Political Responsibilities of the Multinational Corporation

A Study of Political Corporate Social Responsibility

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- A Study of Political Corporate Social Responsibility

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Abstract

Corporate social responsibility (CSR) has received considerable renewed attention in the last two decades. With economic globalisation intensifying the negative consequences of international business due to an inadequate global regulatory framework, pressures of increasing societal expectations and changing conditions of legitimacy has led many multinational corporations to increase CSR efforts and engage in global business regulation and the provision of global public goods. But as these non-state actors enter the political arena of global governance, the roles and responsibilities of multinational corporations vis-à-vis those of governments become blurred. Recognising these changes, a new political perspective of CSR has recently been put forward by Andreas Scherer and Guido Palazzo in their concept of political corporate social responsibility.

The overall purpose of this thesis is thus to critically explore and assess to what extent current understandings and arguments support the case for a political perspective of CSR. As an exploratory and descriptive study, it strives to identify the key debates with regard to political CSR in the current academic literature, with particular examination of the arguments of its primary advocates and opponents. It also seeks to describe how and under which conditions, the phenomenon of politically engaged multinational corporations has developed as well as attempt to identify and draw attention to its meanings and potential implications for both theory and society.

The thesis finds that there is indeed a valid and relevant discourse emerging that strengthens the case for political CSR as a political perspective of corporate social responsibility. More specifically, the thesis identifies the theoretical developments of the field of CSR and the political developments linked to globalisation that have lead to the relevance of the concept of political CSR. Through an extensive theoretical exploration of political CSR and other relevant understandings, the thesis finds supportive arguments for acknowledging a new political role of the multinational corporation as it engages in areas that are traditionally the role of government. Additionally, it demonstrates how and why the corporation may be assigned political responsibility and suggests areas in which a political responsibility could be practiced. Evaluating the problems and potentials of political CSR and its relation to traditional concepts of CSR, the findings suggest that circumventing the problem of democratic accountability, political CSR works well as a conceptual extension to what constitutes corporate (social) responsibility.

This thesis thus contributes to several current research agendas within corporate social responsibility, including furthering its conceptual scope, its societal analysis and wider normative issues in an increasingly global and political context as well as pointing to new research agendas regarding the political perspective of CSR.
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1. INTRODUCTION, RESEARCH QUESTION & METHODOLOGY
1.1 Introduction

This chapter serves as a brief introduction and a thorough overview of the research purpose and methodology of this master thesis. The research approach and limitations are also reflected on and a structure and chapter outline is presented towards the end.

Corporate social responsibility (CSR) has received considerable renewed attention in the last two decades acquiring a distinctive organisational status in business management. With economic globalisation intensifying the negative consequences of international business due to an inadequate global regulatory framework, civil society and pressure groups began scrutinising the practices of the increasingly powerful multinational corporation. Under the pressure of increasing societal expectations and changing conditions of legitimacy, business has increased CSR efforts engaging in global business regulation and the provision of global public goods. Non-state actors, particularly corporations, have entered new modes of global governance that strive to close the governance gap as politics lags behind markets.

But as this happens, the roles and responsibilities of multinational corporations vis-à-vis those of governments become blurred. Only very recently have scholars in the field of CSR begun to discuss these changes and attempted to incorporate the issues in notions of an extended view of corporate citizenship and a political corporate social responsibility. The interface of international business and politics thus becomes particularly important in the new highly global and political context that governments, multinational corporations and civil society are facing. With it, the potential of a political perspective of corporate social responsibility to improve our understanding of the roles and responsibilities of corporations becomes increasingly interesting.

1.2 Research Question: Is There a Case for Political CSR?

The purpose of this thesis is a critical examination and theoretical discussion of a new political perspective of CSR, put forward most significantly by Andreas Scherer and Guido Palazzo in the concept of political CSR. As such, the research question asks:

To what extent do current understandings and arguments support the case for a political perspective of corporate social responsibility and what does this perspective entail?
In order to answer this research question, a number of sub-questions are needed to uncover and evaluate the specific content and main propositions of the political perspective of CSR. At the same time, these sub-questions provide a structure for answering the research question that will be covered in part 1.6 Structure and Chapter Outline. The sub-questions ask the following about the content and relevance of political CSR:

i. How has political CSR theoretically evolved and what does the concept entail?

ii. In what ways does political CSR view the multinational corporation as a political actor and how does this relate to other understandings?

iii. What is the potential for multinational corporations having political responsibilities and what might these entail?

iv. How does political CSR relate to traditional understandings of corporate social responsibility?

1.3 Definitions and Abbreviations

To ensure agreement and understanding with regard to the research questions as well as key terms applied throughout the thesis, some relevant definitions are provided below.

The political perspective of corporate social responsibility refers to the new debate and use of a political lens to examine CSR that has developed within the last 5-7 years, which generally includes both corporate citizenship and political CSR.

Generally, having responsibility to someone or to do something implies a duty or moral given to make decisions or take action relating to them and the protection of their interests\(^1\). Corporate social responsibility is a term and field of research that refers to the responsibilities that corporations have to stakeholders in society or to society at large.

A political actor refers to someone who has influence over and is involved in the activities and processes of politics (see detailed definition on page 43).

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\(^1\) Collins COBUILD English Dictionary, 2006
A firm, or company, is used generally and thus refers to any kind of business organisation that makes money by selling goods or services. However, the **multinational corporation** is typically characterised as a significantly large company operating in several countries. While there are in fact distinctions between the multinational and the transnational corporation – namely that the former has a national headquarters with foreign subsidiaries while the latter does not identify itself with one home but truly functions transnationally, or even globally, as an integrated network – the two are often used interchangeably. In this thesis, the emphasis is on the roles and responsibilities of both the multinational and transnational kind of corporations, wherefore the term multinational corporations, or simply corporations, is used to cover both.

In order to ensure further clarity, here is a short list of abbreviations and acronyms used in this thesis:

- **CC**: Corporate Citizenship
- **CPA**: Corporate Political Activity
- **CSR**: Corporate Social Responsibility
- **FSC**: Forest Stewardship Council
- **ISO**: International Standard Organisation
- **MNC**: Multinational Corporation
- **NGO**: Non-governmental Organisation
- **OECD**: Organisation for Economic Co-operation and Development
- **PPP**: Public-private Partnership
- **UNGC**: United Nations Global Compact
1.4 Methodological Considerations

The overall purpose of this thesis is to critically explore and assess the new political perspective of corporate social responsibility, thereby contributing to the study of this contemporary theoretical and empirical phenomenon and the CSR literature, more generally.

As an exploratory and descriptive study, it strives to identify the key understandings, arguments and theoretical debates with regard to political CSR in the current academic literature, with particular examination of the arguments of its primary advocates vis-à-vis those of opponents. It also seeks to describe how and under which conditions, the phenomenon of politically engaged multinational corporations has developed as well as attempt to identify and draw attention to its potentially significant meanings and larger implications for both theory and society. The thesis attempts to contribute to several current research agendas within corporate social responsibility, including furthering its conceptual scope, its societal analysis and wider normative issues in an increasingly global and political context as well as point to a new research agenda regarding the political perspective of CSR.

1.4.1 Approach and Philosophy

Essentially, the motivation for the writing of this thesis laid in the potential to highlight some truly complex and relatively un-explored issues that may come to significantly influence a variety of areas from business strategy to social and political development on an international scale. In line with the philosophy critical realism, the concepts with which we make sense of the world are not taken as a given, but considered in need of constant reflection in an ongoing process of refinement and improvement. The world events and political changes that have and still are taking place with economic globalisation are changing the foundations upon which some of our knowledge within the business-society interface is built. As the meaning and scope of corporate social responsibility might be (in need of) changing, the contributors to its literature must be able to explore beyond the current understandings and models of thinking. This thesis strives to do so by identifying, evaluating and furthering the arguments and debates regarding political CSR. The above mentioned goals, such as the identification of the conditions that contributed to the phenomenon of political CSR, also fall in line with critical realist research.
1.4.2 Research Design

The research design explains more specifically how the thesis goes about exploring the political perspective of corporate social responsibility and answering the research questions posed in the thesis. Fundamentally, this thesis is a theoretical exploration and investigation into the recent proposition of a political perspective of CSR. This is done through a qualitative review of relevant literature as well as an in-depth theoretical examination and analytical discussion of the specific elements of political CSR resulting in an evaluation of the case of political CSR, its potential and relation to existing theoretical concepts and understandings.

With regard to the complex and controversial nature of the thesis subject, the research was strategized following the idea that in order to fully understand a problem, a diverse range of perspectives have to be applied. Thus, the thesis attempts to embrace theoretical pluralism and further it within the field of CSR by considering contributions from a variety of fields. With input from political sciences and, naturally, corporate social responsibility, the thesis offers a unique interdisciplinary take on relevant literature and might therefore be considered a well-rounded research synthesis on the phenomenon of political CSR.

The primary curiosity that led to the choice of topic was the supposition of the significantly powerful role that multinational corporations seemed to be playing in global governance arrangements without any wide debate on the reasons for or implications of such a role. Thus, preliminary research evolved around the political engagement of corporations in global governance, specifically multi-stakeholder arrangements and CSR literature. Interestingly, it became clear that such suppositions had in fact recently given way to the arguments of a political perspective of CSR. Examining and evaluating the current arguments and understandings of political CSR within the vast body of research dealing with business and politics then became the most relevant and interesting task for this thesis. As some of the debates and issues of political CSR are themselves of significant normative question, part of the analysis does attempt to go beyond describing the political responsibilities of multinational corporations to involve more normative discussion, prescription and evaluation.

1.4.3 Data Collection

With regard to the data collection of the thesis, it does not collect or present first-hand empirical or quantitative data, but relies on secondary research data in various forms, including a broad selection of peer-reviewed journal articles and papers, published books and handbooks fully or only partly covering the subject. Due to the novelty of the subject at hand, much of the research provided
insight into only one element of the debate or so at a time rather than encompassing the entirety of the argument of political CSR. It also meant that the research process with regard to literature was almost constant throughout the writing process as new relevant material was being published simultaneously with this thesis. It was also relevant to include informal and online research, including personal communications, blogs, articles, recorded interviews and panel discussions from universities and professionals related to the field. Examples include:

- An interview with Jeremy Moon, Professor of CSR at Nottingham University, conducted by The Business Roundtable Institute for Corporate Ethics.
- An interview with Richard Haass, President of the independent American think tank Council of Foreign Affairs, conducted by McKinsey Quarterly.
- A panel discussion with Robert Reich, Chancellor’s Professor of Public Policy at UC Berkeley, conducted at the Haas School of Business at UC Berkeley.

The data collection for the thesis thus proved both challenging and rewarding as it suggested the academic importance of a political perspective of CSR.

1.5 Limitations and Reflections

Naturally, there are some limitations to the scope of this thesis and the issues that it is able to cover, particularly with regard to the vastness of the interface of business and society in which corporate social responsibility is located. First of all, the focus of this thesis is on the global nature of CSR and the specific efforts of the largest and most influential multinational corporations rather than on local or national context or small and medium-sized companies as those pose an entirely different situation in which the political nature of CSR would most likely be entirely different. Secondly, although pluralism is embraced and an interdisciplinary approach is attempted, the emphasis is on the literature and field of CSR with insights taken in from corporate political activity and political sciences where relevant. Thus, considering the enormity of the literature and issues that could be relevant from within the political sciences, much has been left untouched due to the limited size of the thesis. Particularly the political philosophy of Jürgen Habermas, which part of Andreas Scherer and Guido Palazzo’s arguments rely on, as well as any alternatives that may be useful in the debate going forward have not figured prominently. Instead, the much attention was given to the issue of political responsibility that relates more closely and is more relevant to the field of CSR. Finally, with
the difficulty of approaching multinational corporations on the subject of their political role – especially because of both its novelty and controversy and has yet to be widely recognised, let alone accepted – the choice was made very early on not to collect significant primary or empirical data, which could have allowed a more extensive analysis of the practice of political CSR.

1.6 Structure and Chapter Outline

Reviewing the general structure of the thesis is done with a brief outline of the content in each chapter, thus also explaining how the research question will be answered. Additionally, a project model has served as a useful tool throughout the writing process and is depicted in figure 1.1 in order to provide an overview.

The present chapter has briefly introduced the topic, the research question and methodological considerations of this thesis.

Next, the literature review and theoretical framework (chapter 2) will review the extensive literature that is relevant to the thesis in three parts. A historical overview of the theoretical evolvement of different concepts of CSR will be followed by a review of the dramatic changes that have taken place in the era of globalisation that have formed the contemporary global and political context in which multinational corporations must now operate. This will then help to demonstrate why it is relevant to refocus part of the research agenda of CSR on recent discourses and propositions that entail a political perspective of CSR. The last part will also briefly introduce those new concepts that have been put forward.

Chapter 3 is the main analysis and has also been divided into three main parts. After introducing the overall argument of Andreas Scherer and Guido Palazzo’s political CSR, the first part explores the case of the firm as a political actor in detail, evaluating the specific arguments and other current understandings that are relevant. The second part of the analysis focuses on normative justification and potential for assigning political responsibilities to corporations, including attempting to give some examples of areas in which this would make sense and discussing limits to the corporate capacity to engage politically. Finally, the remaining argument of the deliberative approach as a solution to the democratic accountability problem is evaluated with the example of the Forest Stewardship Council, before concluding on the exploration of political CSR in this chapter.
Relevant debates and issues related to political CSR going forward are then discussed in chapter 4, including the relation to traditional understandings of CSR and how political theory may expand future research on a political perspective of CSR.

Finally, chapter 5 concludes the findings of the thesis.
2. LITERATURE REVIEW & THEORETICAL FRAMEWORK
2.1 Corporate Social Responsibility in the 20th Century

Essentially, the business and society debate in which corporate social responsibility is embedded surrounds itself around what roles and responsibilities a firm has. Thus, it is not a new debate; rather, it is a broad topic that has been discussed over hundreds of years. Some of the most basic questions are as old as business itself; what is the purpose of business? What contribution does or should business make to society? The field of corporate social responsibility as we know it today, however, is mostly a product of the second half of the twentieth century and was primarily carried forward in the United States and later Europe. Despite a general idea of CSR as concerned with constraining the adverse impacts of corporate activity on individuals and communities, it has proven difficult to universally agree upon an accurate definition and scope of the concept (Whitehouse, 2003). In examining the field of CSR, it is therefore crucial to realize that it is an extremely diversified field and that it has often been co-developed or, at least, influenced by other disciplines. This has given rise to a variety of economic, social and ethical theories and concepts directly or indirectly related to CSR. Furthermore, the terminology itself has been discredited and marginalized in favour of new or supposedly better ways of conceptualizing the business and society interface. Here, it is worth noting that CSR will be used broadly, covering the multiplicity of concepts that constitute the field.

The following literature review, which also serves to identify the theoretical framework in which this thesis is situated, is divided into three parts. First, this section will provide an overview of the relevant and theoretical evolvement of the broad field as we know it today. Second, some of the recent developments with regard to corporate political inclusion and the emergence of global governance arrangements will be reviewed in order to better reflect the current complexity of the context of corporate responsibility. Finally, the third part of the literature review will cover the emergence of some of the most recent discourses and propositions that attempt to cope with CSR in this newly global and political context. Together, these parts provide a short, yet comprehensive understanding of the theoretical and contextual evolvement of CSR and the emergence of political CSR that will help reflect the novelty and value of the political perspective.

2.1.1 Early Beginnings

In 1953, Howard Bowen was the first economist to significantly uncover the social responsibilities of business in his seminal book ‘Social Responsibilities of the Businessman’. Before the 1950s, business
was really only engaged in its community through philanthropic activities. The Great Depression of the 1930s, in which the culmination of (financial) irresponsibility had collapsed the economic system, is suggested to have been a potential eye-awakener in turning the attention of business towards more responsibility and accountability (Crane et. al, 2008). In any case, Bowen was the first to conceptualise CSR as a midway between pure laissez-faire and state regulation and defined it as “the obligations for the business men to pursue those policies, make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953; 6). Bowen’s contribution marked the beginning of an ‘awareness’ period in which the overall responsibility of business gained more recognition.

The next two decades marked a significant growth in interest and attempts to formalise and more precisely state what corporate social responsibility meant. Though CSR posed a naturally appealing argument to many, there was also significant opposition and the debates on CSR primarily evolved around the shortcomings of the concept. In particular was an agency problem, most notably put forward by economist Milton Friedman in a 1970 New York Times Magazine article. Here, it was argued that the sole “responsibility of business is to increase its profits” and that it was, in fact, irresponsible for managers as agents of the firm’s owners or shareholders to engage in social activities that were not prescribed by law and did not contribute to the maximisation of profits (Crane et al., 2008b). The shareholder value theory, as it has since become known, rests on the neoclassical assumption that the market is superior to other organisations in allocating resources efficiently. (Social) Responsibilities beyond the duty towards shareholders and the duty to comply with the law, would simply constrain companies making them less competitive (Friedman, 1970).

