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**TOWARDS A POLITICAL CONCEPTION OF CORPORATE RESPONSIBILITY
– BUSINESS AND SOCIETY SEEN FROM A HABERMASIAN PERSPECTIVE**

Andreas Georg Scherer

Professor for Foundations of Business Administration and Theories of the Firm

University of Zurich

Winterthurerstr. 92

CH – 8006 Zurich, Switzerland

Email: andreas.scherer@iou.unizh.ch

Phone: +41 1 635 3403

Fax: +41 1 635 3409

Guido Palazzo

Assistant Professor of Business Ethics

University of Lausanne

Ecole des Hautes Etudes Commerciales (HEC)

619-BFSH-1

CH – 1015 Lausanne-Dorigny, Switzerland

Email: guido.palazzo@unil.ch

Phone: +41 21 692 3373

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Please direct any correspondence to the first author.

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Abstract

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

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

INTRODUCTION

The existence and scope of social responsibilities of business firms have been important issues for decades (Baumhart, 1961; Bowen, 1953; Donham, 1927, 1929; Whetten, Rands, & Godfrey, 2002). Even in business policy, which is concerned primarily with economic performance, ethical responsibilities of business firms have been acknowledged (see, e.g., Andrews, 1971; Learned, Christensen, Andrews, & Guth, 1965), though these obligations are often marginalized in today's widely used strategy textbooks (Gilbert, 2001; Reynolds, 2003). During the 1970's, business and society was established as a subfield of management, and the role of business in society has received growing interest (Carroll, 1977; Frederick, Davis, & Post, 1988; Preston, 1975; Sethi, 1974).

Discussions of the role of business in society have been motivated by the growing

awareness of unfair or discriminatory business behaviour and an increasing number of social and environmental scandals (Epstein, 1987; Matthews, Goodpaster, & Nash, 1985). The current scrutiny both builds on recent financial scandals and is propelled by the changing expectations of society. Social commitment is increasingly expected from companies, even in areas which are not directly related to their business or the efficient supply of goods (Harman & Porter, 1997; Matten & Crane, in press; Sethi, 1995). These developments are reinforced by the process of globalization, which is eroding the established (primarily national) institutions and procedures of governance (Kaul, Conceição, Le Goulven, & Mendoza, 2003; Matten & Crane, in press).

These themes have been discussed under rubrics such as corporate social responsibility (CSR), business and society, business ethics, and stakeholder theory. Major issues in these discussions are how the social responsibility of the business firm should be defined and whether it is possible to integrate ethical concerns and efficient management within a general approach (Jones & Wicks, 1999). Many of the studies of such issues comply with the general practice of mainstream management research and its positivist research paradigm (e.g., Bacharach, 1989; Seth & Zinkhan, 1991). By *positivist*, we mean a research paradigm that tries to uncover universal cause-and-effect relationships in the social world by using the empirical methods of (natural) *science*. Research interest is directed towards the description and explanation of observable social phenomena. Once the cause-effect relationships are identified, this knowledge is instrumentalized to achieve certain desired outcomes. We will argue that the contemporary positivist framework of CSR leads to a merely instrumental interpretation of corporate responsibility that fits perfectly into an economic conception of the firm (Margolis & Walsh, 2003).

Some conceptions of CSR, however, put emphasis on the normative foundations of

responsible business behaviour and develop a critical view of the economic mainstream. These approaches do not apply the methods of science but instead are based on the methods of the humanities. Here, such approaches as virtue ethics, Kantian deontology, social contract theory, postmodernism, and Habermasian critical theory are proposed to pave the way to justified prescriptions about what the business firm should do and what it should not do. We label these approaches “post-positivist CSR”.

These post-positivist approaches can be categorized as to whether their theoretical foundation rests on a monological determination of criteria or whether their normative core is based on a discursive process of justification of actions, norms, and institutions. Monological conceptions of corporate responsibility are problematic because in the end, they cannot develop a universal reference point from which to assess the ethical acceptability of norms or actions. In contrast, discursive conceptions of corporate responsibility open the space for such an endeavour. Some students of discursive approaches build upon postmodern or postcolonial philosophy. They criticise established theories of the business firm that feature unjustified bias towards powerful interest groups (see, e.g., Banerjee, 2003; Calás & Smircich, 1999). However, postmodern philosophy rejects the promise of a positive justification of ethical criteria (Willmott, 1998) and questions the possibility of alternative "grand narratives" (Lyotard, 1984). Instead, postmodernism concentrates in a negative sense on a critique of established social structures. Although this is an important contribution to the critical analysis, with its relativistic attitude it is not sufficient to define the role of business in society appropriately.

Therefore, we will focus on an alternative discursive approach, one that is based on Habermasian philosophy and was widely discussed as the “critical strategy research” (Alvesson & Willmott, 1992a, 1995, 1996, 2003; Forester, 1985, 1992; Shrivastava, 1986;

Steffy & Grimes, 1992). This approach argues that the integration of ethical concerns into management decisions can be achieved with the help of the Habermasian “ideal speech situation”. However, critical strategy research is not yet enough developed. It lacks an integration of the market conditions at the macro level of modern societies. While the economic approach of positivist corporate social responsibility does not provide a good moral grounding to the issue of social responsibility, the critical strategy approach is not sufficiently respectful to the implications of profit-making.¹ We will explain these concerns and suggest an extension with the help of Habermas’ most recent thinking.

In particular, we suggest considering the important achievements of Habermasian political philosophy that have not yet been acknowledged in the management literature. Habermas (1996, 1998) has overcome the shortcomings of the ideal speech situation as the ultimate reference point of politics and economics (see, e.g., Elster, 1986). He now considers this as a “too idealistic” and thus insufficient foundation for political theory (Habermas, 1998: 244). Habermas (1996, 1998) proposes a conception of “deliberate democracy” in which different forms of coordination – ethical discourse and bargaining, as well as instrumental politics – are integrated within a grand model of the peaceful stabilization of modern society. The Habermasian approach does not aim at a utopian and revolutionary alternative to liberal market societies. Instead, it takes the imperatives of market competition and the price system as preconditions of coordination in modern societies, while domesticating economic pressures by means of democratic reform and control. The driving force towards societal integration, therefore, is not so much the realization of an ideal speech situation on the micro level of actual discourses, as it is the structural and cultural conditions of democratic will-formation at the macro level of

¹ We owe this formulation to one of our anonymous reviewers.

society. The Habermasian theory of deliberative democracy has been discussed broadly in political theory (e.g., Benhabib, 1996; Bohman, 1998; Dryzek, 1999; Elster, 1998; Gutman & Thompson, 1996, 2004). Unlike the other non-positivist approaches that aim at a philosophical grounding of the role of citizens or businesses, the new approach is based on a *primacy of democracy to philosophy* (Habermas, 1996; Rorty, 1991). This approach has important consequences for the role of business in society.

The aim of this paper is to advance corporate responsibility discourse by unfolding a critique of important schools of thought and developing a new approach based on the Habermasian concept of deliberative democracy. We will argue that this approach will lead to an improved ethical embeddedness of business in society.

The paper is organized as follows. Viewing corporate social responsibility (CSR) approaches against the background of their theoretical and ideological foundations, we will argue that positivist CSR research is a problematic basis for adequate ethical sensitivity in business management. Post-positivistic approaches attempt to overcome this normative deficit. We will analyse some of these approaches and suggest that their monological conceptions of business ethics are not sufficient. We will therefore consider discursive philosophies and, in particular, put emphasis on the recent “critical strategy research,” which seems to provide a more convincing exit from the ethical dead end, although it remains capable of improvement. We point out that critical strategy does not sufficiently take into account the benefits of market coordination mechanisms, and we therefore suggest a new framework that overcomes this deficit. This framework is based on the recent contribution of Habermas to political philosophy that overcomes the shortcomings of his earlier writings. The paper concludes with a summary of our analysis and a comment on directions for future research and theory development.

