

**The New Political Role of Business in a Globalized World –
A Paradigm Shift in CSR and its Implications for the Firm,
Governance, and Democracy**

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Work in progress

Second draft, March 27, 2009

paper to be presented at the Wharton School, University of Pennsylvania

April 16, 2009

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Abstract: Students of management and economics widely share the assumption that business firms focus on profits only, while it is the task of the state system to provide public goods. In particular, it is the state's mandate to regulate the economy in such a way that business activities contribute to the common good. In this view business firms are conceived of as private actors, and governments and their state agencies are considered the only political actors. We are suggesting that, under the conditions of globalization, the strict division of labor between private business and nation state governance does not hold any more. Many business firms have started to assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance. Therefore, there is a need for a paradigm shift in research on the role of business in society. Our review of the literature shows that there are already viable and growing schools of thought that contribute to such an alternative view. We consider the implications of the emerging paradigm of political CSR for theorizing about the firm, corporate and global governance, and democracy.

Key words: Corporate Social Responsibility, Democracy, Globalization, Theory of the Firm.

INTRODUCTION:

ENLARGED POLITICAL RESPONSIBILITIES OF BUSINESS FIRMS

During the past decade business firms have started to engage in activities that have traditionally been regarded as genuine governmental activities (Margolis and Walsh, 2003; Matten and Crane, 2005). This is especially true for transnational corporations (TNC). They engage in public health, education, social security, and protection of human rights while often operating in countries with failed state agencies (Kinley and Tadaki, 2004; Matten and Crane, 2005); address social ills such as AIDS, malnutrition, homelessness, and illiteracy (Margolis and Walsh, 2003; Rosen et al., 2003); define ethics codes (e.g., Cragg, 2005a) and engage in self-regulation to fill global gaps in legal regulation and moral orientation (Scherer and Smid, 2000); and promote societal peace and stability (Fort and Schipani, 2004).

Many economists view these activities with suspicion (e.g., Henderson, 2001) because these initiatives do not correspond to the common understanding of the economic role of business in society, as it is assumed in the theory of the firm (Jensen, 2002; Sundaram and Inkpen, 2004). The aforementioned behavior of business firms even goes beyond the widespread understanding of corporate social responsibility (CSR) as a compliance with societal expectations (Strand, 1983), as it was conceptualized in the management literature (Carroll, 1991; Whetton et al., 2002). These activities of businesses rather demonstrate a growing involvement of corporations in global business regulation and in the production of global public goods (Braithwaite and Drahos, 2000; Kaul et al., 2003).

In the past decade many business firms have contributed to social and environmental initiatives or have followed the UN Global Compact's call to engage in self-regulation in order to fill the regulatory vacuum that has emerged as a result of the process of globalization (www.unglobalcompact.org). Matten and Crane (2005) suggest that in the course of this process

some business firms have even begun to assume a state-like role. Both these authors have realized that many companies fulfill the functions of protecting, enabling and implementing citizenship rights, which have originally been considered the sole responsibility of the state and its agencies (Marshall, 1965). Matten and Crane (2005) hold that these corporate activities often occur in cases where the state system fails, i.e. when the state withdraws or has to withdraw, when the state has not yet implemented basic citizenship rights, or when it is principally unable to do so (as is the case, e.g., in some developing countries). As a consequence some authors conclude that business firms have become important political actors in the global society (Matten and Crane, 2005; Scherer and Palazzo, 2007; Scherer et al., 2006).

On the global level, neither nation states nor international institutions alone are able to sufficiently regulate the global economy and to provide global public goods (Kaul et al., 2003). Rather global governance, seen as the process of defining and implementing global rules and providing global public goods, is a poly-centric and multi-lateral process to which governments, international institutions, civil society groups, NGOs, and business firms contribute knowledge and resources (Braithwaite and Drahos, 2000; Reinicke and Deng, 2000). Unlike national governance with its power monopoly and the capacity to enforce regulations upon private actors within the national territory, global governance rests on voluntary contributions and weak or even absent enforcement mechanisms.

We hold that current theorizing on the business firm in economics and corporate social responsibility (CSR)¹ literature has not yet sufficiently integrated this new political role of business. Instead, many conceptions of CSR are based on a strict separation of political and economic domains (Sundaram and Inkpen, 2004) and a purely instrumental view of corporate politics (e.g.

¹ In our paper we use the term “corporate social responsibility (CSR)” as an umbrella term for the debate on the role of business in society. In the literature there are various concepts that we consider part of the CSR field: e.g., business ethics, business & society, corporate accountability, corporate citizenship, corporate sustainability, critical management studies, stakeholder theory etc.