However, in spite of such arguments put forward by critics, ideas of a ‘social contract’ between business and society, in so far that public consent gives business a ‘license to operate’, suggested that companies were subject to certain expectations, and legitimately so. On the basis of four such types of expectation, Archie Carroll (1979) put forward a widely accepted definition of CSR as a multidimensional concept that “encompasses the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time” (Crane & Matten, 2007: 49). In the attempt of reconciling the firm’s economic orientation with that of a social one, Carroll helped clearly identify these additional responsibilities that business could be expected to fulfil beyond pursuing profits and obeying the law. In fact, more and more companies began responding to such demands by engaging in specific issues of social concern, such as industrial pollution, health and safety conditions and racial discrimination (Carroll, 2008).
By the late 1970s and early 1980s, academia suggested the importance of a more managerial approach to CSR and it was recommended that companies “forecast and plan for CSR, organise for CSR, assess social performance and institutionalise corporate social policy and strategy” (Carroll, 2008: 34). The debate thus shifted away from the normative foundations of CSR towards issues of its management (Wilson et al., 2010). This gave rise to a period of ‘responsiveness’, in which companies began taking managerial action to address CSR, as well as a spur in related topics. The most noteworthy were those of corporate social responsiveness, corporate social performance and stakeholder theory.

Corporate social responsiveness was essentially an attempt at reframing corporate social responsibility more strategically referring to the capacity of a firm to respond to social pressures (Crane & Matten, 2007). The emphasis on ‘responsiveness’ was argued to better emphasize the crucial part of action and performance contrary to ‘responsibility’, which focused more on the obligation. Also in his work of 1979, Carroll was one of the first to clearly identify four strategies of responsiveness; namely corporations being reactive, in which responsibility is denied or argued; defensive, in which only the minimum action required to protect the corporation will be taken; accommodating, in which the corporations accepts responsibility and actively responds to demands; or proactive, in which the corporation anticipates expectations and goes beyond what is required and demanded (Carroll, 1979).

Corporate social performance (CSP) then emerged as a synthesis of all this prior work on business responsibilities encompassing social responsibilities, responsiveness and performance. With an explicit performance perspective, CSP quickly became a popular concept through which to analyse the outcomes and results of corporate responses and actions. On the basis of Carroll’s earlier work, Wartick and Cochran (1985) proposed that CSP could be observed through three dimensions: principles of CSR, processes of social responsiveness and policies of issues management. Wood (1991) continued to refine this and proposed that the third dimension of policies could be reframed as outcomes of corporate behaviour, which included not only policies but also social impacts of such policies and social programmes carried out by a company (Crane & Matten, 2007). This step significantly reoriented CSR towards normal operational criteria by which business performance is assessed including quantity, quality, effectiveness and efficiency. However, while the importance of the outcomes of CSR was recognised, it was and remains very difficult to actually measure, compare and rate social performance. A further weakness of CSP was the lack of ethical discussion with regards to what is morally right for a company to engage in or not.
Another concept was put forward by Edward Freeman (1984) in his book *Strategic Management: A Stakeholder Approach*. Moving from ‘stockholder’ to ‘stakeholder’, Freeman suggested more normatively that it was necessary to take into account all the individuals or groups that have a stake in or claim on the company, contrary to simply considering the owners as shareholder theory suggests. In Freeman’s original definition, a stakeholder was identified as “any group or individual that can affect, or is affected by, the achievement of the organisation’s objectives” (Crane & Matten, 2007, 57). This has since been further refined, suggesting that stakeholders can benefit from or be harmed by corporate actions, and that their rights can either be violated or respected. Although the type and number of stakeholders will vary with every company, stakeholder theory typically centres the firm within many interdependent two-way relationships with shareholders, employees, customers, suppliers, competitors, media, government and civil society. In a sense, firms are thus considered abstract entities, whose purpose is to serve as a vehicle of coordinating the multiple claims and interests of its different stakeholders (Melé, 2008: 64). In this regard, the social responsibility of a firm is defined as the responsibilities towards the stakeholders. Stakeholder theory has gained considerable recognition as it arguably serves both the instrumental and ethical argument of the debate of business responsibilities. It provides an ethically strong justificatory theory for social responsibilities, while also providing a managerial concept and concrete tool for business to strategically identify, if not pick, and legitimise certain engagements.

More generally, the many ethical scandals of corporations of the 1980s also contributed to the discussion of business responsibilities and, more specifically, ethics in operating a business successfully. Business ethics, which has since grown into an extensive research field, entails a deeper moral understanding of corporate behaviour and practices and can be defined as the “study of business situations, activities and decisions where issues of right and wrong are addressed” (Crane & Matten, 2007: 5). Following this, there is overlap between business ethics and national and international law and regulations, but it is in the grey areas of which ethics have not yet been
institutionalised into economic and business law that is of particular interest to this field. Here, business ethics can be analysed through knowledge of corporate culture, the ethical climate as well as values and norms that guide the decisions and strategies of the firm (Crane et al., 2008b). These have also become natural elements in managing CSR, reflecting the interconnectivity and overlap of the concepts.

2.1.2 A New Revival

It was not until the 1990s, however, that the world witnessed the most significant revival of corporate social responsibility in the 20th century. There is no doubt that its explicit resurgence was related to the intensification of globalisation and its economic and social impacts; “corporate-sponsored international liberalisation was moving full steam ahead, while the social safety nets [...] traditionally provided by governments were being removed” (Gereffi, 2005: 175). However, the revolutions in information and communication technology not only provided the basis for the expansion of multinational corporations and their networks, but also created an unprecedented global interconnectedness of economic, social and environmental character. In response to apparent corporate abuses of a weak global regulatory framework and the many environmental and social scandals of the 1990s – of which Shell’s Brent Spar and Nike’s sweatshops are but two typical examples – a mobilisation of non-governmental organisations, pressure groups and civil society forced multinational corporations to wake up. Faced with changing societal expectations, increasing levels of consumer awareness and media scrutiny – all critical factors to a healthy corporate reputation – companies began voluntarily regulating their international activities and operations, setting up social policies and initiatives, monitoring and communicating engagement of CSR as well as significantly incorporating tools of CSR into their business models. Academically, concepts that took centre stage in this decade were still CSP and uniting financial performance with responsible business conduct, but also significantly sustainability management.

Sustainability became the central issue of the 1990s as a “new conceptual frame for assessing not only business activities specifically, but industrial and social development more generally” (Crane & Matten, 2007: 21). Though originally concerned solely with the environment, sustainability now also includes social considerations, in which key issues are social justice and human rights, and economic considerations. The great popularity among corporations of environmental sustainability is undoubtedly related to the relative ease of identifying and implementing green policies that reduce costs (e.g. utilities and input) and waste thereby efficiently maximising profits while ‘saving the
planet’. In the search for tools through which to portray sustainability efforts explicitly, social accounting methods flourished, including the ‘triple bottom line’, which expands the traditional reporting framework of financial performance with social and environmental performance. ‘People, planet and profits’, as John Elkington coined the term, has since taken a strong foothold in international reporting guidelines and contributed to creating a large market for socially responsible investment.

The biggest driver for corporate social responsibility has thus been its ‘business case’ for which sayings such as ‘doing well by doing good’ have become well-known. In the process, however, the considerable attention to the relationship between CSR and financial performance as well as the actual assessment of CSR policies and their impacts has shifted research away from the normative relationship between business and society. Emphasis on theoretical contributions shifted instead to the empirical and significant empirical work on the business case and ‘best practices’ of CSR has been carried out since. However, empirical research has provided very mixed results on a positive relationship between social and financial performance; at its best only a weak positive relationship between financial performance and CSR involvement (Griffen & Mahon, 1997; Waddock & Graves, 1997). Interestingly, following Baron’s (2001) distinction between altruistic CSR, such as social issue participation, and more strategic CSR, such as stakeholder management, Hillman and Keim (2001) suggest disaggregating CSR activities accordingly and find that there is a positive relation between financial performance and strategic CSR, while a negative relation between altruistic CSR and performance (McWilliams, Siegel & Wright, 2005). Margolis and Walsh (2001, 2003) also found mixed results on the basis of an extensive survey, but data did reveal a tendency towards a positive relationship. Reasons for these generally mixed results include the difficulty of distinctly isolating CSR engagement from other parts of the business such as employee motivation, marketing and branding (Vogel, 2005). Even so, it is now widely accepted that businesses have significant social impacts on communities locally and globally and are therefore increasingly subject to increasing expectations.

Overall, the historical development just covered depicts a broad divide in the theoretical propositions of CSR; those who follow a largely economic or instrumental ideology that focuses on legal compliance, social performance and responding to the most powerful stakeholders and those who follow a more normative and philosophical ideology that focuses on complying with ethical norms and stakeholder expectations by virtue, duty or a sense of social contract. The former
obviously relates to management theories such as CSP and the business case of CSR as well as, arguably, stakeholder theory, while the latter relates to business ethics, stakeholder theory and social contract theory. Essentially, it comes down to viewing the role of the corporation as a purely economic actor versus an economically and socially responsible actor. Evidently, for most, the corporation can no longer afford to consider itself as a purely economic actor with no social responsibilities; however, it is far from many corporations that act according to a purely normative position. In fact, while social responsibilities have been embraced, it has largely been for instrumental reasons, which suggests the field is largely dominated by an economic rationality. In any case, much of this divided debate is still relevant to acknowledge today as these theories of CSR overlap and interconnect considerably in practice.

While corporate social responsibility has obviously constantly evolved, the new context of the 21st century may be challenging traditional understandings of business responsibilities yet again. There are three world developments that have had and are having a significant impact on CSR: economic globalization, the declining authority of nation-states simultaneous with the rising power of multinational corporations as well as the inclusion of non-state actors in global governance mechanisms. The need to re-focus the CSR literature towards the larger, normative questions of the business and society interface again becomes clearer as we understand this new global and political context of the 21st century business now operates in better.
2.2 Setting the Scene – CSR in an Era of Globalisation

For the last centuries, the relationship of business and politics in a national context has mainly been built on the assumption of a coherent and adequate regulatory environment. Though the level of state intervention may vary from one nation to the other, markets cannot exist without the institutions and rules created by the state. As argued by Karl Polanyi, the development of the modern market economy went hand in hand with that of the modern state and that the laissez-faire market was inherently planned (Polanyi, 1944). After the Second World War, the United States and Europe, in particular, saw the rise of the modern industrial society, which is shaped by a clear division of labour between what governments do and what corporations do. In political philosophy the concept of the division of labour refers to the way in which responsibilities for political, social and economic dimensions of a society are divided among different political and socio-economic institutions and actors operating within these societal structures (Mäkinen & Kourula, 2012). Traditionally, in liberal democracies, government and state agencies are the political institutions that directly focus on the well-being of society, while business is simply an economic actor. The free market is thus to more or less degree ‘checked’ by government, and thus by extension checked by society. In this section, however, it will become clear that this scenario no longer holds true in the 21st century.

2.2.1 The Power Shift Between the Government and the Multinational Corporation

The liberalisation policies of most western governments after the Second World War certainly contributed to massive increases in cross-border transfers of resources by the 1990s, but the new phenomenon of globalisation really extends beyond internationalisation that has come and gone in waves for centuries. Rather, the defining characteristics of globalisation can be considered twofold: the rapid advancements in information and communication technology allowing connections and interactions across the world, and at much lower costs, as well as the political de-territorialisation, in which national borders and territorial distances have been largely eroded (Crane & Matten, 2007). This is the reasoning behind terms such as the ‘post-national constellation’ or speaking of an emerging ‘post-Westphalian world order’ (Habermas, 2001; Kobrin, 2001; Falk, 2002). Crane & Matten identify globalisation specifically as “the progressive eroding of the relevance of territorial bases for social, economic and political activities, processes and relations” (Crane & Matten, 2007: 17). This creates higher levels of interdependence and increasingly greater risks that are transnational in scope. In the words of Ulrich Beck (1992), the modern industrial society has become
a risk society, where governments are not able to fully protect their citizens from risks and consequences of globalisation. As exemplified most recently by the global financial crisis and the European sovereign debt crisis, the way in which political and economic actors behave in one place will now have a potentially tremendous impact in other places too. During this process of globalisation, each individual nation-state evidently “loses much of its political steering capacity”, that is regulation and financial incentive (Scherer & Palazzo, 2008a: 415; Strange, 1996). With the erosion of a strong national context of governance, the ability of the nation-state to ‘check’ the market and determine the rules of the game, by which multinationals must follow, has been weakened (Beck, 2000; Habermas, 2001). Furthermore, as international law remains a framework primarily for the interactions between states, “its application on non-state actors such as corporations is not yet broadly acknowledged” and there are “not yet sufficiently strong global governance institutions that could define and impose rules and mechanisms for coping with these challenges” (Scherer & Palazzo, 2008a: 423). In the absence of a global government, relevant global regulation or a global police force, there are only global markets and global corporations.

While globalisation has brought a decline in state power, it has increased the power of multinational corporations, in more than one sense. As once distant markets have been brought together, MNCs have great economic leverage from the resources they own and manage and their networks of production, but also from their mobility and ability to shift resources to other more profitable locations and controlling supply chains. Attention has been given to the idea of a ‘race to the bottom’, where the bargaining power of multinationals drives down costs by pitching governments (typically of developing countries) against each other to offer the most favourable conditions for foreign direct investment (Spar & Yoffie, 2000). Also, the world’s largest retailer, Walmart, is criticised for excessively dominating supply chains by cutting out retailers and middle-men and contributing to the ruin of smaller production and distributing as well as smaller, independent stores. Many corporations have also become highly influential as a result of neoliberal reforms with huge privatisations of services formerly provided by governments such as public transport, security, health care, education, telecommunications and utilities. Thus, firms are now in charge of the provision of many essential and public goods, “whose nature in terms of quality, accessibility and affordability has an intricately political character” (Scherer et al., 2009a). The economic leverage, amount of political influence and resources of the biggest multinational corporations hardly needs further introduction.
2.2.2 Paving the Way for Global Governance

For all of the above-mentioned conditions, MNCs have been and are the centre of the public’s criticism of globalisation as they represent the driving vehicle of both globalisation and the intensification of the negative externalities of capitalism. Obviously, there is a demand for business to be socially responsible when the regulatory framework does not work perfectly as MNCs have the ability to impact environmental stresses, labour market practices, regional economic development and broader culture, just to name a few. The shift in power clearly complicates, if not damages, the traditional relationship between government as the regulator and the private sector as a subject of regulation and has thus profoundly increased the significance and potential of CSR. As mentioned, the revival of CSR took place during the 1990s as multinationals came under a lot of pressure with increasing non-governmental activity and civil society mobilisation. One could think of it in terms of the limits of state power being “balanced by the politicisation of civil society” (Scherer et al., 2009b). Beck (1992, 2000) also argues that the weakening of state has much to do with such sub-political actors as NGOs, pressing corporations where governments have not been able to.

As a result of all this, there has been a tremendous growth in private CSR initiatives and governance below and beyond the state as well as growing recognition of the fact that corporations rely on a very wide set of constituencies and institutions and “hence have a duty to take into account the interests and goals of these stakeholders as well as those of the shareholders” (Crane & Matten, 2007: 48). The evolvement and increasing popularity of CSR is also made transparent by the international recognition of the concept by governments and international organisations. CSR is increasingly manifested not only in the interaction between the firm and its stakeholders or in the growth of private initiatives across industries and countries, but also in the development of new multi-stakeholder global governance mechanisms and arrangements. Paradoxically business is not simply the perpetrator, but also becoming part of the solution to global regulation and public goods problems (Scherer & Palazzo, 2008a).

The new interactions between business and governments in new complex forms of global governance have been given considerable attention in political science literatures, whereby multi-stakeholder initiatives, public-private partnerships and global public policy networks all refer to such forms (Bull, 2010; Börzel and Risse, 2002; Detomasi, 2007). Global governance is essentially a “patchwork of modes of governance consisting of actors from different environments who are equipped with very different resources” (Wolf, 2008: 226). It has thus moved beyond public and formal actors and arrangements to also include those of private and informal character, contributing to making it a complex patchwork of new governance structures, including rules, norms, codes of
conduct and standards. The governance debates related to business often evolve around corporate use of power and influence in such arenas, as well as how business might help solve global regulation and public goods problems as a partner in global governance (Ougaard & Leander, 2010). In this sense, stakeholder theory has taken hold within global governance as most of the initiatives are defined and developed in multi-stakeholder settings.

An example worth mentioning is that of the United Nations (UN) Global Compact, which was established in 2000 as a strategic policy initiative and collaborative multi-stakeholder forum for the development, implementation and disclosure of socially responsible and sustainable policies and practices of multinational corporations. The UN Global Compact is based on ten universal principles within the areas of human rights, labour, the environment and anti-corruption as well as a non-bureaucratic network-based governance model that is “designed to foster greater involvement in, and ownership of, the initiative by participants and stakeholders themselves”\(^2\). As it relies heavily on the commitment of the corporations as well as the many non-profit and academic participants, it can and indeed has been criticised for suffering from its weak enforcement measures of simply requiring members to communicate their progress in implementing the ten principles annually. However, the initiative does provide an international framework for common values and CSR on an unprecedented scale. As of October 2012, the Global Compact had over 10,000 corporate participants and other stakeholders from over 130 countries, making it the largest voluntary CSR initiative in the world\(^3\). Thus, corporations do seem to be accepting and committing to a much larger role in social, environmental and even political challenges than ever before; whether they perform well in such circumstances or not.

The Organisation for Economic Co-operation and Development (OECD) has also been actively interested in uncovering the global trend of CSR. In 2000, the Declaration on International Investment and Multinational Enterprises was succeeded by the OECD Guidelines for Multinational Enterprises, which are legally non-binding principles and recommendations of socially responsible behaviour, that have just been updated in 2011. Notably, reasons for the update included the fact that the ‘landscape’ for international investment and multinational enterprises has changed rapidly “prompting renewed calls from governments, the private sector and social partners for high standards of responsible business conduct”\(^4\). Many other political and non-governmental policies, standards and voluntary initiatives include the International Labour Organisation Declarations, the


Global Reporting Initiative, the Social Accountability (SA) 8000, International Standard Organisation (ISO) 26000 and other environmental and industry initiatives.