**POSITIVIST CSR AND THE OPPORTUNIST CORPORATION:
THE INSTRUMENTALIZATION OF CORPORATE RESPONSIBILITY**

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

In this section, we focus on a type of thinking prominent in the study of business and society. It follows a model of explanation that is used widely in mainstream management (Scherer, 2003). This model is adapted from (natural) science and aims to explain observable phenomena through general laws and the special conditions of the situation. Burrell and Morgan (1979) characterized this paradigm as “functionalistic”; we will use the term “positivistic” because that term has been suggested by management scholars to describe their own work (see, e.g., L. Donaldson, 1996).

We argue that positivist CSR is not able to define a normative framework for the role of business in society that could help in determining whether certain business activities are acceptable. Rather, we suggest that a paradigmatic shift is necessary, a shift both in terms of epistemology and in terms of the underlying normative theory of society.

The Underlying Positivist Framework

It is the goal of positivist CSR research “to provide a distinctive view of a corporation’s overall efforts toward satisfying its obligations to society” (Wartick & Cochran, 1985: 758). Three types of issues are addressed (Strand, 1983): (1) the societal expectations toward companies (“social responsibility”), (2) the processes that companies generate to meet these expectations (“social responsiveness”) (Epstein, 1987), and (3) the effects – or, rather, the measurable results – that follow the processes (“social responses”). These problem areas were integrated within the so-called “corporate social performance models” (CSP-models), which attempt to explain the social efforts of companies (Carroll, 1979; Strand, 1983; Wartick & Cochran, 1985; Wood, 1991). CSP models assume that the societal expectations that define the role of a company in society will align the processes of strategy formulation and implementation with the social aspects of management. Thus, the results will be socially tolerable consequences. Strand (1983: 91) pithily characterises this relationship as a *stimulus-processing-response* relationship.

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

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

Obviously, the CSP models are meant to be conceptual representations of reality,

following a correspondence theory of truth. They attempt to explain the status quo of social systems, with their elements and causal relationships. The implicit goal is to produce *technical knowledge* about the measures that enable the permanent stabilisation of social systems (Burrell & Morgan, 1979). This can be described as a technical research interest (Habermas, 1971), one that also dominates mainstream work in strategic management (see, critically, Alvesson & Willmott, 1996; Shrivastava, 1986). This interest is made explicit in the “instrumentalist view” of stakeholder research (Berman, Wicks, Kotha, & Jones, 1999; Jones, 1995; Jones & Wicks, 1999). The positivist paradigm, however, must do without a justification of norms: Only the description and explanation of norms and expectations are allowed, not a critical questioning of those norms (Wicks & Freeman, 1998). Therefore, “the [CSP] models fail to effectively integrate normative perspectives into their descriptive focus” (Whetten et al., 2002: 384; see also Swanson, 1995, 1999).

Normative Deficits of Positivist CSR

It is the distinction between existing norms (morality) and their critical justification (ethics) that leads to the question of the extent to which the CSP models can show a well-justified orientation for *ethically* sensible business management. We will suggest that corporate social performance is characterised by the interests of the company's most powerful stakeholder groups. That is, the corporate social performance of a particular firm is dedicated to the morals of particular interest groups, whose stakes may be ethically questionable. This, of course, echoes one of Foucault's arguments: power makes knowledge, and thus the powerful are more important in determining the construction of reality and knowledge about reality than are the weak (Foucault, 1980). Therefore, the more powerful are also more important in defining what is “ethical”.

According to the CSP models, moral considerations are generated not by a company but by society. They begin their genesis when societal interest groups find company activities to be unacceptable. Starting with the announcement or anticipation of a perceived stigma, concerns about the socially intolerable consequences of business activities are brought to the top management level of a firm by external sources. There, the information is received *without* independent consideration of its legitimacy (Frooman, 1999; Wood, 1991). The sole aim of management at this point is “to *respond* to others, not build strategy based on your own moral principles” (Freeman & Gilbert, 1988: 90).

The company's reactive attitude would not be at all problematic if one could assume that the signals of the stakeholder groups can be considered as legitimized expectations. This might be true for a few cases, but in general it seems to be an illusory idea, taking into consideration that modern societies exhibit a plurality of particular and conflicting moralities. What can be a justified social claim in the eyes of a social interest group may differ from the moral ideas of managers, suppliers, customers, or other interest groups.

In the case of conflicting business morals, the CSP models state that a company's top managers simply consider those views that are able to exert the greatest economic or legal pressure – via the capital market, procurement, employment, the sales market, or a legislative body. More recently, students of CSR have acknowledged not only power but also legitimacy and urgency of stakeholder claims as explanations for responsible business behaviour (see, e.g., Agle, Mitchell, & Sonnenfeld, 1999; Mitchell, Agle, & Wood, 1997). Others insist that power still plays the *dominant role* in determining the decisions of business firms (Frooman, 1999; Jawahar & McLaughlin, 2001):

The appropriateness of a stakeholder's claim may not matter nearly as much as the ability of the stakeholder to affect the direction of the firm. As

Freeman (1984) notes, strategies for dealing even with groups well beyond the fringe will be put in place if those groups pose a threat to the firm.

(Frooman, 1999: 193)

This, however, shows that the social responsibility of management is reduced to nothing but a new “success factor” for the economic course of the firm. In the canon of conflicting expectations, the subjective morality of the mighty is accepted by a company’s top management as a calculable *means* of its own continued existence (Freeman & Gilbert, 1988). Powerless stakeholders – those that cannot develop potential sanctions for companies via the “market” or the “state”, such as through application of law or through politically lobbying – find that their interests are not considered (Phillips, 2003). Reflections about whether their concerns are ethically legitimate are not initiated.

Corporate Responsibility and Economic Ideology

This theoretical framework might be adequate for description, that is, for providing information about the *status quo* of morals and the distribution of power and structures of influence (see, e.g., Frooman, 1999; Mitchell et al., 1997). However, the framework does not provide a critical review of the existing morals and actions, showing how one can argue for the pros and cons of their ethical legitimacy (Phillips, 2003; Trevino & Weaver, 1999; Wicks & Freeman, 1998). The difference between the existing moral facts and the production of ethical orientations is not acknowledged. According to Shrivastava (1986), this is because of the positivist tendency of mainstream management research to naturalize the social status quo. Positivist CSR therefore exposes itself to the danger of fulfilling *ideological functions*. It is not acknowledged that the *empirical dominance* of particular interests, structures of power, and sources of influence says nothing about their *ethical*

justification (Shrivastava, 1986; see also Trevino & Weaver, 1999; Wicks & Freeman, 1998). Therefore, the CSP models cannot provide a prescription by which management practice can reasonably move from “what is” to “what should be” (T. Donaldson, 2003; T. Donaldson & Preston, 1995; Trevino & Weaver, 1999).

This ideology becomes obvious when students of CSR try to explain differences in profitability by variations in the social responsible behaviour of business firms. The whole issue is reduced to the question of “Does it pay to be socially responsible?” Numerous empirical studies have tried to contribute to the clarification of this question (see, e.g., Aupperle, Carroll, & Hartfield, 1985; Berman et al., 1999; Cochran & Wood, 1984; for critical reviews, see Griffin & Mahon, 1997; Margolis & Walsh, 2001, 2003). Margolis and Walsh (2003) suggest that the social-financial performance linkage needs to be embedded within a *normative theory of business in society*, a theory that an empirical survey cannot deliver. Instead, empirical work in the social sciences has – though often not revealed – a theory of society as its presupposition (Burrell & Morgan, 1979).