Baron, 2003; Hillman et al., 2003). We therefore point to recent developments in disciplines such as political theory, international relations, legal studies, and some unorthodox branches of CSR where the political role of private actors has come into focus. Our aim is to review these developments and to describe the characteristics of the emerging new paradigm of political CSR. Political CSR goes beyond the instrumental view on politics, addresses the growing contributions of business firms to global governance and public goods, and emphasizes the role of corporate legitimacy and communication. These insights may enrich the theory of the firm with a more balanced view on political and economic responsibilities.

This review paper is organized as follows: First we point out the challenges of the post-national constellation and its implications for the current behavior of global business firms. Next we discuss the limitations of theorizing on the role of business in society and identify the assumptions of what we name the apolitical approach to CSR. In the second half we review recent literature on the role of private actors in global governance and discuss its implications for business firms. We suggest that these developments indicate an emerging paradigm shift of CSR which we describe with the help of five dimensions (governance model, role of law, scope of corporate responsibility, source of corporate legitimacy, and the role of democracy). Finally, we briefly address some challenges for future empirical and conceptual research in management and spell out the implications for the theory of the firm, corporate and global governance, and democracy.

GLOBALIZATION, THE POSTNATIONAL CONSTELLATION, AND THE NEW CHALLENGES FOR CORPORATE SOCIAL RESPONSIBILITY

Globalization can be defined as a process of intensification of cross-border social interactions due to declining costs of connecting distant locations by communication and the transfer of capital, goods, and people. This process leads to growing transnational interdependence of economic and

social actors, an increase in opportunities and risks, and in intensified competition (Beck, 2000; Giddens, 1990; Scherer and Palazzo, 2008). Globalization is accelerated by factors such as political decisions (reduction of barriers for trade, FDI, capital, and services; privatization and deregulation policies), political upheaval (e.g. fall of the iron curtain), technological advancements (communication, media, transportation), and socio-political developments (migrations, spread of knowledge, creation of new identities) (Scholte, 2005; Cohen and Kennedy, 2000).

In the course of the globalization process the westphalian world order is shaken so that students of political sciences now speak of a post-westphalian order or “post-national constellation” (Habermas, 2001). The westphalian order mainly rests on the steering capacity of state authorities of sovereign countries with monopoly of power on their territory and more or less homogeneous national cultures that lead to a stabilization of social roles and expectations within coherent communities.² In the *post-national constellation* both these conditions are changed (Habermas, 2001).³ (1) The nation state is losing its regulatory power because many social and economic interactions are expanding beyond the reach of territorially bound jurisdiction and enforcement. In many policy areas nation state agencies increasingly fail in providing public goods or in resolving externality problems that have transnational causes and effects (Beck, 2000; Strange, 1996; Zürn, 2002). (2) Due to the erosion of tradition, the emergence of new identities, the spread of individualism, and the displacement and migration of people of different origins, the homogeneity of national cultures is gradually replaced by new multi-cultural communities with a pluralism of heterogeneous values and life-styles. Traditional values, attitudes and social practices that once were taken for granted are losing their certainty. As a consequence the corpo-

² This applies to nations grounded in the common history, culture, and language of the people that are inherited from generation to generation without a defining starting point (such as France or Germany). In other cases the national identity is not primarily grounded in common history and language but in a strong sense of community and solidarity in face of a common opponent and is expressed in a decisive act of the founding fathers that often materializes in a document such as the declaration of independence of the US or the *Bundesbrief* of Switzerland.

³ In our paper we use the Habermasian concept of the post-national constellation as he puts more emphasis on the role of cultural heterogeneity than is normally the case in the discussion of Post-Westphalian order.

rate environment consists of a pluralism of cultures and values and a growing heterogeneity of social expectations.

The decline in nation state capacity is partly compensated by the emergence of new forms of global governance above and beyond the state. International organizations, civil society groups, and private businesses, in cooperation with state agencies or without their support, have started to voluntarily contribute expertise and resources to fill gaps in global regulation and to resolve global public goods problems (Braithwaite and Drahos, 2000). At the same time, NGOs that once were focused on pressing governments have begun to target business firms to make them more responsive to social and environmental concerns (den Hond and de Bakker, 2007; Doh and Guay, 2006).