An issue worth noting briefly is the effectiveness of CSR. One of the most significant criticisms of CSR initiatives continues to be the lack of enforcement as there is no binding power or legal mechanism to ensure business and industry participation or qualitative commitment. Despite much reporting, some argue that little is done to effectively control, verify or enforce CSR claims made by multinational corporations in their reporting, arguably, because of the difficulty of setting measureable performance indicators of social responsibility. This is a continuous debate in a global context that not only portrays the complexity of CSR, but also its interdisciplinary reach; in this case into international law with discussions of ‘hard’ versus ‘soft’ regulation.

In any case, with such a broad range of initiatives and commitment from both public and private actors, corporate social responsibility has become a vital point on the global political agenda and corporations are now increasingly involved in shaping that agenda.

With this new interplay of the three pillars of society (government, business and civil society), there has clearly been a shift from government to governance and with their involvement in global governance, “the roles of governments, international organisations, civil society and the private sector are shifting” (Wolf, 2008: 226). At the global level, states are no longer automatically the (only) holders of public authority (Wolf, 2006). Civil society actors also represent important public interests and are more commonly invited to take part in the decision-making of policies, in addition to their more traditional roles of agenda setting, norm generating and assisting in the implementation of policies (Wolf, 2008). Corporations are increasingly engaged in authoritative decision-making, actively defining and setting standards, which ambiguously they have to follow themselves. As such, it seems evident that multinational corporations are active in governance arrangements that they have previously not been. Thus, globalisation has blurred the separation of and division of labour between the political and economic spheres, leading to a new global and political context in which roles and responsibilities must be sorted. While CSR in a global context has instigated much research and literature, there are still many elements that are yet unknown. The political context, in particular, is largely avoided in practical forums as well as in academic debates until very recently.
2.3 CSR in the 21st Century – Expanding the Theoretical Framework

Corporate social responsibility has already had a tremendous influence since its revival in the 1990s, which suggests that it is a concept that is here to stay. In 2005, even the news magazine The Economist, which is generally thought to have a rather neo-liberal editorial stance, gave in to proclaiming CSR having won the battle of ideas in their special report on the topic and acknowledged furthermore that “it would be a challenge to find a recent annual report of any big international company that justifies the firm’s existence merely in terms of profit” rather than in the service of and creating value for society. One of many remarkable examples of this shift is that of the Coca-Cola Company, whose mission statement shifted from existing “to create value for [their] share owners on a long-term basis by building a business that enhances The Coca-Cola Company’s trademarks” in 1999 to existing “to refresh the world, [...] inspire moments of optimism and happiness, [...and] create value and make a difference”. In their 2008 special report follow-up, The Economist anticipated that “in time, it will simply be the way business is done in the 21st century”. Thus, it is no longer a question of whether to engage in corporate social responsibility but rather difficult questions as to how and to what extent.

As the issues of corporate social responsibility and popularity of stakeholder dialogue have risen to the highest political levels in the world, so too have the large multinational corporations. Though some CSR activities may still serve defensive purposes, many corporations now recognise the opportunities as well as the need to take the concerns of their stakeholders into account as they are operating in complex global and political contexts. Although the CSR research of the first decade of the 21st century has primarily related to empirical work on sustainability, the business case and new opportunities for creating value, it has also – and very importantly – brought a debate of new political perspectives that attempt to capture the changes occurring in the wake of increasingly political environments.

Sustainability has continued at the forefront of CSR strongly influencing those exact business fundamentals that determine how products are designed and how supply chains are managed. Interestingly, an annual survey of 4,000 managers in 113 countries by the MIT Sloan Management Review and the Boston Consulting Group has found that the proportion of managers, who say they think that sustainability is key to competitive success, had risen from 55% in 2010 to 67% in just a

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year\(^8\). This is a significant increase steadily approaching 3 in every 4 managers and clearly suggesting that CSR is rising sharply in the priorities of top management.

As such, the business case for CSR has continued to dominate, particularly in the management literature. More recent research now suggests that there is a positive relationship between CSR and financial performance and that it most likely reduces business risks (Orlitzky, 2008). Also, most now agree that CSR is not necessarily rendered meaningless by its win-win situation as it was once argued by sceptics and activists. In fact, much literature has suggested leaving the either-or mentality of pitting the interests of business and society up against each other.

Notably, within the strategic management literature, Porter and Kramer have focused instead on the interdependence of business and society connecting economic and societal progress. In response to the difficulty of quantifying the benefits of corporate investment into socially responsible initiatives, they argue that CSR can be a competitive advantage for a company if featured as an integrative part of the business model rather than uncoordinated philanthropic activities disconnected from strategy and operations (Porter & Kramer, 2006). Further developing their renowned article in the Harvard Business Review, Porter and Kramer promote this as a *shared value* perspective because “from society’s perspective, it does not matter what types of organisations created the value” (Porter & Kramer, 2011: 72). The promise of business being more sustainable and effective in the social arena will require “a new understanding of customers, productivity and the external influences on corporate success” and “a new assumption that shared value can come only as a result of effective collaboration among all parties” (Porter & Kramer, 2011: 73). This helps suggest the shift in CSR as corporations increasingly see themselves at least partly “responsible for not only their own negative externalities, but also the social, political and natural environments in which they operate”\(^9\).

Thus, in the new millennium it seems appropriate to return the attention of debates and the literature to the larger interface of business and society and to discuss again how companies may better contribute to society. It is clear that multinational corporations are facing social and political complexities navigating through varying expectations with regard to not only the externalities they are directly connected to, but especially with new broader challenges such as the environment and global warming, the instability of the geopolitical context in they operate in and the human rights problems to which they may be peripherally connected. The theories and concepts of CSR, as well as the practices of corporations and regulatory regimes, are a product of their historical contexts – a


“product of their time”, if you like – but the 21st century clearly brings an unprecedented globally and politically complex context. Yet the political dimensions and elements of both the multinational corporation and the field of CSR have largely been neglected, particularly in business and management literatures. Despite the popularity of the business case, some scholars find that the legitimacy of CSR depends more on “a normative theory on the role of the firm within society; empirical studies cannot adequately justify CSR because of the naturalistic fallacy, [that is] deriving an ‘ought’ from an ‘is’ (Margolis & Walsh, 2003; Scherer et al., 2006: 514). Yet even the traditionally ethical theories often “leave aside the political aspects and do not consider the underlying institutional political order of society and the concept of democracy”, which seem so relevant in contemporary discussions of the role of the corporation (Scherer & Palazzo, 2008a: 420). In response to these concerns, new political perspectives of CSR have developed and been put forward in the last five years or so; most notably by the two academic camps of Andrew Crane, Dirk Matten and Jeremy Moon with their extended view of corporate citizenship and Andreas Scherer and Guido Palazzo with the notion of ‘political CSR’.

2.3.1 Corporate Citizenship

Already by the beginning of 2000s, corporate citizenship had surfaced as a popular terminology of addressing the social role of business. Essentially, the idea of the firm as a neighbourly citizen was not entirely new, but it was not until the late 1990s it gained attention and was used extensively throughout the business community, and has since become the subject of relatively new academic research and literature. Without a widely accepted definition, there are essentially three different perspectives of corporate citizenship: a limited view, an equivalent view and an extended view (Crane & Matten, 2007). The first two require little explanation as they more or less overlap with corporate philanthropy and corporate social responsibility, respectively. Good corporate citizenship was thus traditionally expressed by philanthropic activities and corporations doing good where it was “not mandated by law nor generally expected of business in an ethical sense” (Melé, 2008: 69). The terminology used in an equivalent view competes with CSR and is, arguably, the preferred term to use outside the management literature (Scherer & Palazzo, 2008). The extended view, on the other hand, began to take shape only very recently with the literal interpretation of the concept of citizenship as it is used in political science. Of considerable significance, the work by Wood and Logsdon (2001) introduced the business and society relationship of global business citizenship by identifying the meaning of citizenship in a business context. It reflects the complexity of multinational corporations as citizens of “not one or two nations, but all the societies in which they operate [...] the responsibility then becoming
worldwide in scope and magnitude (Frederick, 2008: 527). However, it was Dirk Matten and Andrew Crane (with Wendy Chapple in 2003; 2005), who explicitly suggested that the use of the corporate citizenship terminology was equivocal without using the actual meaning of citizenship as originally used in political theory, in which liberal citizenship — as the principal understanding in Western democracies — is defined as a set of individual rights with regard to entitlement, status and processes of participation (Matten & Crane, 2005: 170). The extended view then represents a context, in which corporations enters the arena of citizenship by taking over “certain functions with regard to the protection, facilitation and enabling of citizen’s rights — formerly an expectation placed solely on governments” (Matten & Crane, 2005: 171).

This work continued in their paper with Jeremy Moon (2005) furthering the debate on corporate citizenship by asking whether corporations can actually be citizens or whether they are simply like citizens. They propose that the citizenship application to firms should represent a move to the metaphorical, conveying a meaning of community membership and business participation in society, and that it “does not literally mean that corporations are citizens or have citizenship, but, rather, that their substance or their actions can be understood as being in some meaningful way similar to that of citizens and citizenship” (Moon et al, 2005; 432). Here, the authors also clarified that with the engagement of corporations in new governance arrangements and their involvement in administering rights, “corporations are sharing in the doing of government like citizens” (Moon et al., 2005: 448).

On the basis of their extensive work on corporate citizenship in several papers (see 2004, 2005a, 2005b & 2006), Crane, Matten & Moon brought together a synthesis of the different relationships corporations may have with regard to citizenship in their book of 2008, Corporations & Citizenship. Here, it is argued that corporations are becoming increasingly involved in politics and in studying the roles and responsibilities of corporations, they identify three relationships with citizenship: corporations as citizens, corporations as government and stakeholders as citizens (Crane et al., 2008a). Corporations can be seen as citizens because they “are members of the community, claim entitlements based on their status and participate with other members in political processes” by bringing forward their interests and values (Crane et al., 2008a: 9). Corporations also seem to act as if they were, substitute or complement governments in so far that they are responsible for the provision of public goods and for the allocation, definition and administration of citizenship rights. Stakeholders as citizens, on the other hand, reflects the situation in which corporate activity shapes “opportunities for [a] corporation’s stakeholders to act as if they were citizens in relation to the corporation”, thereby making the firm an arena through which stakeholders “can engage in citizenship processes” (Crane et al., 2008a: 10). As such, the extended view of CC also entails
fulfilling obligations to society rather than just to government, yet goes beyond the limited philanthropic views and the idea of (global business) citizenship that is typically practiced by corporations.

While some scholars may be positive towards this governing role for corporations within and beyond its usual economic activities, it has naturally been subject to scepticism and criticism. Van Oosterhout (2005) has argued that the extended view of corporate citizenship is too speculative with regard to the assumption of responsibilities without referring to factual or empirical evidence that suggests this is taking place. Also, with citizenship involving a symmetry of rights and obligations, Van Oosterhout finds it insufficient to focus only on responsibility (as the equivalent of obligation) leading to argue that the most serious omission of this argument is what corporations may want in return for assuming such responsibilities; essentially the question of why they would take on such responsibility in the first place (Van Oosterhout, 2005). Neron and Norman (2008) have also examined the elements of citizenship and the appropriateness of applying it to corporations agreeing that moving from individual to corporate citizenship, important political dimensions have largely disappeared for no legitimate reason. They argue that CC “should be concerned with how a firm involves itself in the political process” and in regulatory decision-making yet conclude that “corporate citizenship should not be an all-encompassing moral category for evaluating corporate behaviour, but should instead concentrate on certain realms of corporate activity” (Neron & Norman, 2008: 12). Interestingly, however, Wood & Logsdon (2008) support the arguments of Crane and Matten and the use of the political connotation and metaphor of corporations being like citizens, while criticising Neron and Norman for too narrow an understanding of corporate citizenship.

It is important to note that while Van Oosterhout concludes along similar critical lines that the extended view of corporate citizenship is ‘an idea whose time has not yet come’, Crane and Matten suggest that the criticisms of their extended view are not particularly critical of the essence of applying a political notion of citizenship, or more generally a political perspective, to corporations and CSR. In response to Van Oosterhout, for example, Crane and Matten (2005) argue that many of the changes that have taken place are so self-evident that they hardly need empirical substantiation though this can be found:

“Many public services have clearly been privatised; corporations have most certainly become increasingly involved in self-regulation through codes of conduct and other forms of privatised regulation; civil rights proponents have evidently confronted corporations operating in Burma, Nigeria and South Africa; and citizens have demonstrably taken to expressing their political will through corporations. [...] The point, then, is not so much whether the vents and mechanisms we refer to have empirically happened, but what they mean, especially when examined as a whole.”

(Crane & Matten, 2005: 682)
Also, the authors argue that they focus on rights as a choice that follows the liberal tradition of citizenship, which “focuses primarily on the rights of citizens and the responsibilities of state”, rather than the other way around, yet they certainly welcome the extension of the analysis into the domain of rights (Crane & Matten, 2005: 684). Also in response to Van Oosterhout, specifically, Crane and Matten claim not to be attempting to answer why corporations would take these responsibilities, but do not agree to presume that corporations always do so deliberately; “in fact, there is no particular reason to suggest that the shifts we identify are even acknowledged, yet alone desired, by corporations”, because they typically refer to citizenship in the traditional, more limited view (Crane & Matten, 2005: 683). At the very least, the extended view of corporate citizenship proves relevant as it has successfully initiated a deeper debate on the new political roles and responsibilities of corporations as well as the potential limits of these.

2.3.2 Political Corporate Social Responsibility

Relatively simultaneously with Crane and colleagues, Andreas Scherer and Guido Palazzo put forward their macro-political conception of corporate social responsibility in a series of papers dating from 2006 and forward. Drawing on recent debates in political sciences, they argue that:

“Discussing the cultural and institutional consequences of globalisation for governmental, business and civil society actors, researchers have begun to redefine the role of the non-state actors in the process of global governance. These discussions and approaches are significant for the future theory development in corporate social responsibility.”

(Scherer et al., 2009b: 336)

Though the first paper discussing the role of multinational corporations in global rule-making and guaranteeing citizenship rights pointing to a gap in the literature was co-written with Baumann in 2006, it is primarily their paper Toward a Political Conception of Corporate Responsibility (2007) and later works (2008a, 2008b, 2011) that receive attention. Essentially, Scherer and Palazzo argue for a paradigm shift in the debate of CSR in order to recognise the changes of the new century and acknowledge the firm as an important political actor in addition to its economic purpose. The authors defend the assumption of an inadequately functioning political and regulatory framework as well as argue that the global regulatory framework is incomplete and that firms thus have “an additional responsibility to contribute to the development and proper working of global governance” (Scherer & Palazzo, 2008a: 414). As multinational corporations have intensified their CSR efforts, they are assuming “a politically enlarged responsibility” by engaging in the production of public goods, filling global gaps with specific initiatives of self-regulation as well as co-setting and redefining norms and international business standards in multi-stakeholder global governance.
arrangements, as previously mentioned (Scherer & Palazzo, 2008a; 425). With this new situation blurring the traditional divisions between political and economic actors, multinational firms are politicised as they become part of a solution to political problems (Scherer & Palazzo, 2008a). Scherer and Palazzo thereby define this new concept of political corporate social responsibility (political CSR) as “a movement of the corporation into [wider] environmental and social challenges such as human rights [and] global warming” whilst identifying the challenge of CSR as engaging “in a political deliberation process that aims at setting and resetting the standards of global business behaviour” (Scherer & Palazzo, 2008a: 426).

Through this new political perspective, it is a phenomenon which goes beyond the current understandings of both instrumental and normative conceptions of corporate social responsibility. Scherer and Palazzo make the case that current theory is outdated and does not sufficiently reflect and deal with the global and increasingly political reality that multinational corporations are both facing and actively involving themselves in. Specifically, they point to the problematic instrumental logic of CSR as the literature is dominated by an “economic paradigm which advocates a strict separation of political and economic domains” and a maximisation of profits motive that will only allow the assumption of social responsibilities “if they advance the long term value of the firm” (Scherer & Palazzo, 2011: 904). The dominance of this economic paradigm in CSR debates is generally recognised by other authors as well (Garriga & Melé, 2004; Vogel, 2005). Based on the growing social and political efforts and involvements by corporations, these assumptions no longer hold true – or at least to a lesser degree than currently emphasised. But traditionally normative alternative conceptions are also criticised for not adequately identifying, justifying and assessing corporate involvement and responsibilities in a new post-national context. Despite it being held as a normative approach to corporate responsibilities and their legitimacy, stakeholder theory is also considered to have been ‘instrumentalised’ for profit maximisation (Walsh, 2005; Scherer et al., 2006). A further weakness of the stakeholder theory has to do with the power inequalities both among the stakeholders themselves as well as in opposition to the corporation, which may result in some legitimate and urgent concerns being ignored or disregarded. Even ethical approaches are criticised by Scherer and Palazzo due to the inability, or at least difficulty, of normative scholars to “convincingly formulate and justify a set of universal values or rules that can be applied across cultures”; even “business ethicists such as Donaldson & Dunfee (1999) conclude that the philosophical search for universal rules may be futile as there is no ‘view from nowhere’ from which a-historical and a-cultural ethical norms could be deduced” (Scherer & Palazzo, 2011: 905). Additionally, as will be discussed, the recent type and extent of corporate involvement in politics and
global governance goes beyond the purely instrumental view of traditional corporate political activity – or corporate politics, as the authors refer to it. But a solution is “not just a matter of the degree of engagement in CSR” but, rather, the recognition of an additional political responsibility to be part of the solution, that is to contribute to the development and proper working of global governance (Scherer & Palazzo, 2008a; 414).