Rather than being critical, these empirical studies play into the hands of a purely economic view of the firm and thus implicitly reject the idea of an *intrinsic reason* for corporate responsibility (Margolis & Walsh, 2003). The economic concept that is relevant here is what Jensen (2002: 235) has called “enlightened value maximization”. He is convinced that the best strategy to advance social welfare is to maximize the long-term value of the firm. Therefore, if social responsibility is *instrumental* for long-term value, economists would have no problem with accepting corporate social responsibility as long as the objective function of the firm has wealth creation as its maximand (Jensen, 2002; McWilliams & Siegel, 2001; Sundaram & Inkpen, 2004). This, in the end, is the underlying ideology that many business and society scholars seem to accept (see, critically,

Margolis & Walsh, 2003). Thus, positivist CSR advocates an “opportunistic corporation” (we owe this term to Dunfee & Fort, 2003). However, the crucial question remains: What happens when attention to stakeholder interests yields results that diverge from the wealth-maximizing ambitions of a corporation’s shareholders? (Margolis & Walsh, 2003: 280).

The argument from the economic point of view is clear: An intrinsic social responsibility of the firm to directly resolve problems of public concern or to respond to stakeholder interests is rejected (Friedman, 1970). Instead, economists suggest that it is the task of the state system to take care of the concerns of citizens and to regulate the economic system in such a way that private freedom is guaranteed and that the results of individual rational action will contribute to, or at least will not negatively influence, the well-being of society (see, e.g., Friedman, 1964; Levitt, 1970). Whenever a social, humane, or environmental issue comes up, the firm continues in its course of maximizing value. It is the state apparatus that enforces contracts, applies laws, or enacts new regulations to protect the legitimate concerns of stakeholders (Sundaram & Inkpen, 2004).

This model for the integration of business and society may work well in a world where the state is actually able to predict problems and conflicts in society, to formulate regulations, *ex ante*, on how to cope with these problems, and, finally, to enforce these rules through the legal and administrative system. In *modern societies*, however, because of the complexity and dynamic of conditions law and the state apparatus are insufficient means for the integration of business activities with societal concerns (e.g., Eisenberg, 1992; C. Parker & Braithwaite, 2003; Stone, 1975; Yaeger, 1991).

This is even more obvious in the era of *globalization*, when the ability of the nation-state to regulate business activities is diminishing (Habermas, 2001; Ohmae, 1995; Strange, 1996) and business firms are moving into entirely new roles (Matten & Crane, in

press; Scherer & Smid, 2000; Young, 2004). In the global arena, business firms are not so much private institutions that operate under the rules of a particular legal system. Instead, multinational corporations today are able to choose among various legal systems, applying economic criteria to their choice of which set of labour, social, and environmental regulations under which they will operate. These developments are explained, if not applauded, by economic theory and its efficiency argument (see, e.g., Irwin, 2002; Krauss, 1997). But what about cases of human rights violations, discrimination against workers, environmental pollution, or other ethically questionable activities that are not covered by local laws and/or not enforced by state agencies? How can we argue for a normative responsibility of business firms to adhere to high standards on these issues in such cases, and where human rights or environmental groups do not put pressure on the firm to act in an ethically sound way (see, e.g., Young, 2004)?

POST-POSITIVIST BUSINESS AND SOCIETY RESEARCH -- MONOLOGICAL CONCEPTIONS OF CSR

Despite various efforts to reconcile empirical and instrumental research in the field of business and society with normative philosophy, “the two worlds of empirical and normative research in business ethics remain at a respectful distance from each other” (T. Donaldson & Dunfee, 1994: 254). In particular, in their search for normative foundations, business ethics scholars rely on *philosophical methods* of reasoning that differ radically from the (positivistic) empirical methods of mainstream management research (Weaver & Trevino, 1998). These philosophical methods do not simply describe factual moralities. Instead, they attempt to define principles or criteria that will help examine the moral status quo (Goodpaster, 1998).

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

In their widely discussed *Integrative Social Contracts Theory*, T. Donaldson and Dunfee (1994, 1999) propose such a framework for ethical conduct (see, e.g., *Business Ethics Quarterly*, 1995). In a comparable move, Freeman (2002) and more recently Phillips (2003) have developed a Rawlsian approach to CSR. These approaches are based on a *contractual foundation of society* that has a strong tradition within political philosophy (Buchanan, 1975, 1977; Gauthier, 1986; Rawls, 1971). Without going into the details, we hold that these approaches have in common the idea of a social contract that is drawn up implicitly by the members of society. This social contract consists of the rules of the game by which members of society operate. The acceptance of these rules is thus the binding foundation both for the moral obligations of actors and for institution building. In our critical analysis, we focus on the theory of Donaldson and Dunfee, even though our criticism – because of monological reasoning and pragmatical deficits – also concerns approaches based on Aristotle, Kant, and the earlier Rawls.

In a thought experiment, T. Donaldson and Dunfee (1994, 1999) proposed a contractual model of business and society. They distinguished two stages of a social contract. The business subjects would make a hypothetical macro contract, which established the rules and latitude for the contracts on the micro level. On the micro level, the individuals would then make “extant” contracts, that is, actual agreements whose conditions would be adapted to their particular concrete situation but at the same time comply with the macro level contract.

This theory offers a valuable attempt to define the normative parameters of corporate behaviour in society; however, we consider the approach to be problematic because of its *monological concept of reasoning*. This becomes obvious if one recalls the foundation of the normative claims that Dunfee (1998: 603) describes as follows (emphases added):

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

The actual difficulties lie in the presuppositions that are expressed in that paragraph, specifically that the members of a particular community have agreed to the terms of a social contract. However, what we actually have here is the “hypothesis”,

“assumption”, and “presumption” of the theorist. The social contract is not so much an entity in the social world that is *described by* the theorist but instead a *construction of* the theorist based on his or her history and cultural background (Rorty, 1991). Also, a reference to “hypernorms” as part of the macro contract (T. Donaldson & Dunfee, 1994: 265, 1999: 49 et seq.) or any other meta-level rules is no solution. Any meta-norm must be considered as a suggestion of the theorist, and one must wait to see whether these meta-norms can be considered justified, that is, that they are acceptable to all people concerned. This however, can be tested only in a *discursive process* with the people involved and cannot be verified in advance in a monological act on the desk of the theorist. Therefore, a sceptic could argue that the various hypernorms that Donaldson and Dunfee (1999) offer simply are smart selections that were guided by the *prejudices* of the researchers. Certainly, we, as the authors of the present paper, personally honour these rules, but we are aware that we are embedded in the same culture of Western academic thinking, and we cannot dismiss the possibility that members of other cultures or future generations may come to the conclusion that we are wrong.

Donaldson and Dunfee (1999: 14, 24) nevertheless suggest that the macro contract delivers an abstract and universal “view from nowhere”. As long as such a claim is made, it is appropriate to call such an approach a *foundational endeavor*. This is, however, a problem of social contract theory, as it is based on the assumption that one can jump into an acultural and ahistorical neutral position and reconstruct the conditions of societal life from this archimedes’ point outside the social world. The theorist is conceived of as a designer who is able to construct society (as much as virtues or duties) in a monological act on his or her desk. However, this indicates deficits at both pragmatic and discursive levels.

