, put emphasis on the normative foundations of responsible business behaviour and develop a critical view of positivist theory building. We define as normative CSR research that does not look for observable causal relationships in the social world but rather is "centered on moral evaluation, judgment, and prescription of human action" (Swanson, 1999: 507; Trevino & Weaver, 1994). These normative approaches do not apply the methods of science but instead are based on the humanities. We label these approaches "post-positivist CSR". Commonly, prescriptions about what the business firm should do and what it should not do are derived from various philosophies such as virtue ethics, Kantian deontology,

social contract theory, postmodernism, and Habermasian critical theory.

Post-positivist CSR is very diverse. The approaches can be distinguished according to their normative justification. Some approaches of CSR derive moral judgments from the cognitive operations of a single actor who, e.g., reflects upon the consequences of alternative decisions in a given ethical dilemma. We label this school of thought "monological." These conceptions of corporate responsibility are, however, problematic because they cannot sufficiently explain how such judgments can be shared with or criticized by other actors. Other post-positivist approaches to CSR start with the assumption that in pluralistic societies, a common ground on questions of right and wrong, or fair and unfair can only be found through joint communicative processes between different actors. We label these approaches "discursive."

Some students of discursive approaches build upon *postmodern or postcolonial philosophy*. They criticize established theories of the firm that feature bias towards powerful interest groups (see, e.g., Banerjee, 2003; Calás & Smircich, 1999). However, postmodern philosophy is rather pessimistic about the idea of defining and applying ethical criteria (Willmott, 1998). Foucault (1980) suggests that it is impossible to exclude power from social relations and Lyotard (1984) questions the legitimacy of alternative "grand narratives". Postmodernism concentrates on a critique of established social structures. Although this is an important contribution to the critical analysis, a postmodern concept of the legitimate role of business has not yet been defined.

We will focus on an alternative discursive approach, inspired by Habermasian philosophy. Jürgen Habermas is one of the most influential philosophers of our time and a leading representative of critical theory (see Held, 1980; Steffy & Grimes, 1986). Although his early work from the 1960s and 70s is influential in critical organization theory (Steffy & Grimes, 1986; Willmott, 2003) and in critical strategy research (Alvesson & Willmott, 1992, 1995, 1996; Forester, 1985; Shrivastava, 1986) his more recent work on political theory has not yet been acknowledged in the

management literature. Critical strategy research argues that the integration of ethical concerns into management decisions can be achieved with the help of the Habermasian "ideal speech situation", i.e. communication among stakeholders in undistorted conditions (Shrivastava, 1986). However, critical strategy research is not yet fully developed as it does not sufficiently acknowledge the economic constraints to which corporate decision-making is exposed. We will show that the critical strategy approach underestimates the implications of profit-making in market societies and leads to a utopian conception of the coordination of business activities. Therefore, we will explain these concerns and suggest a new approach to CSR that draws on Habermas's most recent thinking in political theory, thereby answering the current call for a politically enlarged conceptualization of CSR (Dubbink, 2004; Margolis & Walsh, 2003; Matten & Crane, 2005).

Today, Habermas considers a political theory based solely on the ideal speech situation as "too idealistic" (Habermas, 1998: 244; see also Elster, 1986). Instead, he proposes a conception of "deliberative democracy" in which both forms of coordination – ethical discourse and economic bargaining – are taken into account (Habermas, 1996, 1998). This approach does not aim at a utopian and revolutionary alternative to liberal market societies. Instead, the aim is to (re-)establish a political order where economic rationality is circumscribed by democratic institutions and procedures. The challenge is to find new forms of democratic will-formation, especially under the conditions of globalization, that do not only domesticate economic pressures by democratic control, but furthermore go beyond traditional nation state governance and integrate the new role of business as a legitimate part of these institutions and processes. Based on this approach we suggest acknowledging a new political role of business as firms *already engaged* in these governance processes. Firms viewed in this manner sometimes assume a state-like role and become political actors (Matten & Crane, 2005; Walsh, 2005). They are not just addressees of regulation but also authors of rules with public impact. Applied to CSR this means that the issue is not so

much the realization of an ideal speech situation within processes of corporate decision-making, as it is the embedding of the corporation in democratic processes of defining rules and tackling global political challenges.

The aim of this paper is to advance corporate responsibility discourse by unfolding a critique of important schools of thought and developing a new CSR approach based on the Habermasian concept of deliberative democracy. Unlike many other non-positivist approaches that aim at a philosophical grounding of the role of businesses, our new approach is based on a *primacy of democracy to philosophy* (Habermas, 1996; Rorty, 1991). It does not start with philosophical principles but with a political analysis of the changing interplay of governments, civil society actors and corporations and the institutional and cultural consequences of that dynamic. We will argue that a deliberative approach to CSR will deliver a more suitable grounding for the debate on corporate responsibility in a global environment.

The paper is organized as follows. Viewing corporate social responsibility (CSR) approaches against the background of their theoretical and ideological foundations, we will argue that positivist CSR research is a problematic basis for adequate ethical sensitivity in business management. In response, post-positivistic researchers attempt to overcome this normative deficiency. However, we will analyse some of these approaches and suggest that their monological conceptions of business ethics are not sufficient. We will therefore consider discursive philosophies, emphasizing especially the recent "critical strategy research," which seems to provide a more convincing exit from the ethical dead end, although in the end we conclude that there is room for improvement in this approach, too. We then outline our concept of political CSR by drawing on the recent contribution of Habermas to political theory that overcomes the shortcomings of his earlier writings. The paper concludes with a summary of our analysis and a comment on directions for future research and theory development.

POSITIVIST CSR: THE INSTRUMENTALIZATION OF CSR

Social science paradigms can be categorized along two dimensions: (1) their methodology or epistemology and (2) their research interest or underlying theory of society (Burrell & Morgan, 1979). The CSR field is very diverse; in it, we find descriptive and instrumental work as well as normative work, and we see theoretical analyses as often as empirical in-depth studies and large-scale surveys (see, e.g., Frederick, 1998; Goodpaster, 1998; Weaver & Trevino, 1998). The discourse on stakeholder theory contains similar variety (Freeman, 1984, 1998; Freeman & McVea, 2001). Despite several attempts to develop an encompassing approach (T. Donaldson & Preston, 1995; Jones & Wicks, 1999), the problem of paradigm incommensurability (Burrell & Morgan, 1979; Scherer, 1998; Scherer & Steinmann, 1999) makes it impossible to truly integrate normative and instrumental research (Gioia, 1999; Trevino & Weaver, 1999).

We shall first examine a model of explanation (epistemology) that is not only used widely in management (Scherer, 2003) but also in CSR. This model is adapted from (natural) science and aims to explain observable phenomena through general or statistical laws and situational conditions (Hempel, 1965; Nagel, 1961; Popper, 1959). Burrell and Morgan (1979) characterize this paradigm as "functionalistic"; although we shall use the more popular term, "positivistic," as suggested by L Donaldson (1996). We argue that positivist CSR is not able to define a normative framework for the role of business in society that could help in determining whether certain business activities are acceptable. Rather, we suggest that a paradigmatic shift is necessary.

The Underlying Positivist Framework

It is the goal of positivist CSR researchers "to provide a distinctive view of a corporation's overall efforts toward satisfying its obligations to society" (Wartick & Cochran, 1985: 758). Three types of issues are addressed (Strand, 1983): (1) the societal expectations toward companies ("social responsibility"), (2) the processes that companies generate to meet these ex-

pectations ("social responsiveness") (Epstein, 1987), and (3) the effects – or, rather, the measurable results – that follow the processes ("social responses"). These problem areas are integrated within the so-called "corporate social performance models" (CSP-models), which are designed to explain the social efforts of companies (Carroll, 1979; Strand, 1983; Wartick & Cochran, 1985; Wood, 1991). CSP models stipulate that the societal expectations that define the role of a company in society will align the processes of strategy formulation and implementation with the social aspects of management. Thus, the results will be socially tolerable consequences.