Thus, fundamentally, Scherer and Palazzo criticise the dominating and uncontested purely economic role of firms and offer instead with political CSR a perspective that considers the multinational corporation as both a crucial economic and political actor in an increasingly challenging world. Evidently, when considering their own efforts with corporate citizenship, Crane, Matten and Moon (2008a) agree that contemporary theory is outdated because it does not properly capture the expanding and political role and responsibilities, rights and interactions of the corporation vis-à-vis other relevant actors. Here it is worth noting that the extended view of corporate citizenship and political CSR are very similar and do overlap, which explains Scherer and Palazzo’s use of corporate citizenship synonymously to their political CSR in some of their work (see 2008b). Crane and colleagues are perhaps more descriptive in their analysis and discussion of specific relationships between corporations, government and stakeholders, while Scherer and Palazzo work more abstractly on a bigger-picture level. In any case, challenging the adequacy of the current theories on the role of multinational corporations in a global society justifies the overall argument that a political perspective of CSR is needed in order to reflect the political reality and complexity of CSR efforts and growing corporate involvement in global governance.
2.4 Conclusion of the Literature Review

From this entire literature review on corporate social responsibility, it should be clear by now that CSR is increasingly relevant not only due to the recent resurgence of attention in the era of globalization, but also because it is a field in which essential questions are still left unanswered or ambiguous. The field is framed and reframed according to its context, sometimes posing new questions such as those regarding corporate accountability in the political context of the 21st century. As CSR constantly evolves with new perspectives and concepts, focus is shifted and layers are added. But new conceptualisations do not necessarily restrict the use of previous concepts; rather, they build on each other such as is clear in the case of corporate citizenship and political CSR. The field has evolved through different eras in which certain perspectives have dominated; from shareholder primacy early on to stakeholder management and, for most, moving further into an era of social integration or, rather, a societal approach to responsibility. The progression of CSR is illustrated in figure 2.2 below.

Figure 2.2 The Evolvement of CSR Concepts - adapted from Moon, Kang & Gond (2010)

This progression is important to remark because it gives way to the potential extension of CSR with a political perspective. The literature review has therefore contrasted the traditional CSR concepts and their historical contexts to the essentially new global and political context of the 21st century in order to highlight the need for renewed attention to the roles and responsibilities of multinational corporations. It now seems not only natural, but crucial, to consider the many inherently political
aspects of CSR and of the multinational corporation itself as an entity with increasing resources and power to impact the environments and communities in which they operate in. Especially so, because both sides of the traditional debate on corporate responsibility – namely the economic and ethical theories previously discussed – do not concern themselves with the responsible use of the power of corporations in the international political arena. Thus, though it may already be evident how political CSR is both novel and valuable to the field, the specific propositions and arguments of Scherer and Palazzo are explored in further theoretical and practical detail in the following parts of the thesis.
3. ANALYSIS: EXPLORING POLITICAL CSR
3.1 Political Corporate Social Responsibility – The Overall Argument

It is evident that the roles and responsibilities of business have been given considerable attention for many years, particularly though in the literature of CSR emerging from the 1950s. The new context of the 21st century, however, reveals the necessity of incorporating the global and political aspects of the practice of CSR into its theoretical development and debates. Taking the notion of political CSR as developed by Andreas Scherer and Guido Palazzo as the starting point, this section will critically analyse and reflect on what meanings this notion holds and evaluate its arguments and contributions to the existing CSR literature as well as to discussions of the role of the firm in society, more generally. This primarily includes a wider analytical discussion of the firm as a political actor and the assumption of a further political responsibility of some kind.

As introduced above, Andreas Scherer and Guido Palazzo have through a string of publications (see for example 2007, 2008a, 2008b & 2011) recently articulated a need for attention in the CSR and management literatures towards the changing global and political landscape in the 21st century. This is particularly based on observing that firms voluntarily engage in more, wider governance arrangements both related to and beyond its business core as well as engage in CSR efforts and initiatives in order to help solve global social and environmental challenges. The changes that have taken place with globalisation, including the rise of global governance as introduced earlier, are relatively well documented, discussed and generally accepted within the political science literature. Thus, what is of primary interest in their argumentation of political CSR is twofold: that the firm is a political actor and that companies are assuming political responsibilities. These arguments point to issues of the motivations of corporations as well as their legitimacy and accountability as political actors; whether corporations assume such political roles as an instrument for the end goal of profit maximisation or for other reasons; and what circumstances might create legitimacy around the firm as a political actor.

A significant part of the authors’ argument also points to weaknesses in both the current theory and practice of the role of corporation in increasingly complex global and political contexts. They identify a problematic nature of the existing CSR literature as it predominantly follows an economic rationale and suggesting, instead, a normative direction with the political conception of ‘deliberative democracy’ (Scherer & Palazzo, 2007). According to the work of the influential philosopher Jürgen Habermas, deliberative democracy entails two forms of coordination in society – ethical discourse and economic bargaining – in an attempt to re-embed economic rationality and multinational corporations in a democratic political order (Habermas, 1996). Ethical discourse comes from the normative assumption that “a common ground on questions of right and wrong or fair and unfair
can only be found through joint communicative processes between different actors” (Scherer & Palazzo, 2007: 1097). This aspect is naturally relevant when the growing popularity of multi-stakeholder initiatives such as the UN Global Compact, in which the identification and implementation of norms are jointly determined, is considered. Economic bargaining is necessarily included because of the acknowledgement that the utopia of excluding economic powers and constraints is not feasible. The challenge, according to Scherer and Palazzo, is then to:

“find new forms of democratic will formation, especially under the conditions of globalisation, that not only domesticate economic pressures by democratic control but go beyond traditional nation-state governance to integrate the new role of business as a legitimate part if these institutions and processes.”

(Scherer & Palazzo, 2007: 1097).

They, therefore, argue for a new approach to CSR based on this Habermasian concept of deliberative democracy in recognition of corporations as political actors and as a solution to the democratic deficit of corporate influence on the decision-making of international business standards and global governance issues. It is also suggested as a step forward in the theoretical development of a political conception of CSR that more accurately portrays the global and political complexities of the field. However, to begin with we will deal with the complex duality in their argument of the potential political roles and responsibilities of the multinational corporation, reviewing both support and critique in order to assess the relevance and validity of political CSR.
3.2 The Case of the Firm as a Political Actor

Scherer and Palazzo’s argument of the firm being a political actor is predominantly based on corporations voluntarily participating in self-regulation and global governance arrangements that define rules and norms of international business as well as taking over, or at least participating in, the production and distribution of many public goods and the administration of citizenship rights, which is traditionally the role of government.

With regard to clarity, it is important to briefly define what is meant by political. Deriving from the greek politikos which denotes ‘of, for or relating to citizens’, politics is generally the process by which groups of people make decisions on ‘who gets what’\textsuperscript{10}. Essentially, it is the way we make decisions of public policy and govern our society and thus involves authority and power, which people delegate to democratically elected governments. Thus, put simply, if something or someone is political, they are of, related to or involved in such activities of politics. Scherer and Palazzo, themselves, specifically refer to the activities “in which people organise collectively to regulate or transform some aspects of their shared social conditions, along with the communicative activities in which they try to persuade one another to join such collective actions or decide what direction they wish to take” (Young, 2004: 377).

In identifying globalisation as a challenge for business responsibility, Scherer and Palazzo with Matten (2009b) expose the problematic duality of business in the 21\textsuperscript{st} century as being both the perpetrator of taking advantage of global regulatory gaps and the instrument of self-regulation that may simultaneously help fill these gaps. The use of transfer pricing and tax havens, corruption, collaboration with or abuse of weak regulation in conflict zones and repressive regimes as well as taking advantage of fragile labour conditions by using child and slave labour or inadequate health and safety equipment in hazardous working environments are just some examples of the extensive criticism multinational corporations have been subject too. Interestingly, Scherer and Palazzo identify the neo-liberal free trade mantra of some economists – who advocate liberalisation policies as the key to social and economic development in developing countries regardless of their democratic or regulatory maturity – as a source of legitimisation of such deviant corporate conduct.

On the other hand of this gloomy side of international business, a large and increasing number of MNCs have committed to eliminating such practices by transparently exposing their activities. As civil society actors “pursue political ends outside the traditional confines of the state apparatus”, pressured corporations react by means of voluntary self-regulation (Scherer et al., 2006: 506). Some

of the largest MNCs also actively engage in CSR initiatives that address issues of public concern simply for the greater good (Scherer et al., 2009a). Examples include Coca Cola’s fight against AIDS (Asongu, 2007), Novartis’ engagement in public health (Leisinger, 2009), Chiquita’s fair labour initiatives in the banana industry (Were, 2003) as well as more industry-wide or policy-specific initiatives such as the Business Social Compliance Initiative, Business Leaders Initiative on Human Rights and so on. The authors argue that as MNCs engage in the setting or redefinition of international business standards they become politicised by being part of the political solution to the challenges of globalisation and seem to have, by themselves, assumed a politically enlarged responsibility (Scherer et al., 2009b). Thus, as in their earliest article with Baumann (2006), Scherer and Palazzo argue for a ‘politicisation’ of the corporation on the basis of the involvement in political decision-making activities as a result of global governance arrangements that no longer centre around states alone. Through voluntary self-regulation, where corporations participate in “public deliberation, define norms and standards, and choose to accept third-party monitoring mechanisms and sanctions in case of non-compliance, they have, willingly or not, become politically engaged” (Scherer et al., 2006: 507).

In so far as this argument relies solely on the ‘solution’ being private (self-)regulation, however, it seems rather weak. Following their own definition, this does not classify as relating to politics or citizens as it does not broadly or collectively organise regulation or public policy. Even when such initiatives have evolved with cooperation from non-governmental organisations representing civil society and do include third-party monitoring and auditing, the effectiveness of such activities in representing collective interests and producing improved outcomes has been subject to much criticism. Essentially, self-regulation of this kind does not on its own really bring enough novelty or politicisation to defend the rise of the firm as a political actor.

However, coupled with the corporate participation in more formal global governance arrangements that include governmental and international organisations and thus, arguably, more direct public representation through extension, the argument gains considerable weight. As mentioned, MNCs are increasingly participating in actually (re-)formulating and implementing norms and rules, effectively creating ‘soft law’ mechanisms as opposed to the traditional ‘hard’ rules and regulations. As such, MNCs are demonstrating an unprecedented and growing involvement in global business regulation and in the production of global public goods (Vogel, 2007). This explicit participation in societal governance is what Scherer and Palazzo identify as the main feature of the political nature of the multinational corporation (Scherer et al., 2009b). They are assuming roles previously held solely by governments, including engaging in public health, education, social security and the
protection of human rights as well as addressing global social challenges such as AIDS, poverty and illiteracy (Scherer and Palazzo, 2011).

Interestingly, Scherer and Palazzo point to the fact that the private sector can and does bring knowledge and capacity to solve problems of both global regulation and the production of public goods when or where national or international public institutions do not or no longer have the ability (Scherer and Palazzo, 2011). What leads to this political embeddedness is 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” (Scherer & Palazzo, 2007: 1109). In this sense, multinational corporations are increasingly embedded in a context of changing societal and political institutions and have come to play a vital role in both national and transnational political processes (Dubbink, 2004).

3.2.1 Corporations Governing Citizenship

Relying on the previous work of Matten & Crane (2005), in which they argue for the extended view of CC that explains how corporations act as governments, Scherer and Palazzo further mention how corporations are involved in the administration of citizenship rights:

“TNCs currently are turning into political actors. They are held responsible for providing social rights (e.g. corporations manage health care issues), enabling civil rights (e.g. corporations protect worker’s freedom of speech and association in countries with repressive regimes), and channelling political rights (e.g. corporations engage in self-regulation).”

(Scherer et al., 2006: 508)

Corporate administration of citizenship rights is relatively new and controversial, but Scherer & Palazzo do not spend much time or detail on this despite it being one of the most significant contributions to the argument of the firm as a political actor. In their book, Crane, Matten & Moon (2008) describe their extended view of corporate citizenship and, specifically relevant here, their argument of corporations as governments. As mentioned in the literature review, the authors argue that with a richer understanding of the political meaning of citizenship, it is possible to consider corporations involved in citizenship, though they identify a largely metaphorical sense of the term when it comes to considering corporations being entitled equally to individual citizens. However, with regard to participating in governance, the authors find “too much scope for the corporation in that it can become more involved in governance than any other aspect of citizenship [... and thus] may begin to look more like a quasi government rather than a quasi citizen” (Crane et al., 2008: 48). Through an analytical description of applying the political meaning of citizenship and the
entitlement, status and processes of participation elements of this to the modes of corporate involvement empirically observable, they find a complex variety of government-like roles that corporations take over, which are worth a more detailed review.

First of all, it should be clear that the traditional role of government is to govern the entitlements, status and processes of participation of citizenship, which is done by defining status through law (which Palazzo and Scherer have referred to as civil rights), by administering entitlements to the public (referred to as social rights) and by guaranteeing processes of participation (referred to as political rights) (Crane et al., 2008). Thus, these functions essentially provide or answer the entitlements and rights of citizens. Crane, Matten & Moon discuss that corporations might become involved in governing citizenship, where governments cease to do so themselves, where government has not yet assumed the task of governing or where proper governing is beyond national reach.

Table 3.1 Modes of Corporations Becoming Involved in Governing Citizenship

<table>
<thead>
<tr>
<th>Where governments cease to</th>
<th>Entitlement</th>
<th>Status</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Privatisation of public services</td>
<td>- Violation of civil rights</td>
<td>- Influence through lobbying/funding</td>
</tr>
<tr>
<td></td>
<td>- Working conditions</td>
<td>- Privatisation of public services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Provision of social services</td>
<td>- Violation of civil rights</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Negotiation of conditions for FDI</td>
<td>- Direct governing of basic protections</td>
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</tr>
<tr>
<td></td>
<td>- Regulation by global bodies</td>
<td>- Regulation by global bodies</td>
<td></td>
</tr>
<tr>
<td>Where not yet assumed</td>
<td>Providing or constraining status as citizen</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Channelling political participation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Where beyond national reach</td>
<td>Supplying entitlements</td>
<td></td>
<td></td>
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</tbody>
</table>

From the overview given in table 3.1, the variety of government-like roles played out by corporations is large and varies according to which element of citizenship is governed. For example, the privatisation of many public services has passed the provision of entitlements, typically elements of the welfare state such as health care and education, from governments to the private sector. With regard to the status element, corporations might become a kind of ‘default option’ in governing civil rights in developing countries with repressive regimes because of the bargaining position their FDI investment is assumed to give them. Finally, the involvement of corporations with regard to processes of participation is exemplified in their partaking in forming regulation at the level of international organisations and other global institutions, where the issues are beyond the national reach.
reach of individual governments. Interestingly, they do this very widely across the elements of citizenship perhaps suggesting a rather large influence in the definition, administration and guarantee of citizenship similar to the power debate in global governance literature. However, the authors in fact conclude that the strongest of the government-like roles is the administration of citizenship, which instead entails managing status as well as operating and providing entitlements (Crane et al., 2008). While corporations are engaging in this administration, “governments still set targets and supervise the process” and the authors conclude that rather than corporations replacing governments entirely, the transition currently taking place is more like a continuum with different modes of sharing (Crane et al., 2008: 60).

Regardless of who might be more involved in the governance of citizenship, the analysis contributes positively to the argument of corporations becoming significant political actors. It is this placing of the corporation in the public sphere that strongly contrasts the extended view of corporate citizenship with the limited and equivalent views as well as political CSR from traditional CSR. In essence, the extended conceptualization proposed here allows a new understanding of the significant changes in the role of the firm and inspires further questions about the nature of these changes and their consequences – very similarly to political CSR (Matten & Crane, 2005). But, Scherer and Palazzo seem to take the argument further than Crane, Matten and Moon do. The latter provide a very useful description and assessment of corporations and citizenship, while the former engage more normatively in a discussion and assessment of the implications of this understanding. Scherer and Palazzo also point to legitimacy problems related to these new roles, a theoretical framework that may assist in the work for solutions to these problems as well as argue for an entire paradigm shift in the CSR literature acknowledging this new crucial role. So far, the overall arguments of the authors in identifying large multinational corporations as political actors seem to have merit and can be supported not only by the findings of corporate citizenship, but also by related developments of perception in other literatures.