Regarding the pragmatic deficit, any human being, and thus any social researcher,

is socialized and embedded within a particular culture and history. The meanings of symbols, words, and norms (as well as the proposed scientific theories) is shaped by the social practices in which the focal actor is embedded (Wittgenstein, 1963). This *pragmatic* awareness is discussed not only in philosophy (Brandom, 1998; Wittgenstein, 1963) but also in relation to political and social theory (Dewey, 1926; Putnam, 1992; Rorty, 1991). This issue is also acknowledged by postmodern authors (Calás & Smircich, 1999) and by critical theorists (Steffy & Grimes, 1986) when they call for more reflexivity in social research. The social contract theory seems to neglect that the theory, its conclusions, or any claims about the validity of norms or hypernorms are shaped by the cultural background of their authors and thus cannot claim universal validity. Finally, there is no “view from nowhere”. Pragmatists therefore suggest starting not with abstract philosophical elaborations but “within” the actual practice of social life (Dewey, 1926). Thus, in political theory Rorty (1991) advocates a priority of democracy to philosophy. Donaldson and Dunfee may be receptive to such a “pragmatic turn” when they persistently refuse to catch up with philosophical or epistemological issues of moral reasoning, but instead simply pick up what – in their view – already works in theory or practice. However, their elaborations on hypernorms seem to be guided by the urgency of the issue of justifying norms and not so much by a reflection on what pragmatic philosophy has achieved.

Regarding the discursive deficit, without the archimedes’ point of an accepted or philosophically grounded system of ethical rules, the legitimacy of a given decision can be based only upon a process of sense making shared by the actors involved (Habermas, 1993, 2003). This already has been suggested in the management literature: Moral legitimacy results from a corporation’s participation in “explicit public discussion” (Calton & Payne, 2003; Suchman, 1995: 585; Swanson, 1999). This is especially true against the background

of cultural pluralism and the ongoing fragmentation of values and interests in society. In a pluralistic context, one can no longer refer to an implicit set of shared rules, norms, hypernorms, and practices (cf. Habermas, 1996: 97; see also Rawls, 1993; Rorty, 1991). If there is no *prima facie* salience of some stakeholder demands over others in a corporation's field of discourse (T. Donaldson & Preston, 1995), and if violence or power is excluded from the set of legitimate solutions, then there is only a *discursive* access to pacifying conflicting positions. However, the systematic link between peacekeeping and discursive conflict resolution is not far enough developed when Dunfee and Fort (2003) suggest sustainable peace as a corporate "hypergoal". These authors propose that this hypergoal is based "on a consensual agreement that peace is a universal aspiration" (2003: 613). But when it comes to the issue of how to balance profit-seeking with sustainable peace in a particular situation, Dunfee and Fort rely on (monologically derived) principles and the "practical judgment" (2003: 616) of "[t]houghtful managers" (617) and thus on a *monological determination* of decisions and corporate policies.

POST-POSITIVIST BUSINESS AND SOCIETY RESEARCH --

HABERMAS₁ AS A DISCURSIVE CONCEPTION OF CSR

The CSR literature shows a rising awareness of the *communicative character of conflict resolution* (Suchman, 1995; Swanson, 1999). Discursive conceptions of CSR exhibit an important difference from the approaches discussed above. Positivist CSR defines the responsibility of a business firm as the result of power games between the firm and its stakeholders. Post-positivist, but monological, approaches try to justify business obligations or determine ethically sound action by the monological development or application of principles, golden rules, hypernorms, or virtues. By contrast, discursive

approaches suggest that legitimacy is constructed through *joint* communicative efforts of the parties involved. Here, the theorist – as much as the manager – does not stand outside applying external criteria but is participant in the reasoning game.

In the CSR literature, two big schools of thought dedicate special attention to the communicative foundations of corporate social responsibility: postmodern business ethics and critical strategy research. We will focus on *postmodern/poststructuralist business ethics* first and will argue why this type of thinking is not sufficient to achieve our goal of finding a normative ground for corporate social responsibility. Then we will consider the contribution of *critical strategy research* and its underlying philosophy: the discourse ethics of Jürgen Habermas.

Postmodern CSR, the “Bad Guy”, and the Corporate Chameleon

Postmodern/poststructuralist philosophy has become prominent in management studies in the past decade (Calás & Smircich, 1999; Kilduff & Mehra, 1997). It offers a good starting point for the critique of established positivist management theories because it reveals the unspoken and suppressed, and it tries to discover and criticise power relationships. Without going into the details, we hold that postmodern/poststructuralist philosophy calls for more reflexivity and a bigger awareness of the culture- and history-bound nature of knowledge creation and thus fits into the pragmatic turn advocated above. From this point of view, there is no ultimate frame of reference, no ultimate truth, no universal knowledge, no universal management theory, and no universal business ethics either. Instead, as Lyotard (1984) has suggested, legitimate knowledge is valid only *locally in space and time*. Therefore, postmodern philosophy is also a problematic source for the definition of the role of business firms in society (M. Parker, 1992; Willmott, 1998).

However, although it is difficult to extract guidelines from postmodern philosophy on how to act rather than how not to act, on how to design institutions rather than criticize these (see Calás & Smircich, 1999), postmodern authors give good directions on how to identify situations of dependency in institutions and social practices (Foucault, 1980) and how to reveal the unspoken and suppressed aspects and meanings of written texts and social actions (Derrida, 1974). A good example for a postmodern approach to CSR is Banerjee's (2003) postcolonial analysis, where he identifies the influence of Western economic rationality on the theory and practice of stakeholder dialogues about concerns of aborigines in Australia. Some authors analyse modern organizations as instruments for suppression and control (see, e.g., Boje & Dennehy, 1993). Business firms are thus stigmatized as "bad guys". This critique may be valid in some situations, but it clearly is inappropriate as a general conclusion. How, then, should business firms behave? A call for acknowledging local cultures and for enhanced individual responsibility may not be sufficient to avoid the problem of relativism. How do we avoid the firm becoming a "corporate chameleon" (Dunfee & Fort, 2003: 601), adapting to the norms and customs of its host environments because there are no universal principles available? What postmodernism lacks is a political theory that explains how individual freedom and societal concerns should be reconciled and that defines under what conditions constraints can be enforced legitimately.

Critical Strategy Research – Habermas₁ and the Utopian Corporation

"Critical strategy research" deals with the normative deficits of mainstream management theory: As Alvesson and Willmott (1995: 101) state, "From a critical perspective, a basic problem with established strategy management theory and practice is

the affirmation and reproduction of the givenness of conditions ...”. To overcome this deficit, critical strategy suggests not only to diagnose the existing morals, norms, and sources of influence, but also to examine their ethical acceptability. It is important to determine what social demands should be taken into consideration and which interests should legitimately influence the policy of a company (Alvesson & Willmott, 1992b).

Therefore, as Alvesson and Willmott (1995) argue by using the term “strategy as praxis”, theorizing the ethical behaviour of firms is not a matter of explaining and continuing the status quo of a social system, but instead one of creating a reasonable praxis and eventually changing the status quo (Burrell & Morgan, 1979; Shrivastava, 1986). The Aristotelian term “praxis”, as it is used here, expresses separation from a “nature” that exists independent of humankind. The term “praxis” stands for those areas of life that do not simply exist by themselves but are created by human actions and therefore can be changed and improved by these same human actions.

For responsible management, critical strategy suggests it is necessary to gain a reasonable orientation based on a critical assessment of the status quo. The guiding philosophical principle is the “ideal discourse” of all experts and affected stakeholders, in the sense of Habermas (1984, 1987, 1990b, 1993). Through ideal discourse, it should be possible to decide on the justification and reasonableness of social claims and interests, and to commence an ethically justified strategy (Alvesson & Willmott, 1995; Deetz, 1995):

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

In contrast to the implications for corporate practice that the CSP model contains, the suggestion is made by critical strategy research that the interests of *all* reference groups of a firm are to be taken into account when developing a socially responsible strategy and that this should be done in an *unbiased* way, that is, without granting one or another of the group systematic priority because of its potential to sanction (see also Ulrich, 1996, 2000).