The post-national constellation leads to increased challenges for businesses operating in a global environment and has far reaching implications for theorizing on CSR. Business firms operate under conditions of increased competition as the protecting shield of closed borders has faded and state monopolies have been displaced by liberalized and deregulated markets. Many corporations are under pressure to cut costs and increase profitability as their investors demand higher returns. At the same time business firms have new opportunities of earning money by entering new markets or cutting costs by splitting up their value chain and shifting activities to low cost locations. They operate in increasingly complex environments with heterogeneous legal and social demands so that it is not clear from the outset which activities can be considered as legitimate and which are not acceptable. Some operations are shifted to offshore locations beyond the reach and enforcement mechanisms of the democratic rule of law state. These conditions may lead to new opportunities and cost advantages but at the same time to more risks when companies are involved in environmental damages or are complicit in human and labor rights abuses. Issues that once were covered by nation state governance now fall under the discretion and responsibil-

ity of corporate managers. In order to react to NGO pressure, to close gaps in regulation, and to reduce complexity, many business firms have started to compensate the deficiencies in national governance by voluntarily contributing to self-regulation and by producing public goods. In the following section we will argue that the apolitical paradigm of CSR is not well prepared to respond to these changes.

THE RESPONSIBILITY OF BUSINESS TO SOCIETY:

PREMISES OF THE APOLITICAL APPROACH TO CSR

A key driver of the expanding CSR activities of corporations seems to lie in the erosion of the division of labor between business and government and the growing pressure of civil society actors. The examples of corporate political engagement mentioned in the introduction illustrate the changing modus of global governance, which is manifest in a de-centering of authority and an emergence of political power and authority for originally non-political and non-state actors such as NGOs, intergovernmental organizations, and transnational corporations (Beck, 2000; Risse, 2002; Zürn, 2002). Therefore, Walsh, Weber, and Margolis (2003, p. 878) suggest that the “relationship between the organization, the state, and those who are significantly affected by the transferred responsibility, becomes the focal point of research.” However, the CSR field has only begun to take these consequences of globalization into consideration and still builds on the containment power of the nation-state: “companies could take their cues for publicly desired social action by adhering to the nation’s laws, public policies, and government regulation, rather than relying on the social conscience of the firm’s executive managers” (Frederick, 1998, p. 55).

The literature on corporate social responsibility (CSR) is very diverse and there is no consensus on the precise definition of CSR. However, a number of key characteristics in the mainstream approaches can be identified. Some scholars have analyzed the literature in the CSR field

and conclude that the economic approach to CSR is very influential and a significant part of the current debate on CSR fits into the neoclassic theory of the firm (Margolis and Walsh, 2003; Walsh, 2005; Vogel, 2005). This is also apparent in the recent review papers: Windsor (2006) has identified two out of the three “key approaches” to CSR that maintain an economic and instrumentalist logic. These are economic responsibility theories that emphasize fiduciary responsibility of managers to firm owners, minimalist public policy and customary ethics, and theories on instrumental corporate citizenship that analyze how business firms make strategic use of corporate philanthropy in order to enhance reputation and market opportunities. Likewise, Garriga and Melé (2004, p. 53) divide the field in four groups of theories, emphasizing the “wide acceptance” of instrumental theories. And Scherer and Palazzo (2007) recently distinguish between five different schools of thought, revealing the underlying economic and instrumental logic of the dominant positivist approach to CSR.

The *economic view of CSR* is based on three premises (1) there is a clear separation of business and politics (Friedman, 1962), (2) corporations have to maximize their profits and managers have fiduciary responsibilities to the shareholders (Sundaram and Inkpen, 2004), and (3) societal responsibilities might only be assumed if they advance the long term value of the firm (McWilliams and Siegel, 2001; Mackey, Mackey, and Barney 2007). As a consequence, many economists would not reject social responsible behavior in principle, but they would rather assess the value creating contribution of CSR activities (see, e.g., McWilliams, Siegel, and Wright, 2006). Jensen (2002: 235) has called this strategy an “enlightened value maximization”. Though often not explicitly stated, many students of CSR implicitly work on these assumptions thus developing an *instrumentalist view of CSR* (see, e.g., Jones, 1995) while intensively searching for the “business case” of CSR. More than one hundred empirical surveys on the contribution of corporate social performance to corporate financial performance are a clear expression of this under-

lying premise of CSR research (for critical reviews see Margolis and Walsh, 2001, 2003, Vogel, 2005; Walsh et al. 2003). And even the widely discussed stakeholder approach to CSR contributes to instrumentalist thinking. As Mitchell, Agle, and Wood (1997) reveal the various corporate stakeholders are considered in decision making only in as much as they are powerful and able to influence the profit of the corporation. The general theme of the 2008 Academy of Management annual conference “doing well by doing good” is further evidence of this deeply embedded instrumentalist ideology in management research.

Thus, concerning the strict separation of private and public domains, economists maintain that managers of corporations should maximize shareholder value (Jensen, 2002; Sundaram and Inkpen, 2004) while leaving the responsibility for externalities, social miseries, environmental protection, and the production of public goods to the state system (see, e.g., Friedman, 1962). Sundaram and Inkpen (2004: 353) suggest that stakeholders other than shareholders “have protection (or can seek remedies) through contracts and the legal system.” Both authors assume that the state and the juridical system is more or less properly working and is capable of taking care of the legitimate concerns of the various stakeholders so that there is no need for the business firm to bear any additional responsibility beyond legal requirements.