Some scholars formulate hypotheses and empirically examine the *causal* relationship between corporate social performance (CSP) and the explaining variables (e.g., Christmann, 2004; Frooman, 1999; Hocevar & Bhambri, 1989). Their research efforts are oriented toward the empirical sciences and the associated positivist methodology (Bacharach, 1989). As a result, CSR and mainstream management research share the same positivist concept of theory:

A theory is a *systematically related* set of statements, including some *lawlike generalizations*, that is *empirically testable*. The purpose of theory is to increase scientific understanding through a systematized structure capable of both explaining and predicting phenomena. (Seth & Zinkhan, 1991: 75)

Obviously, the CSP models are meant to be conceptual representations of reality. Thus the validity of a particular CSP model depends on the correspondence of its assertions with empirical observations. These models are created to explain the status quo common to social systems, with their elements and causal relationships. The implicit goal is to produce *technical knowledge* about how organizations work and how their survival in a competitive environment can be achieved (Burrell & Morgan, 1979). This can be described as a technical research interest (Habermas, 1971), one that also dominates research in strategic management (see, critically, Alvesson & Willmott, 1996; Shrivastava, 1986). Such a technical research interest is made explicit in the "in-

strumentalist view" of stakeholder research (Berman, Wicks, Kotha, & Jones, 1999; Jones, 1995; Jones & Wicks, 1999). The positivist paradigm does not attempt a justification of norms: Only the description and explanation of norms and expectations are allowed, not a critical questioning of those norms (Wicks & Freeman, 1998). Therefore, "the [CSP] models fail to effectively integrate normative perspectives into their descriptive focus" (Whetten et al., 2002: 384).

Normative Deficiencies of Positivist CSR

The distinction between existing norms (morality) and their critical justification (ethics) leads to the question of how CSP models can show a well-justified orientation for *ethically* sensitive management. We suggest that corporate social performance is characterized by the interests of the company's most powerful stakeholder groups whose stakes may be ethically questionable.

According to the CSP models, moral considerations in business start, when societal interest groups find company activities to be unacceptable. Starting with the announcement of a perceived stigma, concerns about the intolerable consequences of business activities are brought to a firm's management by external sources. The sole aim of management at this point is "to *respond* to others, not build strategy based on your own moral principles" (Freeman & Gilbert, 1988: 90).

The company's reactive attitude would not be at all problematic if it is assumed that the signals of the stakeholder groups can be considered as legitimized expectations. This might be true for a few cases, but in general it seems to be an illusory idea, considering that modern societies exhibit a plurality of particular and conflicting moralities. What can be a justified social claim in the eyes of a social interest group may be different from the moral ideas of managers, suppliers, customers, or other interest groups. In the case of conflicting business morals, the CSP models state that a company's top managers simply consider those views that exert the greatest economic or legal pressure – via the capital market, procurement, employment, sales market, or legislative body. More recently, students of CSR have acknowledged not only power but also

legitimacy and urgency of stakeholder claims as explanations for responsible business behaviour (see, e.g., Mitchell, Agle, & Wood, 1997). Others insist that power still plays the *dominant role* in determining a firm's decisions (Frooman, 1999; Jawahar & McLaughlin, 2001).

This shows that the social responsibility of business is reduced to a new "success factor" for the economic course of the firm. In the canon of conflicting expectations, the morality of the mighty is accepted by a company's top management as a calculable *means* of its own continued existence (Freeman & Gilbert, 1988). Powerless stakeholders – those that cannot develop potential sanctions for companies via the "market" or the "state", such as through application of law or through political lobbying – find that their interests are not considered (Phillips, 2003).

Corporate Responsibility and Economic Ideology

This theoretical framework might be adequate for description, that is, for providing information about the *status quo* of morals and the distribution of power and structures of influence (e.g., Frooman, 1999; Agle, Mitchell, & Sonnenfeld, 1999). However, the framework does not provide a critical guideline for corporate activities, showing how one can argue for the pros and cons of their ethical legitimacy (Phillips, 2003; Trevino & Weaver, 1999; Wicks & Freeman, 1998). The difference between the existing moral facts and the production of ethical orientations is not acknowledged. Positivist CSR therefore exposes itself to the danger of fulfilling *ideological functions*. It is not acknowledged that the *empirical dominance* of particular interests, structures of power, and sources of influence says nothing about their *ethical justification* (Shrivastava, 1986; Trevino & Weaver, 1999; Wicks & Freeman, 1998). Therefore, the CSP models cannot prescribe how management practice can reasonably move from "what is" to "what should be" (T. Donaldson, 2003; T. Donaldson & Preston, 1995).

This ideology becomes obvious when students search for a "business case" to be made on behalf of CSR or try to explain differences in profitability by variations in the socially responsi-

ble behaviour of firms. The issue is reduced to the question of "does it pay to be socially responsible?" Many surveys have addressed this question (e.g., Aupperle, Carroll, & Hartfield, 1985; Berman et al., 1999; Cochran & Wood, 1984; for reviews, see Griffin & Mahon, 1997; Margolis & Walsh, 2001, 2003; Vogel, 2005). Margolis and Walsh (2003) suggest that the social-financial performance linkage needs to be embedded within a *normative theory of business in society*, a theory that an empirical survey cannot deliver. Instead, empirical work in the social sciences has -- often unrevealed -- a theory of society as its presupposition (Burrell & Morgan, 1979).

Rather than being critical, these empirical studies play into the hands of a purely economic view of the firm and thus implicitly reject the idea of an *intrinsic reason* for corporate responsibility (Margolis & Walsh, 2003). The economic concept that is relevant here is what Jensen (2002: 235) has called "enlightened value maximization". He is convinced that the best strategy to advance social welfare is to maximize the long-term value of the firm. Therefore, if social responsibility is *instrumental* for long-term value, many economists would have no problem with accepting corporate social responsibility as long as the objective function of the firm has wealth creation as its maximand (e.g., Jensen, 2002; McWilliams & Siegel, 2001; Sundaram & Inkpen, 2004). This, in the end, is the underlying ideology that many CSR scholars seem to accept (see, critically, Margolis & Walsh, 2003; Vogel, 2005). Thus, positivist CSR advocates an "opportunist corporation" (Dunfee & Fort, 2003). However, what happens when attention to stakeholder interests yields results that diverge from the wealth-maximizing ambitions of a corporation's shareholders? (Margolis & Walsh, 2003).

The argument from the economic point of view is clear: An intrinsic social responsibility of the firm to directly resolve problems of public concern or to respond to stakeholder interests is rejected (Friedman, 1970; Henderson, 2001). Instead, economists suggest that it is the task of the state to take care of the concerns of citizens and to regulate the economic system in such a way

that private freedom is guaranteed and that the results of individual rational action will contribute to, or at least will not negatively influence, the well-being of society (Friedman, 1962; Levitt, 1970). Whenever a social, humane, or environmental issue comes up, the firm continues in its course of maximizing value. It is the state that enforces private contracts, applies laws, or enacts new regulations to protect the legitimate concerns of stakeholders (Sundaram & Inkpen, 2004).

This model for the integration of business and society may work well in a world where the state is actually able to predict problems and conflicts in society, to formulate regulations ex ante and to enforce these rules through the legal and administrative system. In *modern societies*, however, because of the complexity and variability of conditions, law and the state apparatus are insufficient means for the integration of business activities with societal concerns (e.g., Eisenberg, 1992; C. Parker & Braithwaite, 2003; Stone, 1975).