The recommendation of such a conception for corporate responsibility stems from the philosophical insight that phenomena of culture such as actions cannot be explained or substantiated in the same way that phenomena of nature can be explained in the sense of natural sciences. “Actions” can be defined, in contrast to “natural behaviour,” as the conscious choices of means in order to realise intended aims of action (Habermas, 1984). If one wishes to understand a particular action and to judge it in terms of its legitimacy, then one must start with the *reasons* that the actor uses to support his or her choices. The reasons, however, cannot be observed objectively “from outside” and cannot be examined in the sense of a positivistic research paradigm. Only in direct communication from a perspective of participation is it possible to reconstruct and judge the stated reasons in dialogue with the person who is performing the actions (Evered & Louis, 1981; Habermas, 1990a; Scherer & Dowling, 1995). This communicative process of clarifying questions of truth (with regard to the efficiency of choice of means) and of solving questions of justification (with regard to the legitimacy of calculated decisions) must be designed according to the “*unavoidable* preconditions for reasonable argumentation” (Habermas, 1993: 56). Only under these conditions of an “ideal speech situation” can valid – that is, *universally acceptable* – reasons for calculated decisions and choices of means be achieved (cf. Habermas, 1993). These conditions include freedom of access, participation with equal rights, truthfulness of the participants, and “absence of coercion in taking positions”

(Habermas, 1993: 56).

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

to critically explore taken-for-granted assumptions and ideologies that freeze the contemporary social order. What seems to be natural then becomes the target of “de-naturalization”: that is, the questioning and opening up of what has become seen as given, unproblematic and natural.

With regard to the difference between empirically existing moral concepts, on one hand, and justified ethical demands, on the other, the critical theory of what we call here “Habermas₁” offers a *philosophical conception* for ethically justified strategies. In contrast to an implementation of interests purely oriented towards power and economic profit, as expressed in the CSP models, critical theory proposes a form of coordination that is oriented toward mutual understanding and agreement: “the participants coordinate their plans of action consensually” (Habermas, 1990b: 58). Moral considerations are aligned with the intentions of the opponents and aim at producing a programme of action that can

be accepted by all together. It is therefore no longer a matter of a calculated implementation of interests that is oriented toward economic success, but of a serious attempt to look for forms of doing business that can be accepted by all concerned.

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

The “ideal discourse” as a philosophical principle to justify corporate strategy shows critical research a way to avoid the shortcomings of positivistic conceptions of CSR as well as the apparent relativism of postmodern approaches. At the same time, however, the suggestion of a form of corporate management that is “oriented towards understanding” does not appear to have been completely thought through. Just as CSP models and the power structures resulting from them are accepted without question, so the fate of the business firm is entrusted to an *unlimited stakeholder discourse* in the critical strategy conception. Phillips (2003: 112) has drawn this consequence: “While difficult in practice, the implication is that managing for stakeholders would entail duplicating as far as possible the conditions of the ideal speech situation.” However, it seems naive to assume that all coordination problems in the context of economic activities can be solved in processes of argumentation that are oriented toward mutual understanding and agreement. How, in the complex and dynamic conditions of market economies, can a concept of business management based exclusively on mutual understanding be realized without losing the company's ability to act and without risking its survival in a competitive environment?

As long as the suggestions of critical strategy exclude the historical conditions of the market economy and the necessity of making a profit and remaining competitive, they will be accused of providing a more *utopian* than realistic orientation for corporate behaviour (Steinmann & Scherer, 2000; for political theory, see Elster, 1986). This objection because of utopianism can be supplemented by the postmodern concern that any universal claim would lead to despotism and suppression of alternatives (Willmott, 2003).

It is therefore important to link the considerations of critical strategy research to the conditions of the market economy, thereby conceptualizing the bridge between facts and norms, between the financial success and the normative legitimacy of corporations. Why, and in what form, must companies be called upon to open their decision making to processes of public deliberation and public justification? As we will argue, a discursive corporate social responsibility has to move beyond the ethical discourse towards a politicized concept that builds upon the more recent Habermasian (1996) *primacy of democracy to philosophy*.

HABERMAS₂ AND THE EMBEDDED CORPORATION

As we have argued, Habermas₁ is rather limited in the context of discussions on conceptualizing ethical validity of business. “Habermas₂,” as we call it, offers a pragmatically enlarged and politically embedded access to corporate social responsibility. Habermas₂ builds upon Jürgen Habermas' attempt in the course of the 1990s to embed his discourse ethics in the political praxis of democratic will-formation. In his theory of deliberative democracy, he develops a more pragmatic approach to narrowing the gap between the *actual practice of political decision making* and the *theoretical purity of ethical discourses* (Habermas, 1996, 1998).

The concept of deliberative democracy starts with the assumption that “the public deliberation of free and equal citizens is the core of legitimate political decision making and self-government” (Bohman, 1998: 401). The state apparatus cannot produce its own legitimacy; it has to link its decision-making processes to the public discourses of citizens. Legitimacy arises from the "institutionalization of those discursive processes of opinion- and will-formation in which the sovereignty of the people assumes a binding character" (Habermas, 1996: 104). Accordingly, the idea of political legitimacy of business activities is not based on a stakeholder analysis referring to a given stake and the input of concrete actors. It instead refers to (Habermas, 1996) a) a general analysis of the *institutional design* of discursive arenas, b) the *procedural design* of public will-formation, and c) the analysis of those discourses that develop within those arenas of will-formation and are synthesized into “bundles of topically specified *public* opinions”, echoing the problems of the citizens (Habermas, 1996: 360). Spontaneously emerging civil society associations and movements that map, filter, amplify, bundle, and transmit private problems, needs, and values are the core actors in that process (cf. Habermas, 1996: 367). The theory of deliberative democracy delivers a proceduralized interpretation of civic participation. It stands between liberal and communitarian theories of democracy and tries to overcome the key problems of both schools of thought (Habermas, 1998); the responsibility overload of communitarian concepts of direct democracy (e.g., Etzioni, 1998) and the context-less, ahistorical, aggregative, and mainly elitist thinking of liberal theories (e.g., Buchanan & Tullock, 1962; Dahl, 1967).

As we will argue, the procedural interpretation of democratic legitimacy of the Habermas₂ model delivers a solid theoretical ground for conceptualizing CSR. This applies to the context of a globalizing world order, in particular.

The Corporation in a Transnational Context

In political theory, the civil society movements that are the key drivers of the Habermasian concept of proceduralized political legitimacy have been discussed as nongovernmental organizations (NGOs) (e.g., Boli & Thomas, 1999; Keck & Sikkink, 1998; Smith, Chatfield, & Pagnucco, 1997). The explosive growth of NGO activities (Wulfson, 2001) has been interpreted as a societal shift towards more civic autonomy and self-determination (cf. Habermas, 1996: 359 et seq.). The migration of political decision-making from political institutions to civil society actors has been described as "subpolitics" (Beck, 1992: 223), "globalization from below" (Beck, 2000: 68), and "paragovernmental activities" (Dryzek, 1999: 44). More and more of these activities manifest in a direct pressure of NGOs on corporations (Klein, Smith, & John, 2004). NGOs – at least partly – compensate for the shrinking power of the nation-state vis-à-vis transnationally operating corporations (Braithwaite & Drahos, 2000; Giddens, 1998; Habermas, 2001). These subpolitical activities are becoming more important with the growing willingness of individual and collective civil society actors to participate in anticorporate activities (Hertz, 2001; Matten & Crane, in press; Tapscott & Ticoll, 2003: 9). Those activities lead to a changing dynamic between state, economy, and civil society and cast doubt upon the effectiveness of traditional institutional order as established during the period of a stable industrial society (Matten & Crane, in press; Rondinelli, 2002; Spar & La Mure, 2003). The changing ontology of global governance manifests in a de-centering of authority and an emergence of political power for originally non-political and non-state actors such as NGOs, intergovernmental organizations, and transnational corporations (Maragia, 2002). As a consequence, corporate responsibility in a transnational context must be discussed against the background of emerging governance institutions and procedures beyond or

above the nation-state (Rondinelli, 2002; Zürn, 2002).