This model for the integration of business and society may work well in a world where the state institutions are actually able to predict problems and conflicts in society, to formulate regulations *ex ante* and to enforce these rules through the legal and administrative system. However, because of the complexity and variability of conditions in modern society, and the imperfections within the state apparatus, the juridical and enforcement system may not be sufficient (Eisenberg, 1992; Parker and Braithwaite, 2003; Stone, 1975). This is even more obvious in the era of globalization, when the ability of the nation-state system to regulate business activities, to provide public goods, and to avoid or compensate externalities is diminishing (Beck, 2000; Habermas, 2001;

Strange, 1996). In the global arena, business firms are not so much private institutions that operate under the rules of a particular legal system. Instead, multinational corporations today are able to choose among various legal systems, applying economic criteria to their choice of which set of labor, social, and environmental regulations they will operate under (Roach, 2005; Scherer and Palazzo, 2007; Scherer et al., 2006): “MNCs are in a position to effectively escape local jurisdictions by playing one legal system against the other, by taking advantage of local systems ill-adapted for effective corporate regulation, and by moving production sites and steering financial investments to places where local laws are most hospitable to them.” (Shamir, 2004: 637). In turn, national governments may try to lure or hold businesses by offering subsidies, tax holidays, infrastructural investments, and cutbacks on regulations. This emerging competition of locations and jurisdictions may even lead to a “downward spiral” in social and environmental conditions of global governance (Avi-Yonah, 2000; Roach, 2005; Scherer and Smid, 2000).

However, as the recent analyses have shown (Scherer and Palazzo, 2007; Walsh, 2005; Windsor, 2006), also normative approaches to CSR such as the philosophically inspired *business ethics* literature and the *normative stakeholder approach* have problems dealing with the post-national constellation and tackling corporate political activities.⁴ The reason, on the one hand, is the growing pluralism of values, norms, and lifestyles in the post-national constellation and the apparent problems of philosophy to formulate and justify a set of universal values or rules. These kinds of foundational endeavors have not only come under the attack of postmodernists who celebrate the “end of the grand narrative” (Lyotard, 1984), point to the historically and cultural contingent roots of philosophical conceptions, and reject any universalist approach in order to protect historically emergent local rationalities. Rather it has become widely accepted in philosophical discourse that a purely philosophical justification of universal values and norms is not pos-

⁴ See, e.g., the “ethical responsibility theory” of CSR and the “ideal citizenship” conception in Windsor’s (2006) review or in the “ethical theories” and “integrative theories” in Garriga and Melé’s (2004) review paper.

sible (Rorty, 1985). Commenting on their comprehensive collection of contemporary philosophers Baynes, Bohman, and McCarthy (1986, p. 7) maintain that “[n]one claims self-certifying necessity for philosophical insight.” And even business ethicists such as Donaldson and Dunfee (1999) conclude that the philosophical search for universal rules may be futile as there is no “view from nowhere” from which an a-historical and a-cultural ethical conception could be justified.

On the other hand, normative stakeholder theory deals with the various moral claims of stakeholders towards corporations and attempts to answer the questions of why and how these external demands might be included in managerial processes of corporate decision-making (Trevino and Weaver, 1994). Again, here the problem remains how the firm should set priorities given the contradictory demands of diverse stakeholders. Mitchell, Agle and Wood (1997) suggest power, urgency and legitimacy of demands as key factors. In their descriptive analysis they show that power is the dominating factor (Agle et al., 1999). However, this is a purely descriptive view and is not sufficient to resolve the legitimacy problems involved in global business. By contrast, a focus on legitimacy still leaves the question of how legitimacy can be normatively accessed when no universal criteria of ethical behavior are available in a post-modern world.

The described CSR activities of business firms point in another direction. Rather than including various stakeholders into the corporate decision making process, these activities represent a corporate move into the political processes of public policy making through the creation of and the collaboration with global institutions of political governance (Scherer and Palazzo, 2007). Both private and governmental actors contribute to these global institutions that are understood as

“enduring sets of rules, norms, and decision making procedures that shape the expectations, interests, and behaviour of actors” (Goldstein et al., 2000, p. 3). It does not come as a surprise that, in his analysis, Walsh (2005) concludes that the United Nations Global Compact call for help in solving social and environmental challenges (see, e.g., Williams, 2004) points far beyond the dominating discourse in the CSR field.