This is even more obvious in the era of *globalization*, when the ability of the nation-state to regulate business activities is diminishing (Beck, 2000; Habermas, 2001; Strange, 1996) and business firms are moving into entirely new roles (Matten & Crane, 2005; Scherer & Smid, 2000; Young, 2004). In the global arena, business firms are not so much private institutions that operate under the rules of a particular legal system. Instead, multinational corporations today are able to choose among various legal systems, applying economic criteria to their choice of which set of labor, social, and environmental regulations under which they will operate. These developments are explained, if not applauded, by economic theory and its efficiency argument (see, e.g., Irwin, 2002; Krauss, 1997). But what about cases of human rights violations, environmental pollution, or other ethically questionable activities that are not covered by local laws and/or not enforced by state agencies? How can we argue for a normative responsibility of business firms to adhere to high standards on these issues in such cases, and where human rights or environmental groups do not put pressure on the firm to act in an ethically sound way (see, e.g., Young, 2004)?

POST-POSITIVIST CSR RESEARCH -- MONOLOGICAL CONCEPTIONS

Despite various efforts towards reconciliation in the field of CSR, "the two worlds of empirical and normative research in business ethics remain at a respectful distance from each other" (T. Donaldson & Dunfee, 1994: 254). In their search for normative foundations, some business ethics scholars rely on *philosophical methods* of reasoning that differ radically from the empirical methods of positivist management research (Weaver & Trevino, 1998). These philosophical methods do not simply describe factual moralities. Instead, they attempt to define principles or criteria that will help examine, justify or improve the moral quality of business behavior in market societies (Goodpaster, 1998).

In search of ethical principles, philosophers have considered *virtues* that should guide actions (Aristotle), have attempted to identify universal *duties* as the preconditions of social life (Kant), have reasoned about the *consequences* of moral behavior (Bentham, Mill), and have discussed the *conditions of a social contract* to which all members of society might subscribe (Hobbes, Rawls, Rousseau). These approaches are influential in business ethics, where students refer to Aristotelian virtue ethics (Solomon, 1993), Kantian duty ethics (Bowie, 1999), or social contract theories (T. Donaldson & Dunfee, 1994; Freeman, 2002). The challenge is to provide an ethical view that is "universal, dispassionate, and impartial" (T. Donaldson & Dunfee, 1999: 14) and morally binding even though our world is characterized by a pluralism of cultures and values.

In their *Integrative Social Contracts Theory*, T. Donaldson and Dunfee (1994, 1999) propose a framework for ethical conduct. In a comparable move, Freeman (2002) and Phillips (2003) have developed a Rawlsian approach to CSR. These approaches are based on a *contractual foundation of society* that has a strong tradition within political philosophy (Buchanan, 1975; Gauthier, 1986; Rawls, 1971). Without going into detail, we hold that these approaches have in common the idea of a social contract that is drawn up implicitly by the members of society. This

social contract consists of the rules of the game by which members of society operate. The acceptance of these rules is thus the binding foundation both for the moral obligations of actors and for institution building. The corporation is considered both an economically and socially responsible actor. In our analysis, we focus on the theory of Donaldson and Dunfee, even though our criticism also concerns ethical theories based on Aristotle, Kant, and Rawls.

In a thought experiment, T. Donaldson and Dunfee (1994, 1999) distinguish two stages of a social contract. Individuals make a hypothetical macro contract, which establishes the rules and latitude for the contracts on the micro level. On the micro level, the individuals then make "extant" contracts, that is, actual agreements whose conditions are adapted to their particular concrete situation but at the same time conform with the macro level contract. This theory offers a valuable attempt to define the normative parameters of corporate behavior in society; however, we consider the approach to be problematic because of its *monological concept of reasoning*. This becomes obvious if one recalls the foundation of the normative claims that Dunfee (1998: 603) describes as follows (emphases added):

In business ethics social contract theory involves the use of *hypothetical* implied contracts to establish ethical rights and obligations for business firms, professionals, and managers. The legitimacy of these ethical rights and obligations is based upon the *assumed* consent of the group members to the terms of the social contract. Social contract theory focuses on a community or group of rational, self-interested individuals who are *presumed* to consent to the terms of a *hypothetical* agreement because it is in their rational interest to do so.

The difficulties lie in the presupposition that the members of a particular community have agreed to the terms of a social contract. However, what we actually have here is the "hypothesis", "assumption", and "presumption" *of the theorist*. The social contract is not so much an entity that

is *described by* the theorist but instead a *construction of* the theorist based on his or her history and cultural background (Rorty, 1991). Also, a reference to "hypernorms" as part of the macro contract (T. Donaldson & Dunfee, 1994: 265, 1999: 49 et seq.) or any other meta-level rules is no solution. Any meta-norm must be considered as a suggestion of the theorist, and one must wait to see whether these meta-norms can be considered justified, i.e., that they are acceptable to all concerned. This however, can be tested only in a *discursive process* with the people involved and cannot be verified in advance on the theorist's desk. Certainly, the authors of the present paper, honour Donaldson and Dunfee's attempt, but we are aware of being embedded in the same culture of Western academic thinking, and we cannot dismiss the possibility that members of other cultures or future generations may come to the conclusion that we are wrong.

Donaldson and Dunfee (1999: 14, 24) nevertheless suggest that any form of ethical analysis needs a universal and impartial "view from nowhere". This is, however, not only a hallmark of their approach but also of many ethical theories. It is the assumption that one can jump into an acultural and ahistorical neutral position and reconstruct the conditions of societal life from this Archimedes' point outside the social world. Following the discussions in philosophy we call this attempt a *foundational endeavour* of ethical reasoning. The ethical theorist is conceived of as a designer who is able to construct society (as much as norms, virtues or duties) in a monological act on his or her desk. However, this indicates deficiencies at pragmatic and discursive levels.

Regarding the pragmatic deficiency, any human being, and thus any social researcher, is socialized and embedded within a particular culture and history. The meanings of symbols, words, and norms (as well as the proposed scientific theories) are shaped by the social practices in which the focal actor is embedded (Brandom, 1998; Wittgenstein, 1963). This *pragmatic* argument is discussed not only in political and social theory (Dewey, 1925; Putnam, 1992; Rorty, 1991), but is also acknowledged by postmodern authors (Calás & Smircich, 1999) and by critical

theorists (Steffy & Grimes, 1986) when they call for more reflexivity in management research. Many of the ethical theorists seem to neglect that the theory, its conclusions, or any claims about the validity of norms or hypernorms are shaped by the cultural background of their authors and thus cannot claim universal validity. Finally, there is no "view from nowhere". Pragmatists therefore suggest starting not with philosophical reflections from a presumed position outside, but "within" the *direct practice of social life* (Dewey, 1925). Dewey holds that philosophy

> … has no stock of information or body of knowledge peculiarly of its own … Its business is to accept and to utilize for a purpose the best available knowledge of its own time and place. And this purpose is criticism of beliefs, institutions, customs, policies with respect to their bearing upon good. This does not mean their bearing upon *the* good, as something itself attained and formulated in philosophy … philosophy … has no private access to good. (Dewey, 1925: 305)

Thus, in political theory Rorty (1991) follows Dewey and explicitly advocates a priority of democratic practice to philosophical theorizing. Donaldson and Dunfee (1999) may be receptive to such a "pragmatic turn" when they persistently refuse to simply rely on "thin" philosophical issues of moral reasoning, but call for an analysis of the institutionally "thick" environment of business. Therefore, the Donaldson and Dunfee approach may benefit from what is developed here. However, while both the authors point towards the right direction a pragmatic reinterpretation of the hypernorms needs to be complemented by much more reflexivity on the culture and history bound nature of the theory's assumptions and a higher awareness of the communicative process that constitutes any norms and institutions.

Regarding the discursive deficiency, without the Archimedes' point of an accepted or philosophically grounded system of ethical rules, the legitimacy of a given decision can be based only upon a communicative process of sense making and consensus building among the actors

involved (Habermas, 1993, 2003). This also has been suggested in the management literature: Moral legitimacy results from a corporation's participation in "explicit public discussion" (Suchman, 1995: 585). This is especially true against the background of cultural pluralism and the fragmentation of values and interests in society (Habermas, 1996; Rawls, 1993; Rorty, 1991). If there is no prima facie salience of some stakeholder demands over others in a corporation's field of discourse, there is only a *discursive* access to pacifying conflicting positions.