However, the debate on CSR has only started to deal with the challenges of transnational governance and the new authority of NGOs (Rondinelli, 2002; Spar & La Mure, 2003) and is still dominated by reflections upon the importance of normative conformity with implicit societal expectations and norms as established in the stable societal order of the industrial society's nation-state. It has been argued, for instance, that corporations have to align their activities with "broader community values" (Swanson 1999: 517) and that their responsibilities derive from societal expectations "at a given point in time" (Carroll, 1979: 500). They have to conform to "the basic rules of the society" (Friedman, 1970: 218) or must act consistently "with the moral foundations of that society" (Epstein & Votaw, 1978: 3). Against the background of the transnationalization of corporate activities, it is difficult to grasp the idea of conformity to some more or less implicit rules of some more or less contained social communities. On the global playing field, there are no broadly accepted normative standards, neither in legal nor in moral terms (Habermas, 2001; Huntington, 1998; Rawls, 1993; Steinmann & Scherer, 1998).

The legitimacy-ascribing environment of globally active corporations consists of a multiplicity of – often contradictory – legal and moral demands from a wide range of institutional and cultural environments in the different host countries (Young, 2004). Accordingly, questions of corporate responsibility face a much higher level of complexity than in the more homogeneous national context (Kostova & Zaheer, 1999). For a corporation to deal with changing societal demands in a reasonable way, it must replace implicit compliance with consensual societal norms and expectations with explicit participation in public processes of deliberation and justification. In our Habermas₂ approach, we consider this shift as the *politicization of the corporation*.

The Corporation as a Politicized Actor

As indicated above, the discussion on Habermas in the management literature, here labeled as Habermas₁, still has not embraced the pragmatic turn from discourse ethics to deliberative democracy (Habermas, 1996). However, we believe that deliberative democracy delivers a better starting point for a communicative interpretation of CSR than Habermas₁ because it lessens the problem of utopianism and furthermore takes the *direct praxis of life* as the methodological starting and reference point of theoretical efforts, thus advocating the *primacy of democracy to philosophy* (Habermas, 1996). What then prevails is not the purity of the philosophical argument but its link to the established context of democratic procedures and practices and the problems and interests of the citizens. A deliberative interpretation of CSR embeds corporate decision making in processes of democratic will-formation. These processes, driven by civil society actors and spanning over a broad field of public arenas, establish a *democratic control on the public use of corporate power* (Dryzek, 1999: 44; Matten & Crane, in press; Tapscott & Ticoll, 2003: 9). It has been argued in the literature, that NGOs suffer from the same legitimacy problems as corporations. They try to influence corporate and political decision making without being democratically legitimate representatives of the citizens (Rugman, 2000). This problem is mitigated, to a certain degree, by the multiplicity and diversity of civil society engagement. However, given the radicality and fundamentalism of some activists' positions, the danger of an undamped influence of some civil society actors on corporate decision making should not be underestimated. The oversimplified antagonistic opposition of the corporation as the "bad guy" representing economic interest and the NGO as the "good guy" representing moral interests does not give consideration to the fact that in the deliberative concept of CSR, discourse quality derives from the analysis of arguments, not

actors. It is not the quantity of NGO positions adopted by the corporation that leads to political embeddedness, but the willingness and capacity of the corporation to participate in the public process of exchanging arguments, its willingness to learn from those discourses, its engagement in solving broader societal challenges, and its accountability and transparency in any process of implementation.

We propose a deliberative concept of CSR that mirrors the discursive link between civil society and the state. It aims at the democratic integration of the corporate use of power, especially in the transnational context of incomplete legal and moral regulation. Our interpretation of CSR shifts the focus from analyzing corporate reaction to stakeholder pressure to an analysis of the corporation's role in the overarching processes of (national and transnational) public will-formation and their contribution to the public good (Swanson, 1999; Ulrich, 2002). Corporate responsibilities are analyzed as resulting from the corporation's embeddedness in a context of changing societal institutions (Dubbink, 2004), and the corporation is understood as a political actor (Matten, Crane, & Chapple, 2003).

As already described, mainstream management theory has understood political and economic responsibilities as descriptions of opposed domains. As Levitt and others argue, the role of business is to earn profits, and social responsibility is the task of the state (Levitt, 1970; see also Friedman, 1970; Jensen, 2002; Sundaram & Inkpen, 2004). However, the changing conditions of corporate responsibility in a transnational context do not appear only in theoretical debates. Anecdotal evidence shows that corporations already have started to assume enlarged responsibilities in their globally expanded business environment. They assume responsibilities that once were regarded as genuine governmental responsibilities (Walsh, Weber, & Margolis, 2003). They engage in public

health, education, social security, and protection of human rights while operating in countries with repressive regimes (Kinley & Tadaki, 2004; Matten & Crane, in press); address social ills such as AIDS, malnutrition, homelessness, and illiteracy (Margolis & Walsh, 2003); engage in self-regulation to fill global gaps in legal regulation and moral orientation (Leisinger, 2003; Scherer & Smid, 2000); and promote societal peace and stability (Fort & Schipani, 2004). Those activities go beyond the common understanding of stakeholder responsibility and CSR as conceptualized in the positivist tradition (see, critically, Crane, Matten, & Moon, 2004). Corporations do not simply follow powerful external expectations by complying with societal standards in legal and moral terms (e.g., Carroll, 1979); they engage in discourses that aim at *setting* or *redefining* those standards and expectations in a changing, globalizing world.

Corporate engagement goes beyond passive normative compliance and the philanthropic support of causes. It is increasingly displayed in corporate involvement in the political process of solving severe societal problems, often at a global scale. Illustrations of such corporate involvement include Merck's investment of more than \$200 million in its fight against river blindness, a disease that exclusively threatens the eyesight of poor people in 35 developing countries (Ciulla, 1999); Novartis' institutionalization of a broad, transparent, and ongoing public dialogue on the social responsibilities of a pharmaceutical company (Spar & La Mure, 2003); and Chiquita's willingness to expose its activities to independent audits and certifications (Werre, 2003). These may very well be examples of a slow transition from voluntary, patriarchal, business-driven, and casewise philanthropic acts to a long-term, politicized collaboration with governments and civil society actors. This transition may be enforced by an "argumentative self-entrapment," as some political scientists have suggested (Risse, 1999). Although many firms enter these processes with an

strategic attitude, they begin to acknowledge certain actors, stakes, and rules that they cannot reject at will later on (Zadek, 2004). Rather, to preserve consistency in behaviour, they increasingly contribute to an institutionalization of norms. A political understanding of CSR, therefore, no longer builds upon the established division of labor between economic and political actors (see, e.g., Levitt, 1970; Sundaram & Inkpen, 2004).