TOWARD A NEW PARADIGM OF CSR FOR THE GLOBAL ECONOMY

We suggest that, in order to respond to the globalization phenomenon and the emerging post-national constellation, we have to acknowledge a new political role of business that goes beyond the mere compliance with legal standards and conformity with moral rules. “Economic globalization creates challenges for political steering which exceed the capabilities of any single state. It has produced a growing need (and claim) to make use of the problem-solving potential of non-state actors in order to master these challenges more effectively” (Wolf, 2008, p. 255). The borders between political and economic activities are blurring and, as argued, some corporations have already started to operate with a politically enlarged concept of responsibility by dealing with social challenges that were previously regarded as falling into the sphere of state responsibility. Rather than simply adapting to these social expectations, they engage in political dialogues that aim at setting and resetting the standards of legitimate business behavior. Other companies, however, pushed by their profit seeking ambitions have taken any measure to cut costs or to enhance earnings, often at the expense of their social and natural environment thus revealing the negative side of global business. As a consequence, the current picture of corporate engagement in political and social issues is ambiguous.

However, the theoretical landscape of the orthodox CSR field and the theory of the firm are not yet ready to adequately respond to these new challenges. The faster societal change, the

more difficult it becomes to understand new phenomena through the lenses of established patterns of world perception. New problems and traditional solutions do no longer fit. We propose that the post-national constellation propels a paradigm shift for the academic work on CSR. Building on the above analysis, we see the following interconnected institutional, procedural and philosophical themes emerging on the CSR research agenda:

1. *The emerging global institutional context for CSR: From national to global governance:*
As we have seen from the review above, domestic concepts of CSR build on the power of governments to create efficient regulatory frameworks. The post-national constellation is characterized by a loss of regulatory impact of national governments on multinational corporations. New risks for society result from this power shift and new forms of (global) governance have been developed to adequately deal with those risks. Research on CSR has to take account of these new mechanisms of governance with public, private, and civil society actors involved.
2. *CSR as self regulation: From hard to soft law:* These new forms of governance do not only establish a new institutional context with private actors in a regulatory role, it also produces a different form of regulation that operates without a governmental power to enforce rules and to sanction deviant behavior (Shelton, 2000). Unlike “hard law”, soft law mechanisms rely on self-regulation, voluntary compliance to informal, often ill-defined rules, and delegation of monitoring to non-state-actors as key characteristics (Abbott et al., 2000). We propose that an adequate concept of political CSR has to integrate both soft law and hard law mechanisms.
3. *The expanding scope of CSR: From liability to social connectedness:* The erosion of the national regulatory context becomes visible when corporations are criticized for abusing their growing power or for benefiting from their operations or those of their supply chain

partners outsourced to low cost countries with failed state institutions, lack of regulations, and weak enforcement. Business firms are asked to take control over their supply chains and to take responsibility for more and more social and environmental externalities to which they contribute or from which they benefit. It shows that companies are scrutinized not just in terms of their legal liability, but instead in terms of their social connectedness. However, it is still unclear, where the limits of corporate social responsibility are and how its scope can be defined. An advanced concept of CSR therefore has to take account of the social connectedness and has to contribute to the scope of CSR.

4. *The changing conditions of corporate legitimacy: From compliance and manipulation to discourse:* CSR in a domestic context is building on the assumption that corporations, in order to preserve their legitimacy, should follow the rules of the game, defined by the laws and the societal expectations of their home countries. In the changing institutional context of global governance, however, private actors are confronted with heterogeneous legal environments and contradicting social demands. In addition they often take over a regulatory role without a democratic mandate that grants them legitimacy. In this new context the corporation has to find new ways of legitimizing their license to operate.
5. *The changing philosophical foundation of CSR: From liberal democracy to deliberative democracy:* Liberalism builds the implicit or explicit philosophical background of apolitical approaches to CSR. In our view, it is difficult to embed these profound changes of institutions, procedures, power, roles and responsibilities and legitimacy demands that follow the emerging post-national constellation in the model of liberal philosophy which dominates management theory in general and CSR approaches in particular. All these changes illustrate the need to look for concepts in political philosophy that are better equipped to conceptualize a political approach to CSR.