POST-POSITIVIST CSR RESEARCH --
HABERMAS₁ AS A DISCURSIVE CONCEPTION OF CSR

The CSR literature shows a rising awareness of the *communicative character of conflict resolution* (Calton & Payne, 2003; Suchman, 1995; Swanson, 1999). Discursive conceptions of CSR exhibit an important difference from the approaches discussed above. Positivist CSR defines the responsibility of a business firm as the result of power games between the firm and its stakeholders. Post-positivist, but monological, approaches try to justify business obligations or determine ethically sound action by the monological development or application of principles, golden rules, hypernorms, or virtues. By contrast, discursive approaches suggest that legitimacy is constructed through *joint* communicative efforts of the parties involved. Here, the theorist – as much as the manager – does not stand outside developing and applying external criteria but is participative in the reasoning game. In the CSR literature, two major schools of thought dedicate special attention to the communicative foundations of corporate social responsibility: postmodern business ethics and critical strategy research. We will focus on *postmodern/poststructuralist business ethics* first and will argue why this type of thinking is not sufficient to achieve our goal of finding a normative ground for corporate social responsibility. Then we will consider the contribution of *critical strategy research* and its underlying philosophy: the discourse ethics of Habermas.

Postmodern CSR, the "Bad Guy", and the Corporate Chameleon

Postmodern/poststructuralist philosophy has become prominent in management studies (Calás & Smircich, 1999; Kilduff & Mehra, 1997). It offers an excellent starting point for the critique of established management theories because it reveals the unspoken and suppressed, and it tries to discover and criticize power relationships. Without going into detail, we hold that postmodern/poststructuralist philosophy calls for more reflexivity and awareness of the culture and history bound nature of knowledge creation and complements to the pragmatic turn advocated above (for comparison see Mouffe 1996). From this point of view, there is no ultimate frame of reference, no ultimate truth, no universal knowledge, and no universal business ethics either. Therefore, postmodern thinking is a non-foundational philosophy but is also a problematic source for the definition of the role of business firms in society (M. Parker, 1992; Willmott, 1998).

Although it is difficult to extract guidelines from postmodern philosophy on how to act rather than how not to act, on how to design institutions rather than criticize these (Calás & Smircich, 1999), postmodern authors give good directions on how to identify situations of dependency in institutions (e.g., markets and organizations) and social practices and how to reveal the unspoken and suppressed aspects and meanings of written texts and social actions (Derrida, 1974). A good example for a postmodern approach to CSR is Banerjee's (2003) postcolonial analysis, where he identifies the influence of Western economic rationality on the theory and practice of stakeholder dialogues about concerns of aborigines in Australia. Other authors analyse modern organizations as instruments for suppression and control (see, e.g., Boje & Dennehy, 1993). Business firms are thus stigmatized as "bad guys" and called upon to stop manipulation and exploitation. This critique may be valid in some situations, but it clearly is inappropriate as a general conclusion. How should business firms behave? How do we avoid the firm becoming a "corporate chameleon" (Dunfee & Fort, 2003: 601), adapting to the norms and customs of its host

environments because there are no universal principles available? Some readers will suggest a problem of *relativism* here though such a criticism finally rests on the unfulfilled modernist promise of an absolute or scientific reference point. However, even if the principle absence of a scientific solution is acknowledged we need a normative discussion on how the legitimate role of business in society should be defined and how the business firm should act in a responsible way.

Critical Strategy Research – Habermas[1] and the Utopian Corporation

"Critical strategy research" deals with the normative deficiencies of positivist management theory: As Alvesson and Willmott (1995: 101) state, "From a critical perspective, a basic problem with established management theory and practice is the affirmation and reproduction of the givenness of conditions …". To overcome this deficiency, critical strategy suggests not only to diagnose the existing moral norms and sources of influence, but also to examine their ethical acceptability. It is important to determine which interests should legitimately influence the policy of a company (Alvesson & Willmott, 1992). Therefore, as Alvesson and Willmott (1995) argue by using the term "strategy as praxis", theorizing the ethical behaviour of firms is not a matter of explaining and continuing the status quo of a social system, but instead one of creating a reasonable praxis and eventually changing the status quo of business behavior (Burrell & Morgan, 1979; Shrivastava, 1986). The Aristotelian term "praxis", as it is used here, expresses separation from a "nature" that exists independent of humankind. The term "praxis" stands for those areas of life that do not simply exist by themselves but are created by human actions and therefore can be changed and improved by these same human actions.

For responsible management, critical strategy research suggests it is necessary to gain a reasonable orientation based on a critical assessment of the status quo. The guiding philosophical principle is the "ideal discourse" of all experts and affected stakeholders, in the sense of Habermas (1984, 1987, 1990b, 1993). Through ideal discourse, it should be possible to decide on the

justification and reasonableness of social claims and interests, and to commence an ethically justified strategy (Alvesson & Willmott, 1995; Deetz, 1995):

> Conceptualizing strategy as praxis ... requires that stakeholders who influence or are influenced by organizations be identified as legitimate participants in the discourse on its strategy. Ideally, organizational goals should be settled discursively, through rational argumentation under undistorted communicative conditions. (Shrivastava, 1986: 373)

In contrast to the implications for corporate practice that the CSP model contains, the suggestion is made by critical strategy research that the interests of *all* reference groups of a firm are to be taken into account when developing a socially responsible strategy and that this should be done in an *unbiased* way, that is, without granting one or another of the group systematic priority because of its potential to sanction (Ulrich, 1996).

The recommendation of such a conception for corporate responsibility stems from the philosophical insight that phenomena of culture such as actions cannot be explained or substantiated in the same way that phenomena of nature can be explained in the natural sciences. "Actions" can be defined, in contrast to "natural behavior," as the conscious choices of means in order to realize intended aims of action (Habermas, 1984). If one wishes to understand a particular action and to judge it in terms of its legitimacy, then one must start with the *reasons* that the actor uses to support his or her choices. The reasons, however, cannot be observed objectively "from outside" and cannot be examined in the sense of a positivistic research paradigm. Only in direct communication from a perspective of participation is it possible to reconstruct and judge the stated reasons (Evered & Louis, 1981; Habermas, 1990a; Scherer & Dowling, 1995). Only under the conditions of an "ideal speech situation" can valid – that is, *universally acceptable* – reasons for calculated decisions and choices of means be achieved (Habermas, 1993). These conditions include freedom

of access, participation with equal rights, truthfulness of the participants, and "absence of coercion" (Habermas, 1993: 56).

The point of reference for the truth or justification of (scientific) statements is thus not their correspondence with reality, as was suggested by the positivistic approach, but the *consensus* of all experts and affected people (Habermas, 1984). It is the unforced "force of the better argument" (Habermas, 1990c: 185), which is to produce in all people the perception of a solution that was created jointly during the discourse. This assumes that, in principle, each person is quite voluntarily prepared to question his or her own pre-orientations and values, and to change them if *good reasons* should oblige him or her to do so. From this perspective, the creation of theory systematically goes beyond the identification of the status quo: it is aimed precisely at questioning the status quo with regard to its normative foundations (Habermas, 1971, 1984). According to Alvesson and Willmott (1992: 13) the challenge is

> 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.

With regard to the difference between empirically existing moral concepts, on one hand, and justified ethical demands, on the other, the critical theory of what we call "Habermas$_1$" offers a *philosophical conception* for ethically legitimate strategies. In contrast to an implementation of interests purely oriented towards power and economic profit, as expressed in the CSP models, critical theory proposes a form of coordination that is oriented toward mutual understanding and agreement (Habermas, 1990b). Moral considerations are aligned with the intentions of the opponents and aim at producing a programme of action that can be accepted by all together.

The participation of all experts and affected people is recommended because of its poten-

tial contribution to rationality and stability: the more constituents are heard, the better the reasons that can be articulated for a plan of action and the greater the cohesive effect that can be developed. The measure for the consideration of interests is therefore not so much the *potential for power that a few have*, as was suggested by positivist CSR, but rather the *insight of all* people involved in the decision that was jointly made.