A deliberative approach to CSR does more than transcend some main assumptions of the positivist approach. Habermas₂ even goes beyond critical strategy research, which, though it criticizes the status quo of business in society, does not embed its criticism in an alternative vision of democracy (e.g., Alvesson & Willmott, 1995; Phillips, 2003). T. Donaldson's and Dunfee's (1994, 1999) hypernorms, Freeman's (2002) adoption of Rawls' veil of ignorance, and even a mainly ethical interpretation of discourse theory (Habermas₁) as displayed by Alvesson et al. and others remain abstract and utopian philosophical thought experiments.

In comparison with those concepts, a normative link of corporate decision making to civil society discourses offers a contextually thick view from the praxis of life instead of an abstract "view from nowhere" (T. Donaldson & Dunfee, 1999: 14) based on a thought experiment or philosophical reasoning (see also Putnam, 1992; Rorty, 1991). If there is no prima facie salience of some stakeholder demands over others (T. Donaldson & Preston, 1995), and if normative conflicts no longer can be solved by referring to a shared background of values and traditions, communication becomes the sole source of peaceful interaction and mutual recognition (Habermas, 2001: 74), and the analysis of those public fields of democratic discourse in which stakeholder dialogues are embedded becomes "the focal point of research" in the future discussion on CSR (Walsh et al., 2003: 878).

Habermas₂ is not just a variant of stakeholder theory because it shifts the debate

from casewise analysis of concrete stakeholder conflicts to a broader analysis of a corporation's connectedness to public discourses and its ongoing cooperation with the broad field of national and transnational organizations and institutions. Such a deliberative understanding of political engagement as outlined here is far from the interest group approach to politics (lobbyism), which has been the established practice of corporations attempting to influence political decisions. Deliberation is based on the transparency of public discourse, and lobbyism is based on the conspiracy of backdoor bargaining (de Jonquières, 1998; Rondinelli, 2002). A mere symbolic intervention (e.g., through a PR campaign) or strategic intervention (e.g., through lobbyism; see, e.g., Shell, 2004) in the arena of public will-formation does not meet the normative demands of a deliberating public. On the contrary: Symbolic responses to external criticism literally aim at avoiding any open dialogue (Ashforth & Gibbs, 1990).

The Limits of Political CSR

Despite the politicization of corporations' societal role, a deliberative concept of CSR protects them from being overburdened by political demands. In the changing dynamic between civil society, the state, and corporations, the social responsibility of a corporation is not expressed by a radical democratization of its decision-making processes, as insinuated in the discussion on Habermas₁ (Alvesson & Willmott, 1995, 2003; Phillips, 2003). It is not necessary to solve every single coordination problem through an unlimited democratic discourse. The deliberative concept instead follows the *principled priority of systemic routine* as advocated by Habermas (cf. Habermas, 1996: 358). Civil society actors should not assume the role of the state or that of the corporation but rather limit their engagement to controlling the political and economic systems, which follow their own

power- or market-logic. "Communicative power is exercised in the manner of a siege ... without intending to conquer the system itself" (Habermas, 1996: 486 et seq.). The day-to-day priority of administrative routine is justified by the complexity of modern society (cf. Cohen & Arato, 1994: 439), even though administrative routine must remain open to critical deliberation in principle. Administrative routine of the political system corresponds to the routine of market transactions in the economic system. In our view, there are no convincing arguments for submitting economic activities to higher ethical standards than those of the political system itself. If one reconstructs the conditions of the market economy and the resulting challenge to earn a profit, the historical development of advanced market economies shows that these conditions do not appear by chance but are a reasonable answer to the fundamental societal-political question of how interests and actions of all individuals and groups can be related to each other in an economic system, so that a stable and peaceful coordination can be permanently realized (Brennan & Buchanan, 1985; Buchanan, 1975; Hayek, 1945, 1973). This does not exclude the possibility of alternative coordination systems at the macro level of society, systems we do not know yet; thus, we do not advocate the "end of history," as was suggested by social theorists after the collapse of communist regimes (Fukuyama, 1992). As far as we know today, the market economy enables a more efficient solution of coordination problems than is possible in a completely discursive coordination of interests. However, the routine of corporate decision-making is cancelled by a public discourse on the legitimacy of a given issue. A public discourse is generated by civil society actors who push a given issue into public awareness or by a proactive debate-opening by the corporation itself. Discourses are propelled by, for example, gaps of regulation, the rise of new actors, new insights, and new practices (Maragia, 2002).

Three Domains of Political Responsibility

Political co-responsibility as understood in a deliberative concept of CSR unfolds in three domains: 1) self-regulation (Crane et al., 2004), 2) transparent participation in political decision making (Rondinelli, 2002), and 3) infrastructural investments in the common good (Porter & Kramer, 2002). We assume that such a deliberative and collaborative approach helps to preempt potential conflicts between a corporation and its societal environment, thus reducing the salience of stakeholder confrontations (Werre, 2003). Indeed, stakeholder conflicts do not vanish, but we expect that the practice of political co-responsibility leads to an improved contextual sensitivity of the embedded corporation in comparison with those "just-in-time tactical responses" (Schrage, 2004: 20) that might result from a merely instrumental approach to CSR. As Fung (2003: 61) argues, "Deliberative engagement of this sort will not silence the most strident or skeptical advocates, but it will differentiate firms that are responsive and proactive from the ones that are defensive or that fail to adopt workplace conditions as a priority".

A deliberative concept of CSR changes the modus of responsibility from the reactive model of the positivist approach to a proactive concept of societal involvement. The corporation, within the network of civil society communication, does not replace the idea of stakeholder management but enhances it and frames it in an ongoing process of observing and participating in the discourses of civil society actors.

Proactive corporate engagement in the described three domains of political CSR unfolds in two ways, either by agenda-setting or by arena-setting. Corporate citizens engage in *agenda-setting* when they proactively start a public discourse on responsibility issues without being under the pressure of peers, NGOs, customers, or mass media (Spar & La Mure, 2003). Corporate citizens engage in *arena-setting* when they open a discursive

platform or support it with money or expertise. The Novartis Foundation for Sustainable Development, for instance, has created an international symposium on the private sector's role in the human rights debate. The results are circulated to a global audience, thus linking the symposium to ongoing debates in other arenas of civil society discourse on human rights (Amis, Leisinger, & Schmitt, 2004).

Political co-responsibility embeds the corporation in its rapidly changing and globalizing societal context. Habermas₂ proposes a deliberate conception of CSR in which different forms of coordination – ethical discourse and bargaining as well as instrumental politics – are integrated within a grand model of the peaceful stabilization of society. The driving force towards societal integration, therefore, is not so much the realization of an ideal speech situation on the micro level of actual discourses, but instead the structural and cultural conditions of communication at the macro level of society. In table 1 we briefly characterize the Habermas₂ conception of CSR in comparison with the approaches reviewed above.

[insert table 1 around here]

CONCLUSION AND PROSPECTS FOR FUTURE RESEARCH

Is the proposal advanced here grounded solidly? How can this concept of a political responsibility of the corporation ever be realized? Isn't the idea of a politically embedded CSR, in the final analysis, as unrealistic and utopic as the concept of the ideal speech situation is assumed to be, and thus incapable of implementation? We will address these questions in turn. We are convinced that the proposed Habermas₂ version of corporate responsibility is a timely and valuable contribution to our field, although a lot of work lies ahead in further clarifying its implications and strengthening its impact. However,

evidence from managerial practice and theoretical discourse in other disciplines such as political philosophy, political science, legal studies, and organization theory shows that our proposals fit nicely into contemporary visions of the role of business in society.