### 3.2.2 General Support and Critique of the Firm as a Political Actor

Generally, Scherer and Palazzo are neither alone nor the first in suggesting the firm as a political actor. The political sciences have for quite some years acknowledged the private sector as an important non-state actor particularly in international relations and global governance, which seems to have been the epicentre of the rediscovery of corporations as political actors in the academic debate (Ruggie, 2004). Already in 1970s, Robert Keohane and Joseph Nye argued that transnational organisations had become autonomous actors in world politics, further defining a significant actor as “any somewhat autonomous individual or organisation that controls substantial resources and
participates in political relationships with other actors” (Keohane & Nye, 1973: xxi). But, as Klaus Wolf interestingly points out, transnational corporations actually have a much longer political history dating back to the colonial eras beginning in the 16th and 17th centuries in which chartered private merchandising companies ran huge commercial and trading empires across large territories (Wolf, 2008). Even in United States in the late 19th and early 20th century, it can easily be argued that prestigious and powerful companies built around successful individuals such as John D. Rockefeller, Andrew Carnegie, J.P. Morgan and the Vanderbilt’s, played an extensively large role in the political course and matters of the country. Today, an extensive discussion on the power and ‘private authority’ of multinational corporations can be found, particularly with more recent research of their influence in various global governance arrangements, both with regard to private initiatives of self-regulation, but also, and perhaps more importantly, with regard to public-private partnerships, global public policy networks and other formal political decision-making arrangements (Ruggie, 2004; Börzel and Risse, 2002; Detomasi, 2007; Ougaard and Leander, 2010). What is new to this role is not so much the political influence and involvement of corporations, but rather the form in which they do so, particularly in today’s context of non-state actors in global governance. Notably, Doris Fuchs found a significant increase in the rule-setting power of corporations and also asserts MNCs as crucial political actors, while stressing the need to ask questions about the implications of private interests in global governance (Fuchs, 2007). As will be discussed later, this debate has given rise to the issue of legitimacy in governance arrangements beyond the state, which naturally brings some dispute to the appropriateness of corporations as political actors (Cutler, 2001; Wolf, 2006). Scherer and Palazzo can also find support for the firm as a political actor within international law, where quite a few scholars have argued that a “state centric approach is no longer adequate” and thus proposed that international law not only apply to state actors, but to corporate ones as well, particularly with regard to human rights (Muchlinski, 2007: 81; Kinley and Tadaki, 2004). But considerable attention and assessment has also gone to the emerging ‘soft law’ mechanisms, which have received some recognition in and of themselves (Mörth, 2004).

However, despite the support around the corporations as political actors, it remains a highly controversial and contested idea. Some corporations, parts of the management literature and economists still dismiss the idea based on the old Friedmanite argument that social and political engagements by firms are contrary to the purpose of profit maximisation for shareholders as well as for the wellbeing of society, which should be taken care of by the efficient allocation of resources through the market. Furthermore, political engagement is considered outright dangerous for society because managers are neither democratically elected nor controlled (Friedman, 1970). Additionally,
globalisation critics and activists criticise social initiatives for being ‘window dressing’ or ‘green-washing’; that is simply an attempt to keep things clean on the surface, create positive public relations and maintain status quo (Klein, 2000). More criticism, aimed at the multinational corporations and voluntary CSR initiatives alike, suggests that self-regulatory initiatives are only meeting the interests of business in delaying the necessary formation of enforceable legal requirements and obligations through international regulation. But whatever the motivation and reason for engaging politically may be – not arguing that this is not important – it does not change the circumstance of corporations actually engaging and therefore becoming political actors. As Scherer and Palazzo argue, current theorising is still hung up on a purely economic view of the firm and strict separation of political and economic spheres, which does not recognise the changing circumstances that put multinational corporations increasingly central to social and political analysis (Scherer et al, 2009b; Crane et al., 2008a).

3.2.3 Relating the fields of CSR and Corporate Political Activity

Considering how some multinational corporations are involved in administering citizenship in a government-like role as well as engaging in new governance arrangements at a global level, it does seem possible that business leaders are assuming public and political roles beyond those that can be simply justified as contributing to the company’s bottom line. Some management literature, too, has in fact moved in a direction that allows for assuming greater responsibilities, such as the shared value concept by Porter and Kramer discussed above, where managing social and environmental externalities along the supply chain, for example, can be considered a strategic necessity. Besides this evolvement of the role and responsibility of the corporation based on its strategic merits, the CSR literature has largely been inattentive to these shifts and their implications. It is evidently part of Scherer and Palazzo’s argument that the field of CSR has not yet fully integrated this new political role of multinational corporations and instead remains attached to the dominating economic rationale, which relies on the primary purpose of the firm being profit maximisation thereby allowing only profit contributing initiatives to be pursued. No doubt that the linkage of financial performance to that of CSR has been widely and lengthily pursued, as we have discussed, however, one could still argue that this is but a tool to advance the engagement of corporations in social and environmental issues in the first place. In any case, it is important to note that the economic rationale is as much based on the premise of a clear division of political and economic spheres as well as the ‘containment power’ of national governments (Scherer & Palazzo, 2011: 904). With the arguments put forward by the extended view of corporate citizenship (and obviously political CSR) as well as those acknowledging the political role in other literatures, it is surprising that there has not
been much more attention and progression within CSR to the observable shifts in actors, issues and processes. Thus, it is evident that these changes go beyond traditional understandings of CSR as responding to stakeholders and linking social performance to financial performance as well as beyond the prevailing instrumental logic of corporate political activity.

Closely related to CSR, but particularly a political perspective of CSR, corporate politics, or, rather, corporate political activity (CPA) has emerged as a notable research frame for explaining firm performance in politic arenas. Connected to public relations, it is a strategic management function concerned with identifying and maintaining communication with “a specific set of external stakeholder relationships and policy outcomes, specifically with political and regulatory publics” (Lawton et al., 2013: 3). Obviously, as “a means towards an end” it can be instrumentally valuable to engage politically on national and international levels and some research has been carried out in order to identify the motivations and types of engagement of multinational corporations. Hillman, Keim and Schuler (2004) suggest two different assumptions of the level of managerial choice involved in the selection of political activities – one emphasising strategic choice based on value, while another assuming more automatic instrumental engagement based on firm characteristics – however conclude that the two share similar focus in what may drive corporate political activity, which they define as corporate attempts to shape government policy in ways favourable to the company. At the broadest level of types of CPA there are proactive activities, which entail bargaining and shaping public policy, and reactive activities, which could entail tracking regulation and ensuring compliance (Hillman et al., 2004). Interestingly, David Vogel (1996) finds that the importance of a political issue to the corporation – also referred to as ‘policy salience’ – is the number one factor that motivates it to become politically active, while a positive relationship between resources and proactive political strategy has been found by Meznar & Nigh (1995). This eases imagining an influential role of large multinational corporations on both national and global political decision-making.

In addition, there is considerable evidence of business interests influencing public policy, most prominently in the United States, where studies have found that corporations employ 41 percent of all lobbyists in Washington, D.C., while trade associations employ another 22 percent (Baumgartner & Leech, 2001). This, arguably, leaves it indisputable that businesses spend considerable amounts of money on politics and are in fact prominent political actors not only in Washington, D.C., but in capitals around the world (Hillman et al., 2004). But as briefly mentioned earlier with some historical examples, political involvement by corporations is essentially nothing new as companies have long contributed to political campaigns, funded political parties, engaged in direct lobbying, formed
political action committees (PACs) and included government membership on boards and so on (Lawton et al., 2013). What is essential to political CSR and the arguments made is that current actions transcend simply influence and lobbying. Multinational corporations may no longer be doing this as a purely profit-maximising exercise as they are engaging in new and different ways including taking on roles and responsibilities that were traditionally that of the government as well as engaging beyond the regulatory of individual nation-states and even international law as important actors on supra-national levels. The influence is not only bigger, but seems to be construed entirely different and not enough is known about this political phenomenon that often goes undetected as charitable or strategic CSR.

As a field that is also dominated by an economic rationale, research suggests that here too the mentioned changes in actions, and possibly motivations, of large multinational corporations have gone, at least, neglected. The most recent review of corporate political activity literature by Lawton, McGuire and Rajwani (2013, forthcoming) concludes identically to an earlier literature review by Hillman, Keim and Schuler (2004) (without any paraphrasing) that “as commerce goes increasingly global, those goods and services cross more political jurisdictions, which, in turn, brings in more and more political actors and institutions” (Lawton et al., 2013: 16). Lawton, McGuire and Rajwani recognise the dominance of the purely economic rationale as management studies typically view CPA as apolitical and primarily concerned with regulatory compliance. They also call for more attention to those types of CPA aimed at non-governmental institutions, but here meaning experts and media rather than global political decision-making bodies. Though further recognising the shifts of political CSR, they make no attempt to discuss this trend and its implications to the understandings in the CPA field, leaving it as national in scope – and thus somewhat behind – as it was in 2004. They even consider a “melding between corporate political activity and corporate social performance, which simply adds to the concerns of too much emphasis on profit with regard to public policy. Thus, there is an apparent status quo of not considering the corporation as a political actor beyond instrumental activity in this field.

Overall, this may seem to support Scherer and Palazzo’s argument of political CSR, in so far that corporations are engaging as political actors in political activities on a global level seemingly beyond traditional understandings in the CPA literature. However, it remains an empirical question – and a very difficult one – whether such corporate social and political activities can be explained by the purely economic end-goal of profit maximisation or whether other factors, such as altruism, play a more significant role in the political behaviour of corporations (Scherer et al., 2009b).
3.2.4 Sub-Conclusion on the Firm as a Political Actor

Concluding the case of the firm as a political actor, reasonable support has been found to suggest that large multinational corporations are indeed acting politically and are doing so in ways not previously observed or recognised in the literature. Acknowledging the role corporations are playing in global decision-making, standard-setting, enforcement and the realm of citizenship is effectively moving towards the idea that corporations have a political role in society. It should be noted, however, that stressing the increasingly political role of corporations in society does not necessarily take away from states being political actors. Of course, the decline of state power is a much debated topic, but that is not to say that states are not still the most important actors in national, regional and global politics.

Recognising this, the spheres of politics and economics also need to come together in order to fully understand these developments and to come up with solutions to its new challenges. Karl Polanyi (1944) recognised that markets are embedded in society and that a self-regulating market necessitates an unsustainable separation of the spheres of economics and politics. Susan Strange (1988, 1996) also stressed the importance of bringing the work of both economists and political scientists together (in the field of international political economy) very early on so as to better understand the development of the considerable gap between the political authority of nation-states and the free reign of the global market. A political economy approach demands that we take the role of the firm as a political actor seriously in the 21st century.
3.3 Political Responsibility?

As the quote “with great power comes great responsibility” credited to the French philosopher Voltaire suggests, the political role of large multinational corporations that are engaging in global governance arrangements should also be balanced with responsibility. Political power by any actor requires political responsibility in a just society. In democracies, citizenship rights of individuals are balanced with responsibilities to participate and vote. Yet, assigning political responsibilities to private entities such as the corporation is naturally controversial and, still, a relatively unexplored idea. Do corporations actually have political responsibility? What are or should those responsibilities be? Are corporations able to assume such responsibilities? With regard to the existing perspectives of business responsibilities, this section will attempt to clarify these questions by reviewing the current and potential meanings of political responsibility and exemplify some areas in which corporations are in fact able to practice political responsibility.

3.3.1 The Possibilities of Assigning Political Responsibility to Corporations

The second part of interest in the argument of Andreas Scherer and Guido Palazzo argue for a political conception of corporate responsibility that includes “an additional responsibility to contribute to the development and proper working of global governance” (Scherer & Palazzo, 2008a: 414). While a political responsibility of a corporation can be complicated to assess, it naturally implies that the corporation must be recognised as a political actor in the first place. Specific responsibilities of any entity are in many ways dependent on the role and status of that entity. From a citizenship perspective, Crane, Matten and Moon (2008a) agree that defining the responsibilities of business requires the acknowledgement and management of its political role, or at least recognising the relevance of political concepts such as rights, governance and democracy to such responsibilities. However, even with that recognition the corporation does not easily fit into a single pre-defined political role, but should rather be viewed according to Crane & Matten as a ‘governing organisation’ as “it participates in some forms of governance as a ‘citizen’; it actively governs in some respects as a ‘government’; [...] and directly participates in the governance of global political issues and basic human rights” (Crane et al., 2008a: 206). These are all distinctly different political roles that may each involve a wide set of responsibilities. Viewing the role of the corporation in one light will illuminate certain responsibilities, while viewing it differently will illuminate different responsibilities.
Despite the evident difficulty, there is a widespread understanding that firms do have at least some sort of co-responsibility to help solve the world’s social and environmental challenges. The reasons or normative underpinnings for such assumptions of responsibility as well as the specific elements and extents of it, however, are varying and debatable. For example, as we have seen, traditional justifications evolve around either philanthropic elements of giving back to society, a duty of contributing to the amelioration and sustainability of modern production or turning challenges into opportunities for business. Essentially, the responsibility is assigned according to either an economic rationale or ethical logic.

Although the CSR literature discusses firms in general, it seems reasonable that there could be certain characteristics of the firm itself that help explain how responsibility may be assigned. It seems relevant here to clarify that although the term “corporation” may be informally and broadly used to denote a large business characterised by private ownership and profit-making goals, the term in fact specifically refers to a company defined by law as “a single body with its own powers and liabilities, separate from those of the individual members” (Crane et al., 2008: 2). The specific rules and criteria in terms of ownership, legal status, regulation and governance obviously vary across the different regulatory and cultural contexts of national business systems, but generally it holds true that corporations are separate entities in terms of legal status and the ownership of assets (Crane et al., 2008). As the corporation survives any death of an individual member, whether this is an investor or employee, it is legally regarded as an ‘artificial person’ with certain rights and responsibilities in society similar to an individual citizen (Crane & Matten, 2007). Also, while shareholders do indeed own the corporation, they do so with limited liability because the corporation legally exists independently and holds its own assets (Crane & Matten, 2007). However, some would argue, as Friedman did, that it is the individual members that are ultimately responsible for the actions of the corporation. Thus, beyond its legal independence, it is necessary that corporations also have ‘agency’ independent of their members in order to assign them responsibility (Crane & Matten, 2007). Arguments to this effect point to the organised internal decision-making structure that directs a corporation in line of a pre-determined purpose as well as a strong set of corporate beliefs and values that make up the organisational culture – which in many cases actually influences the decision-making and behaviour of individual members rather than the other way around (Crane & Matten, 2007: 45). Following this, there is a very permissible case of assigning responsibility to corporations – both in a metaphorical and real sense.

But even among legally defined corporations, some may further argue that given the significant size, amount of resources or capabilities of some corporations over that of others, they should take on
the responsibility of solving social and environmental problems. Naturally, there is an extensive debate on which characteristics and types of firms may be better equipped to handle certain challenges, but this is beyond the argument laid out here. Naturally, though, the general resource abundance and power of multinational corporations certainly makes them capable, if not suitable, of assisting in global problem-solving. Business leaders and their companies are accustomed to solving problems in their operations, which has also made for the argument of uniting financial motivation and social cause in new opportunities such as social entrepreneurship and penetrating bottom of the pyramid (BOP) markets in developing countries.

As part of a master class event held in Switzerland in 2006 on the topic of corporations as political actors, several academic views were presented by young scholars that help reveal part of the debate relevant to assigning political responsibility (see Rasche et al., 2007). One perspective offered by Michael Valente argues for political responsibility being innovative and creative “business models that catalyse the simultaneous creation of social and environmental value while enhancing a company’s ability to compete in a global marketplace” (Rasche et al, 2007: 155). This relates almost perfectly to the idea put forward by Porter and Kramer (2006, 2011) about CSR as a competitive advantage and shared value and is indeed a valid opinion with regards to what the role of business should be in society. However, it also seems to entirely miss the meaning of political as it has been defined above. Because what is then the difference between having a social and political responsibility? Attempting to shift focus away from resource abundance and political influence of the corporation that may potentially makes it central to political responsibility – advocating instead for responsibilities limited to successful business operations – seems only to maintain the status quo of a dominant economic rationale and do very little in bringing forward the necessary discussion of political aspects of CSR and the definition of any truly political responsibility.

Contrasting Valente’s perspective, Esther Schouten argues alternatively that corporations do have a political responsibility, which is a duty to respect and promote human rights and avoid being complicit in human rights abuses (Rasche et al., 2007). These two perspectives clearly exemplify the traditional divisions even in this current debate. But as multinational corporations operate across a variety of communities and social and political contexts, it seems reasonable to assume that they have a responsibility to those communities and contexts in terms of their necessary functioning and well-being, but perhaps also broadly to their sustainability and progress.
3.3.2 Political Responsibility According to Scherer and Palazzo

Despite the obvious significance of responsibility to their entire conception of political CSR, Scherer and Palazzo seem vague in determining what they mean by political responsibility and what this might entail for the multinational corporations involved in global political decision-making. No doubt it is a complicated and controversial matter, particularly considering the battle the CSR field has fought during the last fifty years to simply have social responsibilities acknowledged. Generally, they state that companies are assuming and operating with a ‘politically enlarged concept of responsibility’ as they engage in the provision of public goods as well as in public discourses that aim to set or redefine business standards. As already mentioned, they argue, more to the point, that firms have a political responsibility to contribute to the development, adequacy and functioning of global governance. In their 2007 paper Toward a Political Conception of Corporate Responsibility, Scherer and Palazzo posit that the practice of political co-responsibility will lead to “an improved contextual sensitivity of the embedded corporation” and that “a collaborative approach helps to pre-empt potential conflicts between a corporation and its societal environment” (Scherer & Palazzo, 2007: 1109). This seems to relate well to stakeholder dialogue as well as more politicised, long-term collaborative efforts with governments and civil society actors to ensure that business is conducted in a satisfactory way. Thus, they are arguing for a concept of responsibility in which corporations are partners in regulation determining international business standards and outcomes for society. Their argument of political responsibility leads directly to their deliberative democracy approach, which essentially creates a “normative link of corporate decision making to civil society discourses” that occur in real life rather than merely theoretical or philosophical terms (Scherer & Palazzo, 2007: 1111).