The "ideal discourse" as a philosophical principle to justify corporate strategy shows how critical research can avoid the problems of positivistic conceptions of CSR as well as the relativism of postmodern approaches. At the same time, however, the suggestion of a form of corporate management that is "oriented towards understanding" does not appear to have been completely understood. Just as CSP models and the power structures resulting from them are accepted without question, so the fate of the business firm is entrusted to an *unlimited stakeholder discourse* in the critical strategy conception. Obviously, the corporate "bad guy" has to change to an altruist actor. However, it seems naive to assume that all coordination problems in the context of economic activities can be solved in processes of argumentation that are oriented toward mutual understanding and agreement (see even Habermas, 1996). How, in the complex and dynamic conditions of market economies, can a concept of business management based exclusively on mutual understanding be realized without losing the company's ability to act and without risking its survival in a competitive environment? As long as the suggestions of critical strategy remain antagonistic towards the conditions of the market economy, they will be accused of providing a more *utopian* than realistic orientation for corporate behavior (Elster, 1986).

It is therefore important to link critical strategy to the conditions of the market economy, thereby conceptualizing the bridge between the financial success and the normative legitimacy of corporations. Discursive CSR has to move beyond the ethical discourse towards a politicized concept that builds upon the recent Habermasian (1996) *primacy of democracy to philosophy*.

HABERMAS$_2$ AND THE DEMOCRATICALLY EMBEDDED CORPORATION

As we have argued, Habermas$_1$ is rather limited in the context of discussions on conceptualizing ethical validity of business. "Habermas$_2$," as we call the new proposal, offers a pragmatically enlarged and politically embedded access to corporate social responsibility. It builds upon a concept of deliberative democracy that was developed by Habermas (1996, 1998) in the course of the 1990s. This approach was proposed as an alternative to the influential liberal approach of democracy[1] and has been discussed broadly in political theory (e.g., Bohman, 1998; Dryzek, 1999; Elster, 1998; Gutman & Thompson, 1996, 2004). We suggest that Habermas' theory of deliberate democracy is a very promising approach to appropriately define the social responsibility of the business firm as a political actor in a globalized world.

What is the role of the corporation in current concepts of (democratic) societies? In the *liberal model* (Elster, 1986), the market itself and corporations as the actors on the market are not subjected to immediate processes of democratic legitimacy (Friedman, 1962). Liberal theory advances two main arguments for insulating corporations from direct democratic will-formation. First, the state is the only public and political actor who has to justify decisions while corporations are private (and therefore) a-political actors who do not have to expose their decisions to public scrutiny as long as they comply with the law and moral customs (Friedman, 1962). Positivist CSR is building upon that liberal assumption of the corporation as a private actor. Even many of the post-positivist approaches to CSR do not transcend this key aspect of the liberal framework. Due to their focus on the link between management theory and moral philosophy

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[1] It is important to note that our use of the word "liberal" is drawn from the literature of political philosophy. We use this word to refer to the 19th century liberal tradition with its focus on individual liberty as the main concern of social theory. This is different from the common sense use of the word in the US where "liberal" in political terms means "left of center".

they normally lack a critical analysis of the underlying concept of society and its democratic in-
stitutions. Second, economic actors contribute to the welfare of society through their self-
interested market transactions (Friedman, 1962; Jensen, 2002). Therefore, private decisions are
legitimated by the *results* they produce. It is assumed that "legitimization in the market sphere is
'automatic'" (Peters, 2004: 1). The above described positivist effort which shows the contribution
of CSR activities to long-term profits follows the same logic (see critically, Vogel, 2005). A
combination of both the aforementioned arguments leads to a weak and indirect concept of cor-
porate legitimacy that calls on the corporate actor to a) abide by the rules and b) make a profit. In
contrast, the *deliberative model* assumes that corporate as well as governmental actors depend on
processes of civic self-determination (Habermas, 1996) and that there is no reason to exclude
some spheres of society from democratic scrutiny (Gutmann & Thompson, 2004). Since our aim
is to reconceptualize the corporation as a political actor, we will challenge the liberal conception
and oppose it to the Habermasian alternative of deliberative democracy.

A Theory of Deliberate Democracy

The *liberal approach* to democracy conceptualizes the citizen in his or her role as a pri-
vate (and mainly economic) actor who follows self-interested goals and disposes of a set of fixed
preferences (Elster, 1986). A liberal citizen is able to *bargain* over preferences in order to find a
compromise. However, the fixed preferences can not be *transformed* during the process of bar-
gaining. Therefore, societies need institutions for channelling conflicts between citizens that re-
sult from competing and incompatible interests in limited resources or colliding values. To re-
solve the problem of coordination of the activities of a large number of people *voluntary ex-
change* on free and open markets is considered the best measure to guarantee the freedom of in-
dividuals. However, the market cannot establish the conditions of its own existence. Rather they
have to be erected by the state apparatus that defines the rules of the game (Friedman, 1962).

As a third party enforcer, the state interferes in private affairs and constrains individual freedom only if it is unavoidable. Such a liberal model draws a clear line between private economic activities on the one hand and public political activities on the other. The political order aims at guaranteeing the stability of the context of the private actor so that individual freedom is protected both vis-à-vis the state and the fellow citizen. The citizen expresses preferences over public concerns and tries to program the state system towards his or her respective causes in a system of elections, vote-aggregation, and representation (Elster, 1986). The legitimacy of political decisions is controlled simply by the output of the elections and a -- more or less -- closed bureaucratic process *within* the political system. Despite its suspicion towards a strong state liberal theory rests on the assumption that the state system is more or less capable of regulating the economic system so that its output contributes to the common good (Friedman, 1962).

The liberal conception of democracy seeks political legitimacy simply in the output of elections but neglects the *procedural input* that precedes the decisions. This is challenged by the *deliberative approach* that starts with the assumption that the legitimacy of a political decision rests on the discursive quality of the decision-making process (democratic legitimacy) (Gutmann & Thompson, 2004; Habermas, 1998). Deliberative democracy casts doubt upon the idea of fixed preferences and exclusive self-interest. The discourse can lead to a transformation of preferences. Citizens share the interest in a common good beyond the aggregation of their economic interests (Zey, 1998). Therefore, 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, will broaden the horizon of the decision maker, will promote mutual respect and will make it easier to correct wrong decisions that have been made in the past (Fung, 2005; Gutmann & Thompson, 2004, Habermas, 1996).

While $Habermas_1$ was modeled around individual actors, $Habermas_2$ builds upon the de-

liberation of *collective* civil society actors. Habermas argues that it is difficult, if not impossible to implement concepts of radical democracy (i.e. all citizens participate in all public decisions) in modern societies (Habermas, 1998). Therefore, he shifts the attention towards the associations citizens form, such as NGOs, movements, or civil society networks (see, e.g., Boli & Thomas, 1999; Keck & Sikkink, 1998), in order to advocate their causes in a broader public context. Seen from this perspective, these spontaneously emerging civil society associations and movements that map, filter, amplify, bundle, and transmit private problems, needs, and values are the core actors in the process of democratic will-formation (Habermas, 1996).