Is the concept of deliberate democracy solidly grounded? The deliberate conception of democracy, as it is proposed by Habermas, fits into recent discussions on the foundation of liberal democracy. Students of *political philosophy* have argued – and proponents of postmodern philosophy will agree – that in a world of different cultures and values, a philosophical foundation of first principles of social life is an unnecessary and futile attempt (Habermas, 2003; Putnam, 1992; Rorty, 1991; this is even conceded by the later Rawls, 1993). There are no final theoretical proofs, no ultimate reference point, and thus no hypernorms on which our institutions of liberal democracy could be grounded. Rather than searching for the archimedes' starting point, pragmatist philosophy suggests to start *within* the practices and institutions of our social life (Dewey, 1926; Putnam, 1992; Rorty, 1991), to consider the achievements of our institutions of capitalism and democracy, and from there to work for their continuous reform. Therefore, they advocate a “priority of democracy to philosophy” (Rorty, 1991). Habermas' recent contribution to political philosophy can be placed into this tradition and, as far as we can see, his proposals are well received in the American discussion of political philosophy (see, e.g., Bohman & Rehg, 1997; Dryzek, 1999; Gutman & Thompson, 1996, 2004).

Does the concept of politically CSR fit into the realities of today's international relations? In the *political sciences* and in *international relations*, students have discussed the significance of private-public-policy networks in the regulation of global issues (e.g., Reinicke & Deng, 2000). Rather than focusing on state actors and international institutions such as the UN, ILO, and WTO alone, political scientists have now acknowledged the role

that private business firms play in global governance (Risse, 2002). This acknowledgment is accompanied by recent developments in the theory of democracy (e.g., Held, 2004). Fung, for instance, has argued that transnational challenges such as the quality of labor standards should be dealt with in a process of decentralized deliberation involving NGOs, international institutions, companies, workers, and consumers (Fung, 2003; see also Young, 2004). This proposal is accompanied by a growing awareness of the role of discursive interaction in the institutionalization of international norms (Risse, 1999).

Our proposal also fits into recent developments in *legal studies*, where scholars have become aware of the contributions that non-state actors could make to the process of legalization – that is, the process of pushing norms and institutions towards the rule of law (see, e.g., Goldstein et al. 2000). Researchers have emphasized the important contributions that private business firms can make to the further development of human rights (Kinley & Tadaki, 2004; Orentlicher & Gelatt, 1993) or the preservation of peace (Dunfee & Fort, 2003; Fort & Schipani, 2004). Even though, in many places of the world, state agencies and international institutions fail to take care of these issues, private business firms can contribute to their clarification and further institutionalization by agenda- and arena-setting and by creating spaces for social and legal development. This also applies to other concerns, such as environmental issues, social issues, and labor standards. Business firms engage in processes of regulation by “soft law” in instances where state agencies are unable or unwilling to regulate (see, e.g., Shelton, 2000). In legal studies, therefore, a new concept of regulation is being discussed that places private actors in a prominent role, not just as the addressees of public rules but as their authors (C. Parker & Braithwaite, 2003). As business firms engage in politics, a problem of legitimacy arises (Orts, 1995). Business firms have a licence to operate as economic actors. In their political role, they are neither

elected nor democratically controlled by the public. Here, the deliberative concept of CSR can enhance the legitimacy and credibility of corporate action because it becomes subject “to the scrutiny of open public debate, review, and determination” (Fung, 2003: 52).

However, for the operability of our concept, two problems must be clarified at the interface of management and political theory: the depth and breadth of “political responsibility” on the one hand and the role of national and transnational political institutions on the other. As for the latter, a deliberative concept of corporate responsibility demands a reconceptualization of the responsibilities of national and transnational political institutions (e.g. United Nations, ILO). The quality of public deliberation can be enhanced through public authorities that guarantee the transparency of discourses, the monitoring and enforcement of corporate compliance, the comparability of information and standards, and the access of less powerful actors to deliberation (e.g., of workers in the discourse on labor standards) (Fung, 2003; Kinley & Tadaki, 2004). As for the depth and breadth of “political responsibility”, the sweatshop debate has shown that the traditional understanding of responsibility, based on a liability model, no longer suffices (Young, 2004). It seems as though responsibility goes much deeper into corporate operations. Companies that often reacted to external critique by pointing at the legal independence of their suppliers have started to act upon a concept of responsibility that instead refers to the consequences of their structural connectedness and covers the whole supply chain (Roberts, 2003; Young, 2004). Young (2004: 375) argues both that a political concept of responsibilities holds actors “responsible precisely for things they themselves have *not* done” and that assuming political responsibility means joining public discourses. Although concepts such as structural connectedness, supply chain power, and brand visibility might help in understanding the emerging depth of corporate responsibility, the question of the

required breadth seems more difficult to answer. Corporations cannot be held accountable for all miseries in the world. Therefore, future research has to develop reliable methods for defining the limits of responsibility. Those criteria must help to avoid both undue burdens of CSR and, conversely, underperformance of corporate actors. Those criteria might refer to corporate expertise, geographic presence, relationship, financial potentials, cause urgency, employee involvement, and core operations (e.g., Santos, 2000; Williams, 2004).

How can the political conception of CSR be implemented? Recent developments in *organization theory* give way to a new concept of organizing that fits nicely within the demands of a politically embedded CSR. In past decades, the bureaucratic model of the organization has been challenged. This model was based on a monological form of coordination in which the leader or formal rules determine what subordinates must do. Instead, alternative models were proposed, such as the high-involvement organization (Lawler, 1992), self-organization (Daft & Lewin, 1993), team-based organization (Mohrman, Cohen, & Mohrman, 1995), and postmodern organization (Alvarado, 1996; Clegg, 1990; Hatch, 1997). These proposals have in common an emphasis on the *communicative character of organizing* (Quinn, 1996). The solution to a coordination problem is neither determined by the leader (through a monological act) nor deduced from organizational rules (plans and programs). Instead, problems are solved through a *joint effort* of the organizational members, by making suggestions, putting forward arguments and counterarguments, and commonly determining the best solution (Pfeffer, 1994; Quinn, 1996; Simons, 1995). Although many of these proposals aim at the improvement of economic performance, they are at the same time appropriate for the organizational implementation of political CSR (Steinmann & Kustermann, 1998). They can enhance democratic control over corporate action (see, e.g., Driver & Thompson, 2002; C. Parker,

2002). As Fung (2003) has pointed out, a continuous deliberative engagement of business firms with civil society has participation, transparency, and symmetric communication as its main characteristics. In contemporary organization theory, these characteristics are instrumental for economic success, but Fung (2003: 52 et seq.) suggests that deliberative organizations also can “educate citizens, improve policy, and increase legitimacy”.

In the field of *business and society*, there is a rising awareness of normative issues as scholars express their discontent with contemporary positivist theorizing in CSR (T. Donaldson, 2003; Margolis & Walsh, 2003). However, in a globalized world of different cultures and worldviews, a theoretical or philosophical foundation of universal normative principles from which practical guidelines for business conduct could be deduced is not possible. At the same time, students of CSR (Matten & Crane, in press) observe a rising engagement of business firms in the administration of civil rights; companies behave as “corporate citizens” and take a role that falls completely outside their business role and is difficult to explain with an economic theory of the firm. Although these considerations are descriptive in their focus, they need to be embedded in a new concept of the business firm as an economic *and* a political actor in market societies. Our proposal of a political CSR is an attempt to contribute a normative theory to this discussion.

Finally, as we have described above, business firms already engage in the process of deliberatively developing public rules, and they acknowledge political responsibilities within the global business game. Rather than engage in arbitrage regarding differences in legal systems or public enforcement mechanisms, business firms set their own standards of conduct and take part in processes of problem specification and solution together with various groups in civil society. Therefore, our proposed concept of Habermasian CSR is not so much utopian but instead an explanation of what already is emerging in practice.

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

Table 1: Comparison of CSR schools of thought