| | apolitical CSR | political CSR |
|---|---|--|
| governance model | | |
| • main political actor | state | state, civil society, and corporations |
| • locus of governance | national governance | global and multilevel governance |
| • mode of governance | hierarchy | Heterarchy |
| • role of economic rationality | dominance of economic rationality | domestication of economic rationality |
| • separation of political and economic spheres | high | Low |
| role of law | | |
| • mode of regulation | governmental regulation | self-regulation |
| • dominant rules | formal rules and “hard law” | informal rules and “soft-law” |
| • level of obligation | high (enforcement) | low (voluntary action) |
| • precision of rules | high | Low |
| • third party delegation | seldom | Often |
| responsibility | | |
| • direction | retrospective (guilt) | prospective (solution) |
| • reason for critique | direct action | social connectedness (complicity) |
| • sphere of influence | narrow/local | broad/global |
| legitimacy | | |
| • pragmatic legitimacy | high (legitimacy of capitalist institutions via contribution to public good) | medium-low (capitalist institutions under pressure, market failure and state failure) |
| • cognitive legitimacy | high (coherent set of morals that are taken for granted) | medium-low (individualism, pluralism of morals) |
| • moral legitimacy | low | high-low (depending on level of discursive engagement) |
| • relevant stakeholders | those with power have primacy | case-wise selection |
| • mode of corporate engagement | reactive (response to pressure) | proactive (engagement in democratic politics) |
| democracy | | |
| • model of democracy | liberal democracy | deliberate democracy |
| • concept of politics | power politics | deliberate politics |
| • role of the citizen | bourgeois | bourgeois and citizen |
| • democratic control and legitimacy of corporations | derived from political system, corporations are de-politicized | corporate activities subject to democratic control |
| • mode of corporate governance | shareholder oriented | democratic corporate governance |

Tab. 1: characteristics of the traditional and the new political school approach to CSR

In the following we will discuss these five key challenges and characteristics of a political conception of CSR. We will argue that these topics have been focused recently in neighboring disciplines such as international relations, international law, and political theory and philosophy as

well as in some unorthodox branches of CSR. These new developments indicate an emerging paradigm shift in research on CSR: In table 1 there is an upfront summary of the most important changes from an apolitical to a new political CSR paradigm.

The emerging global institutional context for CSR: From national to global governance

In a globalized world, as we have argued, the capacity of the state to regulate economic behavior and to set the conditions for market exchange is in decline. We observe failures of the state apparatus of all sorts (e.g., public goods in short supply, gaps in regulation, lack of enforcement, externalities of market exchange without provisions from the state, corruption and failed states, etc.). As a political reaction to the widening regulatory gap on the global playing field, governance initiatives have been launched by private and public actors that try to compensate for the lack of governmental power. These new forms of political regulation operate above and beyond the nation-state in order to re-establish the political order and circumscribe economic rationality by new means of democratic institutions and procedures (Scherer and Palazzo, 2007). And, in fact, with the intensified engagement of social movements and the growing activities of international institutions a new form of trans-national regulation is emerging: global governance, the definition and implementation of standards of behavior with global reach.

There are not only public actors such as national governments and international governmental institutions (e.g., the UN, ILO, OECD, etc.) that contribute to this new world order (Risse, 2002). These global governance initiatives do often unfold in the form of multi-stakeholder initiatives which have been described as “a new form of global governance with the potential to bridge multilateral norms and local action by drawing on a diverse number of actors in civil society, government and business.” (Bäckstrand, 2006: 291). The goal of these initiatives is to establish

effective systems of setting standards, reporting, auditing, monitoring and verification (Utting, 2002).

The global governance problem has been addressed in political science and international relations where the concrete design of private-public-policy networks in the regulation of global issues is discussed (e.g., Grimsey and Lewis, 2004; Reinicke and Deng, 2000). Students of international relations hold that in many areas of global regulation and the production of public goods neither nation state agencies nor international institutions have the knowledge and capacity to resolve the issues (Braithwaite and Drahos, 2000; Wolf, 2005). Rather than only focus on state actors and international institutions such as the UN, ILO, and WTO alone, political scientists have now acknowledged the role that NGOs and private business firms play in global governance (Risse, 2002; Ruggie, 2004). Fung (2003), 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 (see also Young, 2004). This may also apply to other policy areas such as human rights, fighting corruption, environmental protection, public health, or education (Kaul et al., 2003). In these global public policy areas the involvement of private and public actors may help to better consider the involved interests, to combine the best available knowledge and resources, and to enhance the capacity to enforce standards or to implement policies.

When they participate in governance initiatives, corporations engage in a political deliberation process that aims at setting and resetting the standards of global business behavior. In contrast to stakeholder management which deals with the idea of internalizing the demands, values and interests of those actors that affect or are affected by corporate decision making (Strand, 1983), we argue that political CSR can be understood as a movement of the corporation into the political sphere in order to respond to environmental and social challenges such as human rights,

global warming, or deforestation (Scherer and Palazzo, 2007). The politicization of the corporation translates into stronger connections of the corporation with those ongoing public discourses on “cosmopolitan” or “higher-order” interests (Teegen, Doh, and Vachani, 2004, p. 471) and a more intensive engagement in transnational processes of policy making and the creation of global governance institutions. Many initiatives could be mentioned here illustrating this new form of global governance. For instance, the Global Compact of the United Nations aims to create a global platform of discourse for the implementation of some basic human rights and environmental principles (Williams, 2004), SA8000 serves as an accountability tool for globally expanded supply chains (Gilbert and Rasche, 2008), and Transparency International represents a driving force in the global fight against corruption. These initiatives follow various regulatory objectives, from mere dialogue to the definition of standards and processes, or the development of monitoring and sanctioning systems.