In a sense, they seem to be arguing that the political responsibility of corporations is then the same as or linked to generally serving the public interest, at least to some degree. Scherer and Palazzo argue, however, that corporations will not be overburdened with political demands as the responsibility of the corporation in the deliberative approach does not depend on radically democratising its decision-making or having to engage in unlimited democratic discourse (Scherer & Palazzo, 2007). In the same way the “the day-to-day priority of administrative routine [of the political system] is justified by the complexity of modern society”, so is the routine of market transactions, that is essentially the operations of businesses; it must simply “remain open to critical deliberation in principle” (Scherer & Palazzo, 2007: 1111). In other words, there is certainly no need to intervene in or submit economic activities to unnecessary and continuous deliberation. Instead, public discourse is reserved for legitimately significant issues carried forward by civil society actors, “who push a given issue into public awareness or by a proactive debate opening by the corporation.
itself” such as gaps in regulation or a change in business practices (Scherer & Palazzo, 2007: 1112). The public deliberation should then be enhanced by public authorities guaranteeing “the transparency of discourse, the monitoring and enforcement of corporate compliance, the comparability of information and standards, and the access of less powerful actors to deliberation” (Scherer & Palazzo, 2007: 1112). Thus, corporations are not given the totality of responsibility, but a co-responsibility to contribute in the political sphere that they are a part of. Political responsibility can then be understood to involve the direct and transparent participation of corporations as a necessary partner of alliance without which it will be much harder, if not impossible, to solve the challenges the world is facing.

While such details may answer some unknowns regarding the deliberative democracy approach, it also poses at least as many new ones and still says relatively little about the content and extent of political responsibility. Do corporations legitimately contribute to global governance by pursuing their private interests or must they involve themselves with public interests? What are the public interests that business may be able to align itself with? Is there a responsibility simply to be involved in collective decision-making, as they already are, or will their perceived level of responsibility be measured by certain outcomes? Beyond the responsibility toward the proper functioning of global governance, Scherer and Palazzo do not attempt at clarifying the depth or width of such a political responsibility. In fact, they themselves consider this as one of the problems that must be clarified at the interface of management and political theory by new interdisciplinary research (Scherer & Palazzo, 2007).

3.3.3 A Social Connection Establishing Political Responsibility

In their 2011 article, Scherer and Palazzo do briefly highlight how responsibility is expanding by pointing to the existing works of Andrew Clapham (2006) and Iris Young (2004), respectively. Clapham (2006) finds that the concept of ‘complicity’ can be used to describe the position of a corporation vis-à-vis a third-party being irresponsible when the corporation benefits from those actions committed by the third party and, thus, argues that complicity “extends the expectations on corporations beyond their [own] immediate acts and reaches activity where corporations contribute to someone else’s illegal acts” (Clapham, 2006:220). In a similar sense, political philosopher Iris Young (2004, 2008 & 2010) presented a compelling case for her social connection model of responsibility as an interpretation of obligations of justice arising from structural social processes. Essentially, this concept of responsibility works from the idea that “agents who contribute by their actions to the structural processes that produce injustice have responsibilities to work to remedy
these injustices” (Young, 2008: 137). As her work brings considerable value to the discussion of political responsibility in general, as well as for corporations more specifically, the social connection model will now be discussed in more detail.

As a scholar interested in the field of global justice, Young builds on Onara O’Neill’s ideas of working with obligations rather than individual rights in theorising about justice as well as expanding the scope of justice beyond national borders (O’Neill, 1996). Young moves away from the traditional and widely accepted view that the scope of obligations of justice is defined by membership in a common political community, because communities evolve more in relation to power than to a moral right (Young, 2008). On the other hand, the contrary ‘cosmopolitan-utilitarian’ approach that suggests there is a moral imperative to minimise suffering universal to humanity without subsets of specific obligations, is too all-encompassing. Instead, as a middle way, she argues that social connection is the base upon which political institutions are built as an instrument to govern the obligations of justice these connections produce and that society thus exists even in the absence of institutionalisation (Young, 2008). Put in a slightly different way, the actions of one person are carried out in a framework of “institutions and practices [...] within which we know others do the same”, leaving a basis for having obligations to “those who condition and enable our own actions, as they do on us” (O’Neill, 1996: 140). Essentially, social connections are what are essential to bringing people together in communities and thus essential to society. Young interprets such connections as “social structures, and the injustices they may generate as structural injustice” that may be transnational in scope (Young, 2008: 141). She argues for (political, economic and social) structure as the subject of justice because “we cannot handle the task by appealing to individual responsibility alone” as such a discourse only serves as an ‘absolving function’, in which attention to the potentially questionable behaviour of others is deflected (Young, 2010: xiii). Structural injustice, which is defined as “social processes [that] put large categories of persons under a systematic threat of domination or deprivation of the means to develop and exercise their capacities, at the same time as they enable others to dominate or have a wide range of opportunities for developing and exercising capacities” is considered a kind of “moral wrong distinct from the wrongful action of an individual agent or the wilfully repressive policies of a state” (Young, 2008: 147). As such, social structures are the ‘background conditions’ upon which individuals take action.

The relevance of this to the argument of political responsibility for corporations becomes clearer when it is further acknowledged that individuals “stand in systematically different and unequal social positions” and that rather than being a static condition, these “factors that constrain and enable
individual possibilities are ongoing processes in which many actors participate” (Young, 2008: 147).

With an example of sweatshop labour in developing countries, Young argues:

“...to make judgement that poor working conditions are unjust implies that somebody bears responsibility for their current condition and for their improvement. If the injustice has social structural causes, however, then it would seem that all those that participate in producing and reproducing the structures are implicated in that responsibility.” (Young, 2008: 148)

It is this responsibility that is conceptualised in the social connection model. Young discusses five features that distinguish this from the more common ‘liability model’ of assigning responsibility, which “derives from legal reasoning to find guilt or fault for a harm” and thus entails causally connecting the perpetrator to the act (Young, 2008: 149). Here, it is worthwhile to note that Young thus deviates from using the term of responsibility as being at fault for causing harm and instead works with an idea of responsibility by virtue of the social role or position one might have and how people carry out or contribute to activities in an appropriate way.

The first distinction of the social connection model is that it does not isolate direct perpetrators, because of the structural nature of the injustice that results from participation of potentially thousands and millions of people. Secondly, rather than considering the process that brought the harm as a break-away from normal and that punishment or compensation will restore the normality, this model of responsibility questions the background conditions that set normality. Thus, if structural injustice is found, then the normal and accepted background is not morally acceptable.

Thirdly, the social connection model is more forward-looking than backward-looking as it is understood that it is an ongoing process of harm unless action is taken to intervene. The point is not to blame but to solve, which becomes easier with the recognition of a fourth feature, namely shared responsibility. All those that participate by their actions are personally responsible, but “in a partial way, since he or she alone does not produce the outcomes; the specific part that each plays in producing the outcome cannot be isolated and identified, however, and thus responsibility is essentially shared” (Young, 2008: 155). Finally, following naturally from the other distinctions, the social connection model of responsibility can only absolve a problem of injustice by enjoining those who participate in the injustice by their actions in the process of collective action to change it.

Importantly, Young does not argue this model should replace or reject the liability model as this is indispensable for a legal system, but rather that the latter simply is inadequate on its own as those actors with the greatest power in or benefit from a structural injustice system may well be beyond direct involvement and thus be beyond the reach of the liability model.
From all this, it is clear that there is an appropriate fit between Young’s social connection model and Scherer and Palazzo’s political conception of responsibility. They both advocate a transcendence of traditional borders and pursue some sort of middle ground between very limited responsibility and a universal all-encompassing responsibility. That middle ground is based on an enlarged sense of social institution in which responsibility is shared and solutions are collective. Young, herself, actually defines her concept of responsibility as ultimately being political responsibility (Young, 2008: 156).

It is important to note, however, that Young does not actually refer to corporations or other institutions, but rather to individuals, and thus the political responsibility as primarily viewed as an individual responsibility. But it seems valid to apply the same reasoning to all actors in society, including corporations too. Thus the political concept of responsibility “holds actors responsible precisely for things they themselves have not done and that assuming political responsibility means joining public discourses” and thereby “changes the modus of responsibility from the reactive model of the positivist approach to the proactive concept of societal involvement” (Scherer & Palazzo, 2007: 1114; 1110). Some of the changes with regard to responsibility are listed in table 3.2 in order to highlight the differences between traditional and political CSR.

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<tr>
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<th>Instrumental CSR</th>
<th>Political CSR</th>
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<td><strong>Direction</strong></td>
<td>Retrospective (guilt)</td>
<td>Prospective (solution)</td>
</tr>
<tr>
<td><strong>Reason for critique</strong></td>
<td>Direct action</td>
<td>Social connectedness (complicity)</td>
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<td><strong>Sphere of influence</strong></td>
<td>Narrow/local</td>
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Although Scherer and Palazzo state that corporations do assume and have a political responsibility to contribute, again, they do not explicitly discuss – in either descriptive or normative terms – why they should or why they do have this responsibility. As mentioned, Young seems to be arguing for assigning responsibility on the basis of social role, which relates well to the point made above regarding the necessity of recognising corporations as political actors in order to assess their political responsibility. If they are not recognised as such, it is naturally difficult to impose political responsibilities onto corporations. Assigning responsibility, however, does not necessarily mean that all who share responsibility have an equal responsibility. Young highlights that most actors “do participate in a lesser or greater way to the reproduction of harms by following accepted and expected rules of the communities in which we act”, but that some actors may be considered more responsible than others based on this social role – and perhaps also by the extent to which they contribute to the harm (Young, 2008: 153). Relying on work by O’Neill, she argues that there is an asymmetry in the obligations of one another “in so far as some people are rendered more
vulnerable to coercion, domination or deprivation” and that “while everyone in the system of structural and institutional relations stands in circumstances of justice that give them obligations with respect to all the others, those institutionally and materially situated to be able to do more to affect the conditions of vulnerability have greater obligations” (Young, 2008: 140). This point is of considerable value as it echoes the resources argument mentioned above, in which it is argued that those corporations that are significantly large, resourceful and powerful have a (perhaps even heightened) responsibility to help solve global challenges.

In essence, this obviously opens up for even more questions as to identifying when an actor is justifiably responsible to a greater degree as well as to the extent that they are then responsible; questions that are ultimately the same as those which the field of CSR has attempted to answer throughout its theoretical evolvement. Scratching the surface of this political responsibility, Young poses that the power to influence the processes that produce unjust outcomes is a very important factor in differentiating kinds and degrees of responsibility (Young, 2008: 157). Coming full circle, the point that multinational corporations are involved in both the processes of creating and correcting unjust outcomes, and that they therefore have an additional political responsibility, is exactly that made by Scherer and Palazzo. Beyond this, however, their argument still says relatively little about the nature and extent of this political responsibility corporations have.

3.3.4 Exemplifying Areas in Which Corporations are Assuming Wider Responsibilities

This expansion of the scope of responsibility as argued by both complicity and the social connection model can be regarded as a theoretical echo of corporations assuming wider responsibilities – not only with their immediate relations, but throughout their entire supply chains – both unilaterally and, increasingly, in cooperation with government and civil society. An important aspect of implementing and maintaining CSR initiatives in the supply chain is achieving transparency and supplier compliance. Some multinational corporations such as Walmart and Starbucks pull a lot of weight in the choice and sourcing of supply and have extensive criteria in their codes of conduct and other policies to ensure their particularly desired supply. Again, the extent and effectiveness of their CSR or sustainability efforts can be debated as numerous negative examples abound, but this is of lesser concern for now, because the fact that there might still be a long way to go should not take away from the fact that corporations are assuming wider responsibilities.

Generally, many multinational corporations are, at least, assuming shared responsibility – resembling the idea of creating shared value – in recognition of their influence beyond their direct operations. This wider societal approach essentially considers corporations to be responsible to
society as a whole and thus overlaps or even extends beyond the stakeholder approach depending on how the latter is defined. As mentioned above, they are also assuming roles previously held solely by governments, including engaging in public health, education, social security and utilities, however, one might argue that such privatisations of public provision are typical, at least on a national scale, and are neither entirely new nor necessarily beyond the act of one actor.

What seems particularly important here is the assumption of wider responsibilities on an international scale related to forming and maintaining appropriate norms, values, standards and governance mechanisms for business issues as well political issue-related challenges such as AIDS, poverty and the protection of human rights. Thus, increasingly, corporations are assuming responsibilities beyond the issues that are more or less directly related to the core business and instead engaging widely addressing wider social and political challenges in the communities. Acknowledging the significance of multinational corporations and their resources, for example, the United Nations announced in 2002 that it had abandoned its policy to rely on governments in the fight against HIV/AIDS and would instead rely on contributions from the private sector (Kobrin, 2009). Equally important is the fact that MNCs engage in a collaborative sense with governments and civil society organisations. Again, the UN Global Compact serves as one of the most relevant examples of this being predominantly governed by the participants themselves and having been relatively effective in creating awareness and action with regards to demanding issues. Corporate participants commit to the ten universal principles within the areas of the environment, labour, anti-corruption and human rights, which are areas where corporations are very likely to be able to significantly influence and change the current conditions.

Naturally, corruption is often linked to business practice, but is also an example of a serious social problem in some weaker states and developing countries. Particularly in these cases, some authors argue, corporations are often in a unique position to foster positive institutional logics, which are the socially constructed, historical patterns of material practices, values and rules that create the identities and role expectations that guide behaviour (Weaver & Misangyi, 2008). Through the impact they have on the institutional structure of society and the identities of its individuals, corporations “become socio-political actors with regard to the mitigation of [individual and systemic] corruption” (Weaver & Misangyi, 2008: 203). From a practitioner’s perspective, it is also a role that multinational corporations are willing and able to play, because “it makes good business sense” according to Peter Solmssen, an executive Vice-President of Siemens.\textsuperscript{11}

Furthermore, with regard to corporate presence in weak states and countries with repressive governments, some argue that corporations here have a particular responsibility to promote and contribute to well-ordered social and political institutions grounded in a negative duty not to cause harm (Hsieh, 2009). Though the focus here is on particularly weak institutional environments typically present in developing countries, this is the same argument put forward by Scherer and Palazzo when they refer to a political responsibility to contribute to the proper working of global governance. In essence, it seems to come down to a moral responsibility in relation the specific institutional environment in which corporations operate, whether it is locally, nationally or internationally. And though this may seem too comprehensive to be feasible for corporations, it may simply be a consequence of the contemporary shifts that have taken place that needs to be dealt with in order to solve the challenges the global society is facing.

Human rights is an increasingly appropriate area in which to discuss political responsibility of corporations as they indeed have the potential to “provide the basis for many human rights, but also the ability to hamper the attainment of rights” (Kinley & Nolan, 2008: 344). From a moral standpoint, corporations certainly have basic human rights obligations wherever they operate, but they are typically silently complicit in abuse by a third party such as repressive governments rather than accused themselves. The relevance of Young’s model of political responsibility is obvious here as it precisely moves to include such complicit behaviour, but the extent to which someone is considered complicit and the extent of their responsibility, as mentioned, remains unclear. Though it falls beyond the scope of the thesis, business and human rights has become a field in its own right and extensive amounts of research is done with regard to the role of corporations in both human rights abuse and protection. Human rights is certainly an area in which multinational corporations could be subject to specific and direct responsibility, paving the way for a more tangible political responsibility. Stephen Kobrin (2009) argues that corporations should be held liable directly for human rights violations and points to the necessity of forming a regime or institution consistent with the new post-Westphalian world order that deals with human rights. Kobrin specifically argues that the move towards broad participation in global governance “should facilitate imposing direct responsibility” on multinational corporations through both voluntary “soft law” agreements and international law, since a hybrid public-private regime is more likely to be effective (Kobrin, 2009: 349). Clear and authoritative standards are needed with a combination of raising the positive incentives so that companies may be rewarded for compliance, while increasing the impact of negative sanctions and penalties imposed for violations in order to uphold their effectiveness. Interestingly, Kobrin also points to open deliberation as a means of providing a form of democracy in the international sphere, thus supporting Scherer and Palazzo’s basic contention.
In this sense, the social political engagement of corporations is a reality and as a growing “number of business leaders seem to assume responsibilities that go beyond profit seeking and compliance to a legal minimum”, some consider corporations as agents for social change (Scherer et al., 2009b: 330). “That corporations do sometimes act as social change agents is not in dispute; indeed it is an empirical reality around the world. Moreover, it is becoming a political reality as well” (Bies et al., 2007:788). Although it is far from a majority of the world’s multinational corporations that are involved in such efforts, there seems to be an increasing recognition from the private sector of the opening necessity, if not responsibility, for partnering with governments and assisting in problem-solving. According to an interview with Richard Haass – the President of the Council on Foreign Relations, which is an American independent think tank – CEO’s and top management are now dealing with a range of constituencies in a socio-political environment similar to that of a highly ranked politician\textsuperscript{12}. This is a similar picture to the stakeholder model, in which corporations need to attend to the concerns of their stakeholders; however, there might be an interesting difference in so far that the stakeholder model traditionally indicates a firm-centric logic as opposed to a new logic in multi-stakeholder arrangements in global governance. Here, the multinational corporation is no longer the at the centre but simply one stakeholder out of many (at least in theory) equals and, arguably, needs to cooperate to a much larger extent than in two-way communication with each of its own stakeholders. Again, the issue of motivation to engage in these new ways remains relevant, yet ambivalent with a wide variety of possibilities. Some, like Richard Haass, will argue that it is simply a necessity in the world of international business today.