As we have shown, the Habermasian discourse ethics (Habermas$_1$) analyzes the ethical quality of a specific decision by a list of demanding discourse criteria (ideal speech situation). By contrast the concept of deliberative democracy (Habermas$_2$) shifts the analytical focus to the macro-level of the procedural design of political institutions (Habermas, 1996). However, the idea is not a (utopian) attempt at a large-scale application of the criteria of the ideal speech situation as it was envisioned by the critical strategy approach. Nor is it based on the idea that all political decision-making can be or must be exposed to public deliberation (see Elster, 1986). Nor does it advocate consensual solutions for all kinds of political disputes or the participation of each single citizen (Habermas, 1998). Rather it builds upon the (more modest) conviction that in a pluralizing society, the existing democratic institutions need a much stronger link to civil society. And such a deliberative embeddedness of political decision making can be achieved by "making the routines of bargaining, campaigning, voting, and other important political activities more public-spirited in both process and outcome" (Gutmann & Thompson, 2004: 56). Of course, in real societies deliberative democrats "act in a wide range of suboptimal circumstances" (Fung, 2005: 400). In contrast to the ethical concept of Habermas$_1$, the political concept of Habermas$_2$ starts with the assumption that it is not necessary to achieve an ideal speech situation in order to have

the described positive effects of deliberation. Rather it suggests *small steps* of constant improvement and transformation of real democratic processes and institutions (Fung, 2005). Additionally, while Habermas$_1$ points at the importance of a reasonable consensus, within the concept of deliberative democracy it is acknowledged that it might be even more important to find a rational basis for a (more likely) disagreement (Gutmann & Thompson, 1996). Based on these conceptual changes, we consider deliberative democracy to be a *less idealistic* and *more pragmatic* approach that narrows the gap between the *actual practice of political decision making* and the *theoretical purity of ethical discourses* (Habermas, 1996, 1998). As we will argue, the procedural interpretation of democratic legitimacy of the Habermas$_2$ model delivers a solid theoretical ground for conceptualizing a new approach to CSR, especially against the background of globalization.

The Corporation in a Transnational Context

While the discussion on deliberative democracy initially was focused on the state-civil society interface, globalization has led to a growing attention to the interaction between corporations and NGOs (Dryzek, 1999; Fung, 2003). Within the context of a globalizing world the democratic embeddedness of corporations has become a key challenge for political governance. The migration of political decision-making from political institutions to civil society actors has been described as "subpolitics" (Beck, 1992: 223), "globalization from below" (Beck, 2000: 68), and "paragovernmental" activities (Dryzek, 1999: 44). More and more of these activities manifest in the direct pressure NGOs exert on corporations (Klein, Smith, & John, 2004). NGOs – at least partly – compensate for the shrinking power of the nation-state vis-à-vis transnationally operating corporations (Braithwaite & Drahos, 2000; Habermas, 2001). These subpolitical activities are becoming more important with the growing willingness of individual and collective civil society actors to participate in anti-corporate activities (Hertz, 2001; Matten & Crane, 2005; Tapscott & Ticoll, 2003). Subpolitics illustrates the changing dynamic between state, economy, and civil

society. There is a growing suspicion of the effectiveness of traditional institutional order as established during the period of stable industrial society (Dubbink, 2004). The changing modus of global governance is made manifest in the de-centering of authority and the emergence of political power for originally non-political and non-state actors such as NGOs, intergovernmental organizations, and transnational corporations (Maragia, 2002). As a consequence, corporate responsibility in a transnational context must be discussed against the background of emerging governance institutions and procedures beyond or above the nation-state (Rondinelli, 2002; Zürn, 2002).

However, the debate on CSR has only started to deal with the challenges of transnational governance and the new authority of NGOs (Rondinelli, 2002; Spar & La Mure, 2003). It is still dominated by reflections upon the importance of normative conformity with implicit societal expectations and norms as established in the stable order of the industrial society's nation-state (following the above described liberal concept of corporate legitimacy). It has been argued, for instance, that corporations have to align their activities with "broader community values" (Swanson 1999: 517) and that their responsibilities derive from societal expectations "at a given point in time" (Carroll, 1979: 500). They have to conform to "the basic rules of the society" (Friedman, 1970: 218) or must act consistently "with the moral foundations of that society" (Epstein & Votaw, 1978: 3). Against the background of the transnationalization of corporate activities, it is difficult to grasp the idea of conformity to some more or less implicit rules of some more or less contained communities. On the global playing field, there are no broadly accepted standards, neither in legal nor in moral terms (Huntington, 1998; Rawls, 1993; Steinmann & Scherer, 1998).

The legitimacy-ascribing environment of globally active corporations consists of a multiplicity of – often contradictory – legal and moral demands from a wide range of institutional and cultural environments in the different host countries (Young, 2004). Accordingly, questions of corporate responsibility are of a much higher level of complexity than in more homogeneous na-

tional contexts (Kostova & Zaheer, 1999). For a corporation to deal with changing societal demands in a reasonable way, it must replace implicit compliance with assumed societal norms and expectations with an explicit participation in public processes of political will-formation. We consider this shift as the *politicization of the corporation*.

The Corporation as a Politicized Actor

We propose a deliberative concept of CSR that mirrors the discursive link between civil society and the state. It aims at the democratic integration of the corporate use of power, especially in the transnational context of incomplete legal and moral regulation. Our interpretation of CSR shifts the focus 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 solving global environmental and social challenges. Corporate responsibilities are analyzed as resulting from the corporation's embeddedness in a context of changing societal institutions (Dubbink, 2004), and the corporation is understood as a political actor (Matten, Crane, & Chapple, 2003; Scherer, Palazzo, & Baumann, 2006).

As indicated above, the discussion on Habermas in the management literature (Habermas$_1$) still has not embraced the pragmatic turn from discourse ethics to deliberative democracy. However, we believe that deliberative democracy delivers a better starting point for a communicative interpretation of CSR than Habermas$_1$ because it lessens the problem of utopianism and furthermore takes the *direct practice of life* (Dewey, 1925) as the starting and reference point of theoretical efforts, thus advocating the *primacy of democracy to philosophy* (Habermas, 1996). What then prevails is not the purity of the philosophical argument but its link to the established context of democratic procedures and the problems and interests of the citizens. A deliberative concept of CSR embeds corporate decision making in processes of democratic will-formation. These processes, driven by civil society actors and spanning over a broad field of public arenas,

establish a *democratic control on the public use of corporate power* (Dryzek, 1999).

It has been argued in the literature, that the growing importance of civil society engagement as conceptualized in the deliberative model does not solve legitimacy problems but rather creates new ones. NGOs as the main actors of a vibrant civil society suffer from the same legitimacy problems as corporations. They try to influence corporate and political decision making without being democratically legitimate representatives of the citizens (Rugman, 2000). This problem is mitigated, to a certain degree, by the multiplicity and diversity of civil society engagement. However, given the radicalism of some activists' positions, the danger of an unbridled influence of some civil society actors on corporate decision making should not be underestimated. The oversimplified antagonistic opposition of the corporation as the "bad guy" representing economic interests and the NGO as the "good guy" representing moral interests does not give consideration to the fact that in the deliberative concept of CSR, discourse quality derives from the analysis of arguments, not actors. It is not the quantity of NGO positions adopted that leads to political embeddedness, but the willingness and capacity of the corporation to participate in the public process of exchanging arguments, its engagement in solving broader societal challenges, and its accountability and transparency in any process of CSR implementation.

The New Political Responsibility of the Business Firm

As already described, scholars in management theory have often understood political and economic responsibilities as descriptions of opposed domains. As Levitt and others argue, the role of business is to earn profit, and social responsibility is the task of the state (Levitt, 1970; see also Friedman, 1970; Jensen, 2002; Sundaram & Inkpen, 2004). However, the changing conditions of corporate responsibility in a transnational context do not only appear in theoretical debates. Anecdotal evidence shows that corporations already have started to assume enlarged responsibilities in their globally expanded business environments. They assume 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 in countries with repressive regimes (Kinley & Tadaki, 2004; Matten & Crane, 2005); address social ills such as AIDS, malnutrition, and illiteracy (Margolis & Walsh, 2003); engage in self-regulation to fill global gaps in legal regulation and moral orientation (Scherer & Smid, 2000); and promote societal peace and stability (Fort & Schipani, 2004). Those activities go beyond the common understanding of stakeholder responsibility and CSR as conceptualized in the positivist tradition (see, critically, Crane, Matten, & Moon, 2004). Some corporations do not simply follow powerful external expectations by complying with societal standards in legal and moral terms; they engage in discourses that aim at *setting* or *redefining* those standards and expectations in a changing, globalizing world and assume an enlarged political co-responsibility (Scherer et al., 2006).