There is an emerging debate on the consequences of globalization for CSR that fits into the new societal frame of reference which we outline here. First, CSR scholars start to argue that the process of globalization is changing the context in which CSR research has to take place. Logsdon and Wood (2002) and Rondinelli (2002) have pointed to the fact that corporate citizenship can no longer be understood in domestic terms but has to be analyzed on a global level. Second, various authors have started to question "the political theory of the free market" (Dubink, 2004: 24) and the related liberal differentiation between private business activities and public political activities, arguing that the debate on corporate social responsibility is politicized (Kobrin, 2008; Moon, Crane and Matten, 2005; Oosterhout, 2008): Corporations are moving into a political role, for instance, by protecting human rights (Matten and Crane, 2006; Hsieh, 2004, Spar, 1998), or acting as institutional change agents against corruption (Misangy, Weaver & Elms, 2008; Kwok & Tadesse, 2006). Third, the institutional context for global CSR is examined.

Waddock has for instance recently delivered an overview of the emerging global institutional infrastructure on CSR that develops (Waddock, 2008).

CSR as self regulation: From hard to soft law

The traditional approach to apolitical CSR and the theory of the firm rely upon an intact national government system with proper execution of formal rules (laws) through the legal and administrative system (Sundaram and Inkpen, 2004). Business firms are forced to play according to the “rules of the game” by mechanisms of enforcement in a system of command and control (Parker and Braithwaite, 2003). And even where it appears that corporations voluntarily engage in corporate social responsible behavior, it is assumed that they operate in the “shadow of hierarchy”, meaning the potential threat that legalities enact strict regulations unless the potentially affected business firms adapt their behavior to the expectations of the legislator (Heritier and Eckert, 2008; Schillemans, 2008). In global affairs, however, multinational corporations are able to largely operate in a legal vacuum, as national law can be enforced beyond the national territory only with difficulty and international law imposes no direct legal obligation on corporations. Rather, international law regulates the relationships between states and this has little or no implications for the behavior of private entities (Aust, 2005, p. 13-14; Kingsbury, 2003). This has been a concern of political scientists and lawyers who have examined the limitations of this approach. They have realized that for the regulation of multinationals “[a] state centric approach is no longer adequate” (Muchlinski, 2007, p. 81).

In the legal studies, therefore, some researchers have proposed to adopt international law not only to state actors but to corporate actors as well (see, e.g., Dine, 2005; Kinley and Tadaki, 2004; Muchlinski, 2007; Vagts, 2003; Weissbrodt and Kruger, 2003; Zerk, 2006) or to expand the influence of national law on corporations that violate human rights abroad (Taylor, 2004).

Here the focus is on the misbehavior of globally operating companies. Other legal scholars have become aware of the positive 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, Kahler, Keohane, and Slaughter, 2000; Parker and Braithwaite, 2003). Lawyers have emphasized the important contributions that private business firms can make to further develop human rights (Clapham, 2006; Kinley and Tadaki, 2004) or to preserve peace (Dunfee and Fort, 2003; Fort and Schipani, 2004). Even though state agencies and international institutions fail to take care of these issues in many parts of the world, private business firms can nevertheless voluntarily contribute to their clarification and further institutionalization, and can also help bring about social and legal development. This also applies to other concerns such as environmental issues, social issues, labor standards, and anti-corruption activities. Business firms engage in processes of self-regulation by “*soft law*” in instances where state agencies are unable or unwilling to regulate (see, e.g., Mörth, 2004; 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 also as their authors (Parker and Braithwaite, 2003; Teubner, 1997).

However, there is a wide spectrum between “hard law” and “soft law” (Goldstein et al. 2000; Shelton, 2000). The various CSR-initiatives and institutions differ in many respects. In international law, Abbott, Keohane, Moravcsik, Slaughter, and Snidal (2000) recommend the application of the new concept of “legalization” and an empirical analysis of these various soft law initiatives and institutions in terms of (1) their level of obligation, i.e., whether and by what means various parties are bound by a rule or commitment, (2) their precision, i.e., how far “that rules unambiguously define the conduct they require, authorize, or proscribe” (Abbott et al., 2000, p. 17), and (3) their delegation to third parties, i.e., whether and how “third parties have been granted authority to implement, interpret, and apply the rules; to resolve disputes; and (pos-

sibly) to make further rules” (p. 17). While these authors do not address business firms per se, this framework may be applied to the analysis of the various voluntary CSR-initiatives of business as well. The discussions in legal studies on the political role of business include follow-up aspects such as corporate *responsibility* and its connection to legal liability and accountability (McBarnet et al., 2007), the *legitimacy problems* of politically active corporations (Orts, 1995) or the *democratization* of global governance and corporate governance structures (see, e.g., Parker, 2002). After concluding this section by a short analysis of management research as a reaction to the soft law debate, we will outline these three aspects in the following sections.