3.3.5 Are Corporations Actually Able and Willing to Assume Political Responsibilities?

Of many potential issues of interest that may arise from multinational corporations assuming political responsibilities, their ability to do so appropriately is key. As we have seen in the literature, developments in corporate responsibility have taken place as a gradual process in which more and more responsibility has been assigned to or assumed by corporations. Those who have opposed see it as a hostile takeover by corporations that weakens their democratic rights and processes, while supporters of corporations making efforts in CSR areas have argued for a win-win situation. This inevitably opens up the question of whether firms are actually capable of assuming such responsibilities as has not originally been their purpose and the skill-set of the private organisation is somewhat, if not entirely, different to those of the public or political institution. Assessing the

capacity of the corporation to replicate the institutional elements of liberal democratic governments that are used to govern citizenship, Crane, Matten & Moon (2008a) find that while corporations have innovated their corporate toolbox, there are considerable deficits in the corporate infrastructure and ability to replace government in the governance of citizenship. More specifically, while corporations now adopt codes to unify values and goals (resembling the purpose of a constitution) and being increasingly attentive to their enforcement (resembling the function of law), the representation and democratic consensus (typically provided by the legislature, the executive and the bureaucracy in a governmental context) are severely limited in a corporate setting (Crane et al., 2008a: 73). Most crucially, with regard to the elements of the judiciary, who independently provide citizens an opportunity to enforce their status and entitlements, as well as the police or the military, which additionally enforces the policies of governments, there is no equivalent in the corporate capacity (Crane et al., 2008a). Thus, there are certainly limits to the capability of the multinational corporation to directly govern citizenship in a broad sense, however, they are also in a position where they are “able to exert power on governments either to uphold and honour or to infringe and neglect the rights of their citizens” (Crane et al., 2008a: 76). Together with the significant influence, or ‘means of power’, the private sector can have on the political process, this all suggests that corporations are, at least, more capable in the political arena than typically recognised. However, the exact extent of power in is only partially transparent and clearly subject to controversy. As such, the conclusion of Crane and colleagues that “whilst corporations have significant roles to play in the delivery of entitlements [as has been discussed above], their ability to guarantee, enforce and enable democratic participation of citizens is substantially compromised” seems reasonable until more details can be uncovered (Crane et al., 2008: 86).

While “some say that the takeover of governmental functions is a deliberate process, others would suggest a silent takeover where corporations enter this arena reluctantly, often even without precisely knowing what new functions they implicitly assume by entering new fields of business activities” (Crane et al., 2008a: 59). The politics involved in the extension of the scope of responsibility is in many ways disguised with the current narrow understandings of CSR, especially in practice. While of course, some corporations are well aware of the gains they are pursuing politically, they may be less aware of the future expectations their engagement will derive and, further, some may not fully recognise the political undertones and implications of their CSR efforts. In other instances, the politics and any political responsibility may be flatly denied as many companies continue to treat the social and environmental challenges as technocratic and management-related issues rather than political ones. There are still many companies that consider their commitments to specific social causes and global challenges as philanthropic and beyond their
actual responsibility. Whether due to the long tradition of the division of labour between business and politics or simply being a matter of avoiding responsibility, it is not really surprising that multinational corporations – even some among those that may be considered the frontrunners of CSR – take an apolitical stance. For example, the Finnish telecommunications giant, Nokia, claims in its corporate responsibility report “to take ‘human rights into account in all decisions and operative methods relating to business activity’, but nevertheless, through its joint-venture Nokia Siemens Network, operates in Turkmenistan”, which is classed as one of the three worst dictatorships in the world as it blatantly violates human rights and denies freedom of speech (Fougère, 2011: 13). Although Nokia has elsewhere argued that it is not acting in the wrong as the country is not subject to any formal embargo – even suggesting that their presence enables open sharing of information and economic prosperity benefitting the country – the criticism evidently remains strong (Fougère, 2011). Once again, it should be noted that the fact that corporations themselves do not wish to be politically responsible does not take away from the fact that they are, willingly or not, assuming at least some of such responsibilities as they engage in global governance. Essentially, this goes back to the argument of Scherer and Palazzo to acknowledge that multinational corporations operate in an increasingly global and political context, in which their political role and responsibilities need explicit recognition and more discussion.

3.3.6 Sub-Conclusion on Political Responsibility

All in all, the expansions of the scope of responsibility covered here, including the numerous specific areas in which a political responsibility can be assumed, portray a significant case for a corporate political responsibility. The section has also discussed the justifications for assigning responsibility to corporations and found a reasonable case that again supports the essence of the arguments of Scherer and Palazzo, though they themselves are somewhat vague on the details of a political responsibility. Certainly, multinational corporations have social and political responsibilities within the contexts and communities they operate. Specifically, there are both positive and negative responsibilities, including (at least) the responsibility not to engage in corruption, not to support repression or be complicit in human rights abuse – essentially not to do harm – as well as the responsibility to promote and contribute to adequate and relevant regulatory frameworks and proper social conditions and political institutions. However, a better understanding of the political role of multinational corporations is crucial in order to further uncover the particular nature of their political responsibilities.
3.4 The Controversy of Political CSR

For various reasons, some of which we have touched upon, the political conception of corporate social responsibility put forward by Scherer and Palazzo – particularly the twofold argument of corporations having political roles and political responsibilities – is fairly controversial. It breaks away from the traditional economic purpose of the firm and many corporations simply do not want it or, importantly, do not actually have the capacity to fully involve themselves in politics and the governing of citizenship. In addition, it considerably blurs the boundaries between business and government, between the economic and the political spheres, which essentially has many implications not only for corporations, but for our society.

This section will address the remaining arguments of Scherer and Palazzo with regard to the deliberative democracy approach taken up as part of political CSR phenomenon as a solution to the politicisation of corporations as they transcend the traditional divide of the economic and political spheres.

3.4.1 Blurring the Division & Creating a Democratic Deficit

Whether evidently translating into political responsibilities or not, the backdrop of globalisation makes it clear that multinational corporations are both the perpetrators of harm and part of the solution to this century’s social and environmental challenges. As the analysis has showed so far, there can be little doubt that they are – at the very least to some extent – political actors. But with multinational corporations, and the private sector more generally, increasingly involved in traditionally public roles and decision-making, the separation of the economic and political spheres – or business and politics, if you like – on an international scale is significantly blurred. With the lack of a world government or other authority and the lack of a globally coherent regulatory framework, private actors including both corporations and civil society groups and non-governmental organisations have been invited to the table, thus creating a new interplay between the three pillars of society. Interestingly, this new interplay between states, businesses and civil society in global governance in many ways “resembles the process of political modernisation changes, which could be observed in the domestic sphere and is associated with terms such as” de-governmentalisation (Wolf, 2008: 226). But on a global scale, the complexity increases exponentially as global governance remains a patchwork of different modes of governance and the redefinition of traditional roles is only taking place very slowly and, as noted, with controversy. Essentially, the step towards broad participation in global governance followed a rationale of effective problem-solving by partnering
with private actors that could bring vital resources to the table rather than the consideration of democratic concerns (Wolf, 2008).

The main reason for the controversial nature of a political perspective of CSR and the recognition of the corporation as a political actor is that it essentially creates a problem of democratic accountability. By their involvement in self- and co-regulation and other global governance initiatives, multinational corporations are determining the standards by which they themselves must follow. If private entities are political actors and national governments – as democratically elected representatives of society’s individuals – are no longer solely in control of the basic conditions of people’s lives and the decisions that shape them, particularly on an even more complicated international scale, there is quite evidently a democratic deficit (Crane & Matten, 2007). The central point is the question of to whom corporations are accountable when they take part in these decision-making processes. Robert Reich is one of those who argue that public policy and regulation, which is the solely a role of governments through a democratic process that is protected and represents the will of its citizens, is and should be what determines the rules for business. Notably, Reich (2007) also passionately argues that multinational corporations are now dominating political institutions and have thus become the dominant political actors, though it should be noted that he discusses this in a national regard with particular, if not exclusive, emphasis on the United States. However, to many, the proper guardians of public interest are governments, which are accountable to all citizens (Crane & Matten, 2007). As such, many see this growing power and influence of multinational corporations as a clear threat to democratic processes, while others simply regard it as a successful free market economy in which business is contributing efficiently where it can.

In any case, these issues have given rise to an extensive debate on corporate accountability and the need for transparency, especially within political science literatures with regard to making global governance involving non-state actors more democratic and accountable. The popularity of the stakeholder concept is also certainly linked to the intention of dialogue and partnership between a corporation and its stakeholders creating more communication and accountability. The transparency of corporate decisions, policies, activities and impacts to relevant stakeholders is a crucial step in improving accountability.

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13 Robert Reich: discussion panel on corporate social responsibility, the Haas School of Business at UC Berkeley on September 2, 2008, available at http://www.youtube.com/watch?v=OreAlnDuVzk
3.4.2 Deliberative Democracy as a Solution

In relation to this, another important part of Scherer and Palazzo’s argument is their perspective on a solution to the status quo, namely their deliberative concept to re-embed the corporation in society based on the Habermasian concept of deliberative democracy. Though some of the arguments have already been covered throughout the preceding sections, this section will strive to evaluate the main propositions made by the authors on the basis of an example.

First, it should be clear that part of the justification for this alternative is based on Scherer and Palazzo’s critique of the instrumental nature of the existing literature of CSR as it predominantly follows an economic rationale, as discussed in the literature review. The authors go as far as suggesting that corporations will only assume social responsibilities if they are able to create long term value from them, which is in fact difficult to determine (Scherer & Palazzo, 2011). Scherer and Palazzo thus argue for a new CSR approach based on the concept of deliberative democracy that will explicitly embed the corporation in democratic processes of defining rules of international business and tackling global political challenges (Scherer & Palazzo, 2007). It is essentially their suggested way to cope with the issues of democratic accountability that arise with the recognition of corporations as powerful political actors that take part in traditionally public responsibilities. Interestingly, Moon, Crane & Matten refer to deliberative democratic citizenship as “a style of engagement which emphasises a problem-solving approach”, which fits well with other understandings, but also suggest that “the actual extent to which corporations engage in various forms of governance in a deliberative way is an empirical question” (Moon et al., 2005: 443).

In some of their papers (2007, 2011), Scherer and Palazzo specifically cite the Forest Stewardship Council (FSC), a global non-profit organisation and non-governmental certification scheme promoting responsible forest management, as an example of the deliberative concept of CSR. The FSC certification, which is approved and monitored independently of the organisation, is based on ten principles – each supported by several criteria in order to properly evaluate whether the principles are being met – that describe the essential elements of responsible forest management and have been revised several times, latest in February of 2012. Since its founding in 1993 by NGOs and corporations, the FSC has grown as a multi-stakeholder forum to include a variety of members ranging from environmental and social NGO’s and community forest groups to the timber trade, retailers and manufacturers as well as other interested parties and has issued over 20,000 certificates. As an organisation governed by diverse members, efforts have been made to ensure

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and strengthen the equality of influence in decision-making regardless of the level of economic power of individual members by organising three membership chambers: environmental, social and economic\textsuperscript{16}. This governance structure enables a dynamic forum of dialogue and, in the words of the FSC, “proves that participation, balanced representation and equal power to vote are a powerful strategy to bring people together, find solutions, and promote responsible stewardship”\textsuperscript{17}. It is this type of broad participation and deliberation that is advocated in the concept of political CSR by Scherer and Palazzo; where corporations are socially and politically embedded and take part in a “broad process of democratic will formation in collaboration with civil society actors” (Scherer & Palazzo, 2007: 1110). Unfortunately, a report from 2002 by the Rainforest Foundation on the FSC is not as confident, but in fact highly critical of the transparency and level of democratic accountability practiced (Counsell & Loraas, 2002). The report found that “the operation of the FSC privileged certification bodies and commercial clients as it marginalised the voice of local communities and indigenous people who were unable to obtain redress from the FSC as a consequence of a cumbersome complaints procedure” (Edward & Willmott, 2011: 14).

Of course, these issues could be corrected today, yet Edward & Willmott (2011) point to a recent resignation from the FSC by the Dutch non-profit organization FERN, who left on the basis that the newest revision of the FSC Principles and Criteria did not sufficiently ameliorate the problems, as well as criticism from the critical group FSC-Watch. According to the authors, the non-functioning complaint procedures, lack of transparency and low democratisation of knowledge suggests that the FSC is indeed not a very good example of deliberative democracy, because:

“The measure of success of any exemplar of deliberative democracy, however imperfect, is its provision of support for discursive processes that encourage participants to develop the awareness and behaviours that bring closer the realisation of [discourse] ethics. [...] There is risk that principles and structures are established which formally approximate to ideals of deliberative democracy but the substantive, every day practices of organising then fail to respect and nurture such lofty ideals.”

(Edward & Willmott, 2011: 15, 16)

This points to a rather well known dilemma of aiming for an ideal that is not realistic in practice. However, recognising that perfection is difficult to obtain – and Scherer and Palazzo (2007) actually stress the point that the FSC is not an example of entirely power-free discourses of political will formation – the discursive processes that such initiatives provide as well as the engagement in deliberation by the various political actors represents, at least to some degree, a key effort. It suggests an improved sensitivity to the global and politic context as each actor works to sort out their respective new roles and responsibilities.

In any case, the arguments do warrant careful and in-depth analysis of such initiatives to learn more about the potential of the deliberative approach to political CSR as well as the extent to which corporations engage openly and fairly in them. A further in-depth empirical study might reveal the actual extent to which the processes of this organisation are in fact democratic and represent public will formation, but is beyond the scope here. Generally, there has been and are quite a lot of critical papers, reports and case studies on major CSR initiatives, including the UN Global Compact\(^{18}\), that question the legitimacy, accountability and effectiveness of the efforts made and even the initiatives themselves. However, the effectiveness of these efforts, or lack thereof, still does not take away from the fact that multinational corporations and other actors are striving for and participating in deliberative discourses such as those proposed by Scherer and Palazzo.

All in all, while the example of the Forest Stewardship Council does illustrate the points made by Scherer and Palazzo, it remains unclear whether this deliberative form is an effective solution to questions of accountability as weaknesses of representation and enforcement evidently deter from its suitability. In connection to the potential weaknesses of initiatives such as the FSC, it is worth noting again that the recognition of genuine social and political responsibility remains a challenge as many corporations still treat such responsibilities and their engagement in such initiatives as a “talk-the-talk”-strategy\(^{19}\) for economically-motivated reasons. As exemplified above with Nokia, even corporations considered popular and strong with regards to their CSR efforts, tend to take an apolitical stance. However, The FSC is an example of the direction that international politics and global governance arrangements are taking, which certainly warrants more attention and research to its propositions and alternatives. Again, recognition of the corporation as a political actor is a first step towards discussing their new political role and potential responsibilities more widely and extensively.

\(^{18}\) There is an extensive list of both critical and supportive academic research on the UN Global Compact at http://www.unglobalcompact.org/NewsAndEvents/Academic_Literature.html

\(^{19}\) “Talk-the-talk” is a term used opposite of walk-the-talk, in which corporations are considered to genuinely be doing what they say they are doing rather than simply saying the right words without any action behind.
3.5 Conclusion on Exploring Political CSR

Concluding on this section, the purpose was to identify, explore and evaluate the specific propositions made by Scherer and Palazzo about political CSR as an extended model of governance with multinational companies as a vehicle to creating a balance to the challenges brought on by the modern system of production and contributing to global regulation and providing public goods (Scherer and Palazzo, 2011). The two most considerable points were viewing the multinational corporation as a political actor with political responsibilities, however, a greater consensus and more details of the political role of the corporation in its increasingly global and political context is crucial in order to further define its specific responsibilities. Additionally, the underpinnings and understandings of political CSR and the deliberative concept suggested by the authors seem clearly to transcend the traditionally instrumental view of both politics and corporate social responsibility.
4. DEBATES AND IMPLICATIONS
4.1 The Problems of Political CSR

From exploring the elements and propositions of political CSR, it is clear that a political perspective of corporate social responsibility does enjoy support and has merits that justify further research and debate. But a lot must be tackled because as this section will show, the debates and implications following viewing the corporation as a political actor with political responsibilities are complicated and has implications beyond the field of CSR. Drawing on the review and analysis above, this discussion will bring together the main debates and issues and further evaluate the problems and potentials of a new political perspective of CSR going forward.

To begin with, the most significant and heated debate with regard to political CSR seems to remain around the problem of legitimacy of a political role for the corporation and the problem of democratic accountability. Essentially, this continuous debate encompasses several more or less distinct discussions including whether or not corporations have a political role to play; the problem of accountability when they do engage politically; the question of corporate motivations; where the limit to corporate social and political responsibility should be; and, more generally, the feasibility and effectiveness of corporate political engagement such as prescribed in the deliberative democracy approach.