Such a collaborative approach helps to pre-empt potential conflicts between a corporation and its societal environment. Indeed, stakeholder conflicts do not vanish, but we expect that the practice of political co-responsibility leads to an improved contextual sensitivity of the embedded corporation in comparison with those "just-in-time tactical responses" (Schrage, 2004: 20) that might result from a merely instrumental approach to CSR. As Fung (2003: 61) argues in his analysis of labor conditions, "deliberative engagement of this sort will not silence the most strident or skeptical advocates, but it will differentiate firms that are responsive and proactive from the ones that are defensive or that fail to adopt workplace conditions as a priority". A deliberative concept of CSR changes the modus of responsibility from the reactive model of the positivist approach to a proactive concept of societal involvement. The corporation, within the network of civil society communication, does not replace the idea of stakeholder management but enhances it and frames it in an ongoing process of observing and participating in public discourses.

In order to illustrate the idea of a deliberative concept of CSR, we cite the example of the

Forest Stewardship Council (FSC). It demonstrates the corporate embeddedness in processes of democratic will-formation and problem solving in a transnational context of political governance (www.fsc.org; Hollenhorst & Johnson, 2005). After the failure of governments at the 1992 United Nations Conference on Environment and Development (UNCED) to develop shared standards and activities for the protection of the forests worldwide, the obvious global governance gap was addressed by a group of NGOs and corporations. The FSC was founded in 1993 as a result of that cooperation. The FSC developed a set of principles and criteria for sustainable global forest management. 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, Home Depot and OBI, 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. On the basis of its principles and criteria, 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 civil society organizations. Of course, the FSC has been criticized. It has for instance been argued that the council's fast growth strategy has lead to the certification of non complying corporations that can not sufficiently be controlled (Counsell & Terje Loraas, 2002). However, we suggest that the FSC can be considered one of the most advanced concepts in the sense of our proposed political CSR. It illustrates some of the key aspects of a politically embedded corporation we unfolded in the discussion above: one of the main environmental challenges which national governments are not able or willing to tackle is addressed. Self-regulation takes place in a broad process of democratic will-formation in collaboration with civil society actors.

The independent third party certification of corporate sustainability performance enforces a democratic control of corporate activities. The FSC is designed around deliberative criteria such as broad participation, the attempt to exclude corporate power as a decision criterion, and a constant process of improvement based on critical feedback about the council's performance or form of organization. The FSC does not represent a form of stakeholder dialogue, in which corporations invite stakeholders into their internal decision-making processes. Rather it represents a corporate move into the political processes of public policy making through the creation of and collaboration with global institutions of political governance.

This example of corporate engagement goes beyond passive normative compliance and the simple support of causes and it goes beyond the management of stakeholder pressure. We do not argue that the described case is an example of power-free discourses of political will-formation. In real societies suboptimal circumstances are unavoidable. What we want to demonstrate is that CSR is increasingly displayed in corporate involvement in the political process of solving societal problems, often on a global scale. But it is not only the engagement itself that does not fit the mould of post-positivist CSR (Walsh, 2005). These engagements are – at least to some extent – embedded in democratic mechanisms of discourse, transparency and accountability. Further illustrations of such corporate involvement might include Novartis' institutionalization of a broad and transparent, public dialogue on the social responsibilities of a pharmaceutical company (Spar & La Mure, 2003); Chiquita's willingness to expose its activities to independent control mechanisms (Werre, 2003); BP's commitment to apply the Kyoto criteria (Brown, 2004); and Nike's substantial disclosure of its suppliers network in its CSR report of 2004.

These may be examples of a transition from voluntary, business-driven, and case-wise philanthropic acts to a long-term, politicized collaboration with governments and civil society actors. This transition can be enforced by an "argumentative self-entrapment," as political scien-

tists have suggested (Risse, 1999). Although many firms enter these processes with a strategic attitude, they begin to acknowledge certain actors, stakes, and rules that they cannot reject at will subsequently (Zadek, 2004). Rather, to preserve consistency in behaviour, they increasingly contribute to an institutionalization of norms and the solution of political challenges. A political understanding of CSR, therefore, no longer builds upon the established division of labor between economic and political actors.

A deliberative approach to CSR does more than transcend some main assumptions of the positivist approach. Habermas$_2$ goes beyond critical strategy research, which, though it criticizes the status quo of business in society, does not embed its criticism in an alternative vision of democracy (e.g., Alvesson & Willmott, 1995; Phillips, 2003). In comparison with T. Donaldson and Dunfee's hypernorms, a normative link of corporate decision making to civil society discourses offers a contextually thick view from the praxis of life instead of a universally valid "view from nowhere" (T. Donaldson & Dunfee, 1999: 14) based on a thought experiment or philosophical reasoning (see also Putnam, 1992; Rorty, 1991). If there is no prima facie salience of some stakeholder demands over others (T. Donaldson & Preston, 1995), and if normative conflicts no longer can be solved by referring to a shared background of values and traditions, communication becomes the sole source of peaceful interaction and mutual recognition (Habermas, 2001: 74; Palazzo & Scherer, 2006), and the analysis of the "relationship between the organization, the state, and those who are significantly affected by the transferred responsibility, becomes the focal point of research" in the future discussion on CSR (Walsh et al., 2003: 878).

Habermas$_2$ is not just a variant of stakeholder theory because it shifts the debate from casewise analysis of concrete stakeholder conflicts to a broader analysis of a corporation's connectedness to public discourses and its ongoing cooperation with the broad field of national and transnational organizations and institutions. A deliberative political engagement as outlined here

is far from the interest group approach to politics (lobbyism), which has been the established practice of corporations attempting to influence political decisions (see, Keim, 2001). Deliberation is based on the transparency of public discourse, and lobbyism is based on the conspiracy of backdoor bargaining (de Jonquières, 1998). A mere symbolic intervention (e.g., through a PR campaign) or strategic intervention (e.g., through lobbyism; see, Shell, 2004) in the arena of public will-formation does not meet the normative demands of a deliberating public. On the contrary: Symbolic responses to external criticism literally aim at avoiding any open dialogue (Ashforth & Gibbs, 1990) and often provoke accusations of greenwashing (Laufer, 2003).

The Limits of Political CSR

Despite the politicization of corporations, a deliberative concept of CSR protects them from being overburdened by political demands. In the changing dynamic between civil society, the state, and corporations, the social responsibility of a corporation is not expressed by a radical democratization of its decision-making processes, as insinuated in the discussion on Habermas[1] (Alvesson & Willmott, 1995, 2003; Phillips, 2003). It is not necessary to solve every single coordination problem through an unlimited democratic discourse. The deliberative concept instead follows the *principled priority of systemic routine* as advocated by Habermas (Habermas, 1996: 358). Civil society actors should not assume the role of the state or that of the corporation but rather limit their engagement to controlling the political and economic systems, which mainly follow their own power or market logic. "Communicative power is exercised in the manner of a siege ... without intending to conquer the system itself" (Habermas, 1996: 486 et seq.). The day-to-day priority of administrative routine is justified by the complexity of modern society (Cohen & Arato, 1994: 439), even though administrative routine must remain open to critical deliberation in principle. Administrative routine of the political system corresponds to the routine of market transactions in the economic system. In our view, there are no convincing arguments for submit-

ting economic activities to higher ethical standards than those of the political system itself. However, the deliberative approach to CSR demands that the routine of corporate decision-making be cancelled by a public discourse on the legitimacy of a given issue. A public discourse is generated for instance by civil society actors who push a given issue into public awareness or by a proactive debate-opening by the corporation itself. Discourses are propelled by, for example, gaps of regulation, the rise of new actors, new insights, and new practices (Maragia, 2002). Political co-responsibility embeds the corporation in its rapidly changing and globalizing societal context. In table 1 we briefly characterize the Habermas$_2$ conception of CSR in comparison with the approaches reviewed above.