4.1.1 Debating the Role, Accountability and Motivation of the Corporation

As previously mentioned, the argument of Scherer and Palazzo regarding a political responsibility relies on the recognition of the corporation as a political actor, but also, significantly, on this role being legitimate, which remains controversial in the dominant CSR literature. As mentioned, there are those critics who argue against political CSR, because they do not consider it to be the purpose or role of the firm and that a political role will impede the ability of corporations to serve their economic purpose (Steinmann, 2007). Reich, for example, has argued that CSR diverts attention from establishing proper rules and regulations and that this is the role of elected governments rather than corporations. Also, although Milton Friedman’s utter rejection of CSR may seem trivial today, his argument remains relevant here because Friedman essentially saw that if managers were to decide on public matters and social needs, citizens would also have to decide on the selection and control of managers in order to avoid the democratic deficit and problems of accountability (Friedman, 1970). Then there are others who, while recognising the rising political influence and

involvement of corporations, see it as a potential threat to democracy and do not wish to legitimise their activities by considering them as political actors (Crane et al., 2008a). As mentioned in the literature review, Van Oosterhout has criticised the extended view of corporate citizenship specifically as an “idea whose time has yet to come”. However, regardless of whether or not they should be political actors, corporations are increasingly getting involved and engaging politically and it is crucial not to ignore this.

For corporations themselves, there may be obvious reasons to avoid being perceived as political actors, including maintaining political neutrality, a good corporate reputation as well as simply avoiding a political responsibility. Very recently, Glen Whelan (2012) proposed a critical research agenda for the political perspective of CSR, in which he argues for the need to presume that multinational corporations engage in CSR and any political activity purely for instrumental reasons. This “helps not having to come up with new motivation every time the corporation does something new” and the author argues further that “theories positing (significant) changes in MNC motivation to explain MNC behaviour, ultimately explain, let alone predict, very little” (Whelan, 2012: 16). However, while Scherer and Palazzo do not attempt to detail any specific motivation on the corporation’s behalf, they do in fact list a broad range of potential motivations ranging from self-interest to altruism (Scherer et al., 2011). Additionally, it should be noted that while the question of motivation is important because political responsibility can be argued to include a sort of lining up of private and public interests, actual motivations and inclinations of corporations are rarely very transparent or straightforward. Corporations will no doubt advocate for conditions that suit their own goals, however, they must also increasingly answer to their immediate stakeholders, to whom the political actions of a corporation would or should be more transparent in the deliberative approach. This is one of the points that Scherer and Palazzo argue contrasts their conception from traditional political engagement as “deliberation is based on the transparency of public discourse and lobbyism is based on the conspiracy of backdoor bargaining” (Scherer and Palazzo, 2007: 1111). In any case, the true motivation of corporations, however, will most likely remain guesswork subject to rigorous debate – though reasonably expected to be screwed towards self-interest.

Related to the problems of accountability, a natural and inevitable discussion is the depth and extent of social and political responsibilities multinational corporations could and should take on. In other words, where is the limit? Essentially, this is a question that has and probably will persist for as long as the field of CSR evolves with new perspectives and concepts.
4.1.2 The Feasibility of the Deliberative Democracy

While Scherer and Palazzo do suggest that deliberative democracy will work as a solution to problems of accountability and legitimacy, the feasibility and effectiveness of this seems to remain open to debate and in need of further research. Some suggest that political CSR needs to involve a political model of corporate governance in order to provide “a concrete mechanism that deliberatively aligns MNC decision making with the interests of their diverse citizenries” (Whelan, 2012; 18). In fact, Scherer and Palazzo themselves argue that “it is difficult to conceptualise 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” and have begun discussing the possibility of democratic corporate governance models (Scherer & Palazzo, 2007: 1114; Scherer et al., 2013, forthcoming). As Friedman pointed to, this could essentially involve voting rights regarding top management, but such a model is unlikely to be endorsed. While Edward and Willmott have low expectations regarding the current receptivity or preparedness of practitioners “to radically scrutinise rethink and transform their thinking and practices, [...] deliberative democracy may facilitate a shift from an understanding of the political process of aggregating individual preferences to conceiving of it as a process of debate and public will-formation”, for which it should be welcomed (Edward & Willmott, 2011; 27).

Thus, there is a very significant debate on the legitimacy of the political role and responsibility of corporations, the transparency and accountability issues as well as implications for democracy and political principles and processes. As the context of political CSR is not a case of imagination or a purely theoretical scenario, but, rather, a real situation or consequence of significantly altered global circumstances, not considering the options for dealing with it and how this may require a fundamental change in our understanding of the role of multinational corporations, would be wrong. However, once again, regardless of whether or not they should be political actors, the fact that corporations are increasingly getting involved and engaging politically will not disappear or be changed by not trying to understand the conditions and setting in which they do this. Instead, these changes must be further addressed and discussed in order to come closer to suitable solutions and answers.
4.2 The Potential of Political CSR

The other side of these problems and debates is the potential of a political perspective of CSR. More specifically, this involves how political CSR relates to traditional CSR as well as adopting a more pluralistic view bringing in different political theories to further the understanding of CSR from a political perspective.

4.2.1 Relating the Political to the CSR

From what has already been covered, it is clear that political CSR differs and goes beyond what is traditionally understood and accepted in the CSR literature. While the extent to which the Forest Stewardship Council exemplifies multinational corporations successfully engaging in democratic will formation is arguable, the example of the FSC certainly points to a genuine movement beyond traditional CSR activities to more proactive and politically involved corporations partnering with other political actors in addressing social and political issues.

Thus, while the relevance of the political perspective should be clear by now, its relation to the traditional concepts and how it may impact the overall conceptualisation of CSR certainly deserves attention. Because considering every aspect and concept of CSR in relation to this new perspective would be too all-encompassing for the purpose here, only a few relevant examples are covered in order to paint a general picture.

Firstly, political CSR evidently extends beyond Milton Friedman’s narrow sense of economic responsibility. The Friedman proposition of limited responsibility clearly missed the mark as CSR has become a significant part of strategic management and is expected of business, more generally. However, as discussed, his argument remains relevant, because it exactly questions the role and legitimacy of business in political participation. Friedman critically highlights the accountability problem – though primarily in regard to managers and their responsibilities to shareholders (Friedman, 1970).

Secondly, the principles of stakeholder theory are still very relevant in a political perspective; in fact, deliberative democracy enhances the premise of stakeholder theory with dialogue and participation, however, the focus is less on the traditional corporate reaction to pressures from stakeholders and more on the proactive, partnering role of the corporation as a stakeholder in solving societal challenges. Furthermore, the discussion of political responsibility above highlights a complexity of the relationship between the stakeholder model and a political responsibility model, because as such they do not appear mutually exclusive. But, depending on the exact definition and
understanding of the stakeholder model (here referring to it being understood as predominantly instrumental or normative), they are founded on different assumptions; namely that of the corporation as an economic actor versus both an economic and a political actor. Perhaps, as the stakeholder terminology has been fruitfully generalised to many different meanings and contexts, the political perspective holds more relevance or substance with regard to the present global and political context. Arguably, this is because every organisation can be considered to both have stakeholders and be a stakeholder itself and the theory of stakeholder management only inadequately, if at all, explains and justifies the growing corporate involvement in politics.

Thirdly, political CSR, but specifically the deliberative democracy approach, also differs from normative business ethics theories by prioritising democracy to philosophy and suggesting that corporations be embedded in democratic mechanisms of discourse, transparency and accountability.

Finally, Archie Carroll’s definition and research on CSR (1979, 1991) remains part of the most important today and his so-called pyramid of economic, legal, ethical and philanthropic responsibilities may provide a good foundation and overview to which the political responsibilities can be added. With the current model, Carroll does not explicitly give room to the expectation of protecting human rights or other political involvements of the corporation. While such political responsibilities are not legally mandatory, one might argue that they can be covered by Carroll’s ethical expectations, and perhaps even remotely by the philanthropic expectation of contributing to communities, however, what is considered just and ethical may vary across borders and is not easily universally defined. Thus, as it becomes clear that the political responsibilities also extend beyond this model – though some political responsibilities may arguably overlap with Carroll’s ethical ones – it seems reasonable that the pyramid that depicts the totality of social responsibilities of a corporation should also comprise of a layer of political responsibilities. The suggested positioning of these between ethical and philanthropic as seen in figure 4.1 represents the current situation of being in between what is required and perhaps only expected or desired. As the conceptualisation of political responsibilities improves and they are more widely acknowledged, it may be suitable to drop its position a level down to reflect more of an expectation or (legal) requirement.
As previously mentioned in the literature review and exemplified with extending Carroll’s pyramid, the introduction of political responsibilities does not necessarily deduct from previous layers or concepts of economic or ethical responsibility, but rather expands the scope of responsibility in coherence with the changes of the global and political context that corporations operate in.

![Limited CC - Equivalent CC - Extended CC]

![Philanthropy beyond legal responsibility - Corporate Social Responsibility - Political CSR]

Figure 4.3 Corporate Citizenship and Corporate Social Responsibility as Processes

As depicted in figure 4.2, corporate citizenship can be said to have evolved in understandings from its limited view to an extended view as CSR has holistically built on its traditional understandings of community philanthropy to corporate social responsibility and now adding political perspectives as well. The parallels of corporate citizenship and CSR become evident in this regard and warrant not only the inter-changeability of the two terms that Scherer and Palazzo (2008) refer to, but suggest the relevance and need for a political perspective of CSR as a whole.

4.2.2 Pluralism in a Political Perspective of CSR

With regard to the further potential and development of political CSR specifically, some very recent research points to some weaknesses in Scherer and Palazzo’s arguments, particularly related to the use of political theory and the philosophy of Habermas, that are worth mentioning. Mäkinen & Kourula (2012) have conducted a review of the relation between the CSR literature and three eras of ‘background political theories’; classic CSR, which was pluralistic as Bowen’s work, for example, actually stressed looking at different political systems or ideology in relation to CSR, instrumental CSR, which adopted liberalism and laissez-faire as its structural logic, and, finally, the new political CSR, which they argue still lacks a conceptualisation of the division of labour that definitively sets it apart from the liberalist separation that Scherer and Palazzo themselves criticise (Mäkinen & Kourula, 2012; 2). As such, they assume that corporations are always political actors in some sense and recognise that instrumental CSR has in fact not been apolitical, but has, rather, been rooted in and has followed particular “classical liberal and libertarian conceptions of the division of labour” (Mäkinen & Kourula, 2012; 5). Thus, they suggest that there have been and are different underlying assumptions and political contexts for CSR that should be identified. Furthermore, both Whelan
(2012) and Mäkinen & Kourula (2012) suggest that there are differences between the Habermasian perspective and political CSR, because the former does not support the dismissal of liberal democracy altogether. Thus, the attempt by deliberative democracy to “remove the boundaries between politics and business is not sufficient to detach itself [entirely] from classical liberalism” and the model of liberal democracy (Mäkinen & Kourula, 2012: 32). This critique also relates partly to the discussion of the feasibility of the deliberative approach, but what is most significant about the arguments here is the indication that political CSR may be widened and improved with other political perspectives. Joining in this discussion of alternative political focuses and perspectives, Whelan supports the criticism that suggests a lack of pluralism and concludes that “political CSR should not be limited to one view” (Whelan, 2012; 6). Further research thus needs to combine insights from CSR and political theory to further develop and propose sound normative underpinnings of a political perspective of CSR.

4.2.3 Politics and CSR Makes Sense

What in retrospect may seem obvious – the fact that CSR is inherently political itself – has only really recently been explicitly acknowledged in the CSR literature. CSR is political, first and foremost, because it is essentially a discussion or negotiation of the division of labour and specific responsibilities between actors in society. But its political nature has not been in the foreground of much of the field’s development in the late 20th century because of the ideological dominance of liberalism and its separation of the economic and political spheres. It was contained by the fact that CSR began in national settings of developed countries, in which adequate regulatory frameworks managed to keep the firm in relative ‘check’, but due to the increasing power of multinationals beyond this check in an era of globalisation it is becoming increasingly and explicitly political. In fact, many scholars view CSR as a potential new source of global economic governance beyond the corporation comprising “a multi-actor and multi-level system” of rules, norms and expectations, leading Levy and Kaplan (2008) to suggest that CSR can work as Polanyi’s ‘double movement’, which is essentially a form of societal protectionism keeping the market in check (Maclean & Crouch, 2011; Moon et al., 2010; Levy & Kaplan, 2008; 438).

This makes it even more important to take advantage of the contributions political sciences can make to further identify the political nature of CSR and the multinational corporation. It simply makes sense to conduct interdisciplinary research uniting political theories with CSR and including relevant insights from corporate political activity, business and government relations as well as strategic management.
4.3 Going Forward with Political CSR: Future Research

Overall, political CSR implicates many fields of research and poses many new dilemmas to current understandings. Considering simplicity and relevance, the most implicated fields could be argued to be corporate social responsibility, corporate political activity as well as the theory of the firm and politics, more generally.

First and foremost, the most obvious consequence of a political perspective of CSR such as suggested by Scherer and Palazzo is that it significantly changes the field of CSR. Besides the role as an economic actor, multinational corporations are now also considered to be a political actor, which inevitably has consequences for the clarification and future conceptualisation of CSR as briefly discussed exemplified with the extension of Carroll’s pyramid above. Essentially, it should be viewed as an extension to the field of CSR, contributing to the further development of the knowledge with which the contemporary expectations and challenges multinational corporations face are understood and dealt with. It offers a descriptive and normative alternative to both shareholder and stakeholder understandings that deals with the new global and political context of CSR and the corporation. But many areas of interest remain, including the further identification and definition of political responsibility, reconciling a political responsibility with economic rationality and discussing the practical limits of political CSR.

Similarly, political CSR has highlighted the need for a greater understanding of the changes in and details of corporate political activity. In fact, we need not only to broaden our knowledge on the political role of the multinational corporation, but also critically analyse corporate engagement with public policy and governance and specific business-government relations on both a national and international scale, as well as the connectivity of political CSR and traditional political activities.

More broadly, political CSR naturally poses many dilemmas with regard to politics and political participation, democracy and citizenship that must be investigated further. Importantly, the issue of the public-private dichotomy in the 21st century is crucial to digest and discuss alternatives to. Other possible areas for further research include finding legitimate conditions for, and ensuring corporate restraint when, participating in political processes as well as looking into the corporate abilities in this arena. As mentioned, while political science could be very useful to CSR and its political perspective, political CSR may also be able to contribute to contemporary political concepts and understandings, including the concept of citizenship as suggested by Crane, Matten and Moon (2008a).
The recognition of a political role of the corporation will undoubtedly also have impacts on management theory and the theory of the firm. In fact, new research by Andreas Scherer and colleagues has already begun discussing the implications of this for organisational structures and procedures (Baumann-Pauly & Scherer, 2013 forthcoming), legitimacy strategies (Scherer, Palazzo & Seidl, forthcoming), leadership (Voegtlin, Patzer & Scherer, 2012; Patzer, Voegtlin & Scherer, forthcoming) and human resource management (Scherer & Voegtlin, forthcoming). Of particular significance is, as previously mentioned, work by Scherer, Baumann-Pauly and Schneider (2013, forthcoming) as they discuss the possibility of internalising democratic mechanisms of corporate governance to compensate for the democratic deficit and suggest a new type of ‘democratic corporate governance’.

These are just some of the theoretical implications and avenues of future research of a political perspective of corporate social responsibility, presenting a long but fascinating journey the field of CSR is yet to travel.
5. CONCLUSION
5. Conclusion

This thesis has uncovered the content and evaluated the arguments of political CSR, while assessing to what extent there is support for a political perspective of CSR according to the following research question:

To what extent do current understandings and arguments support the case for a political perspective of corporate social responsibility and what does this perspective entail?

The conclusion is that there is indeed a valid and relevant discourse emerging that strengthens the case for political CSR as a political perspective of corporate social responsibility. Naturally, there are some weaknesses and implications of concern, but these should not detract from the desire or necessity of furthering our understanding of the roles and responsibilities of the multinational corporation.

More specifically, the literature review covered the theoretical developments of the field of CSR and the global context and political developments linked to globalisation that have lead to the concept of political CSR being put forward as a relevant perspective. Through an extensive theoretical exploration of political CSR and other relevant understandings in chapter 3, the thesis found supportive arguments for acknowledging a new political role of the multinational corporation as it engages in areas that are traditionally the role of government. Additionally, this part of the analysis demonstrated how and why the corporation may be assigned political responsibility and suggested areas in which a political responsibility could be practiced. However, it was realised that much more research is needed to fully identify and define the political responsibility, which needs a clearer and wider recognition of the corporation’s new political role.

In chapter 4, the main debates surrounding the problems and potentials of a political perspective were identified and the relation of political CSR to traditional concepts was discussed. In particular the problem of legitimacy and accountability proved to be the most tantamount, but the need to further evaluate the deliberative democracy proposed by Scherer and Palazzo and possibly develop alternatives was also identified.

Overall, the findings suggested that circumventing the problem of democratic accountability, political CSR works well as a conceptual extension and might lead to a re-statement of what constitutes corporate (social) responsibility in the near future. In that regard, the thesis not only contributes to several existing research agendas within CSR – including its conceptual scope with the
identification of a new political role and justification of a political responsibility, societal analysis as it explains the rise of political CSR, and wider normative issues touching on legitimacy and democratic accountability in political participation – but also contributes to identifying and supporting new research agendas on the political perspective of CSR.

Besides these conclusions, the point of this thesis has become less a point of closure than an opening up of a wider debate in both theory and practice about the political role and responsibility of the multinational corporation in the 21st century. With this door now opened, many theoretical and practical problems and potentials are left to be further explored and researched. The analysis of the new interplay of business and politics and the interaction of the three pillars of society will be one of the main challenges for CSR going forward. There are no easy answers and each historical era will likely have its own answers according to the context of that time. As such, corporate social responsibility will continue to be one of the most fascinating yet challenging aspects of the interface of business and society.
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