[insert table 1 around here]

CONCLUSION AND PROSPECTS FOR FUTURE RESEARCH

We are convinced that the proposed Habermas$_2$ version of CSR is a timely and valuable contribution to our field, although a lot of work lies ahead in further clarifying its implications and strengthening its impact. However, evidence from managerial practice and theoretical discourse in other disciplines such as political science, legal studies, and organization theory shows that our proposals fit into contemporary visions of the role of business in society.

In the *political sciences* and in *international relations*, students have discussed the significance of private-public-policy networks in the regulation of global issues (e.g., Reinicke & Deng, 2000). Rather than focusing on state actors and international institutions such as the UN, ILO, and WTO alone, political scientists have now acknowledged the role that private business firms play in global governance (Risse, 2002; Wolf, 2005). This acknowledgment is accompanied by recent developments in the theory of democracy (e.g., Held, 2004). Fung (2003) has argued that transnational challenges such as the quality of labor standards should be dealt with in a process of decentralized deliberation involving NGOs, international institutions, companies, workers, and

consumers (see also Young, 2004). This proposal is accompanied by a growing awareness of the role of discursive interaction in the institutionalization of international norms (Risse, 1999).

Our proposal also fits into recent developments in *legal studies*, where scholars have become aware of the contributions that non-state actors could make to the process of legalization – that is, the process of pushing norms and institutions towards the rule of law (see, e.g., Goldstein et al. 2000). Researchers have emphasized the important contributions that private business firms can make to the further development of human rights (Kinley & Tadaki, 2004; Weissbrodt & Kruger, 2003) or the preservation of peace (Dunfee & Fort, 2003; Fort & Schipani, 2004). This also applies to other concerns, such as environmental issues, social issues, and labor standards. Business firms engage in processes of regulation by "soft law" in instances where state agencies are unable or unwilling to regulate (see, e.g., Shelton, 2000). In legal studies, therefore, a new concept of regulation is being discussed that places private actors in a prominent role, not just as the addressees of public rules but as their authors (C. Parker & Braithwaite, 2003). As business firms engage in politics, a problem of legitimacy arises (Orts, 1995; Wolf 2005). Business firms are licensed to operate as economic actors. In their political role, they are neither elected nor democratically controlled by the public. Here, the deliberative concept of CSR can enhance the legitimacy and credibility of corporate action because it becomes subject "to the scrutiny of open public debate, review, and determination" (Fung, 2003: 52).

However, two problems must be clarified at the interface of management and political theory: the depth and breadth of "political responsibility" on the one hand and the role of national and transnational political institutions on the other. As for the latter, a deliberative concept of CSR demands a reconceptualization of the responsibilities of national and transnational political institutions (e.g., UN, ILO). The quality of public deliberation can be enhanced through public authorities that guarantee the transparency of discourses, the monitoring and enforcement of cor-

porate compliance, the comparability of information and standards, and the access of less power-ful actors to deliberation (e.g., of workers in the discourse on labor standards) (Fung, 2003; Kinley & Tadaki, 2004). As for the depth and breadth of "political responsibility", the sweatshop debate has shown that the traditional understanding of responsibility, based on a liability model, no longer suffices (Young, 2004). Companies that have often reacted to external critique by pointing at the legal independence of their suppliers have started to act upon a concept of responsibility that instead refers to the consequences of their structural connectedness and covers the whole supply chain (Roberts, 2003; Young, 2004). Young (2004: 375) argues that a political concept of responsibility holds actors "responsible precisely for things they themselves have *not* done" and that assuming political responsibility means joining public discourses. Although concepts such as structural connectedness, supply chain power, and brand visibility might help in understanding the emerging depth of corporate responsibility, the question of the required breadth seems more difficult to answer. Corporations cannot be held accountable for all human misery. Therefore, future research has to develop reliable methods for guiding corporate political activities thus avoiding both undue burdens of CSR and, conversely, underperformance of corporate actors (e.g., Santos, 2000; Williams, 2004).

How can the political conception of CSR be implemented? Recent developments in *organization theory* have given way to a new concept of organizing that points in the same direction as our approach of a politically embedded CSR. The bureaucratic model of the organization has been challenged in past decades. This model was based on a command and control form of coordination in which the leader or formal rules determine what subordinates must do. Alternative models were proposed, such as the high-involvement organization (Lawler, 1992), self-organization (Daft & Lewin, 1993), team-based organization (Mohrman, Cohen, & Mohrman, 1995), and postmodern organization (Clegg, 1990; Hatch, 1997). These proposals emphasize a

common *communicative character of organizing* (Quinn, 1996). The solution to a coordination problem is neither determined by the leader (through a hierarchical act) nor deduced from organizational rules (plans and programs). Instead, problems are solved through a *joint effort* of the organizational members, by making suggestions, putting forward arguments and counterarguments, and commonly determining the best solution (Quinn, 1996; Simons, 1995). Although many of these proposals are designed to improve economic performance, they may help in the organizational implementation of political CSR (Steinmann & Scherer, 2000).

It is difficult to conceptualize a corporation that is a transparent, accountable and collaborative actor within its societal or stakeholder context while applying a command and control ideology in its internal relations with employees or employee representatives. We assume that a deliberative conception of CSR will depend on a certain consistency of internal and external phenomena. Of course, our concept of deliberative CSR does not advocate the naive belief that the post-bureaucratic organization as discussed in the above mentioned literature is moving towards a power and domination free economic panacea. Rather, the post-bureaucratic organization can unfold its own iron cage of control. Barker (1993) describes how self-organized teams develop "concertive" forms of control, which consists of a strong homogeneity. Such a value-based group homogeneity is less apparent than hierarchical command but much more effective in the suppression of dissenting voices, values and interests. In contrast, we unfold a deliberative concept of CSR that does not aim at the creation of value-based homogeneity but helps enhancing democratic control over corporate action (Driver & Thompson, 2002; C. Parker, 2002). As outlined in our discussion of the FCS we point at the importance of democratic procedures that remain open for dissent, and promote the expression of marginalized interests and values.

CSR is a mainstreaming term in the corporate world. Corporations have started to describe themselves as good corporate citizens and publish sophisticated CSR reports. However, a

lot of these CSR activities are made for mere strategic reasons (e.g., public image, reduction of NGO pressure, regulation avoidance) but have "little or nothing to do with perceived responsibilities or obligations" (Laufer, 2003: 255). We do not argue that the rising tide of CSR activities generally and as a whole points in the described direction of a politicized corporation. Many companies engage in substantial philanthropy but do not touch upon the ethical challenges of their key operations. Others engage in self-regulation but do not include external, especially critical voices, in the development of rules or the monitoring of success. Companies sometimes position themselves as sustainable and drown the readers of their CSR reports in technical data but do no more than comply with basic environmental laws. As Laufer has warned, "without external, third party verification and monitoring" it is impossible to differentiate between genuine efforts and CSR rhetoric (Laufer, 2003: 257). We argue that some of the observable CSR activities such as developing corporate codes of behavior in collaboration with critical NGOs, exposing corporate CSR performance to third party control, linking corporate decision making to civil society discourses and shifting corporate attention and money to societal challenges beyond the immediate stakeholder pressure point at a politicization of the corporation. These activities contradict some widespread assumptions about the corporate role in society. They can be interpreted as a changing modus of democratic participation and democratic control that falls out of the positivist understanding of CSR and is even difficult to explain against the background of normative CSR approaches (Matten & Crane, 2005; Walsh, 2005). The global expansion of the corporation can be regarded as the driving force of such a political CSR. The globalizing society erodes established ideas about the division of labor between the political and the economic actors and calls for a fresh view on the role of business in society. These phenomena need to be embedded in a new concept of the business firm as an economic *and* a political actor in market societies. Our proposal of a political CSR is an attempt to offer a normative theory to that discussion.

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	positivist CSR	non-positivist CSR	postmodern CSR	Habermas$_1$ CSR	Habermas$_2$ 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	politcally 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)

Table 1: Comparison of positivist and post-positivist CSR schools of thought