The discussion on soft law is also moving center stage in the CSR debate. Scholars have started to examine the development and implementation of soft law regimes within supply chains (Egels-Zandén, 2007) as well as their performance (Chatterji and Levine, 2006; Kolk and van Tulder, 2002; Santoro, 2003), credibility (Laufer, 2003) and auditing challenges (Hess, 2001). The legitimacy and efficiency of various multistakeholder initiatives such as the Global Compact (Kell and Levin, 2003; Williams, 2004), SA8000 (Gilbert and Rasche, 2007) or the Global Reporting (Willis, 2003) have been examined. New forms of corporate disclosure such as CSR reporting have been discussed for instance as “an important form of new governance regulation to achieve stakeholder accountability” (Hess, 2007, p. 453), “democratic experimentalism (Hess, 2008: p. 447), an organizational learning tool for CSR (Gond and Herrbach, 2006) but also as a new risk for corporations (De Tienne and Lewis, 2005). Furthermore, some scholars in critical management studies have started to question the legitimacy (Banerjee, 2007; Levy and Egan, 2003; Levy, 2008) and efficiency (Khan, Munir and Willmott, 2007) of corporate political activities in the production and implementation of soft law. We will turn to the legitimacy issue later but will focus on the scope of CSR first.

The expanding scope of CSR: From liability to social connectedness

Thin concepts of CSR in the Friedmanian sense (1970) or thick concepts as, for instance, in Carroll's pyramid of responsibility (1991) or Freeman's stakeholder concept (1984) do share two ideas: First, the idea that responsibility can and should primarily be assigned according to a liability logic, which "derives from legal reasoning to find guilt or fault for a harm" (Young, 2008, p. 194), and second, the idea that responsibility has to do with immediate interaction between two actors, such as a corporation and a stakeholder. The emerging debate on corporate complicity disrupts this dominating perception of corporate responsibility and it extends the sphere of influence assigned to (multinational) corporations. As Clapham (2006, p. 220) has argued,

"...the complicity concept extends the expectations on corporations beyond their immediate acts, and reaches activity where corporations contribute to someone else's illegal acts. But the notion of corporate complicity in human rights abuses is not confined to direct involvement in the immediate plotting and execution of illegal acts by others. Complicity has also been used to describe the corporate position *vis-à-vis* third-party abuses when the business *benefits* from human rights abuses committed by someone else".

With the first steps towards globally expanded supply chains this enlarged idea of corporate responsibility has begun to influence the debate: Corporations are criticized for what others have done. Complicity criticism thus refers to the fact that corporations can be held responsible for what others have done. Child labor at Nike's immediate or indirect suppliers (Kolk and van Tulder, 2002; Zadek, 2004), the killing of Ken Saro Wiwa by the Nigerian Junta after his protests against Shell (Wheeler et al., 2002), the human rights violations by the Burmesian army around the pipelines of Unocal (Spar and LaMure, 2003) or the information transfer of Yahoo on dissidents to the Chinese government (Dann and Haddow, 2008) are examples of early and more recent complicity accusations. Young (2008) argues that these discussions can no longer be under-

stood using strict liability logic. She proposes a social connection model of responsibility, which says that actors bear responsibility for problems of structural injustice to which they *contribute* by their actions and, in line with Clapham's (2006) argument above, from which they *benefit* themselves, and which they have *encouraged* or *tolerated* through their own behavior. It is not necessary to show a contractual relationship in the sense of agency theory (Sundaram and Inkpen, 2004). In his report to the UN General Secretary, Ruggie concurs with this interpretation, arguing that complicity is already given if a corporation morally supports the commission of a crime, with moral support being defined as "silent presence coupled with authority" (Ruggie, 2008, p. 11).

The shift from a liability to a social connectedness model has, according to Young (2008), several consequences. It is forward-looking in order to find solutions and not backward-looking in order to find guilt. It is assuming a network logic of problems and thus a network logic of the solutions as well: responsibility problems in globally expanded value chains demand collective action embedded in processes of democratic deliberation in order to change existing processes and institutions that produce the observed cases of harm and injustice. Such a model not only imposes a new modus of legitimacy on corporations, it embeds them in the emerging global governance movement and transforms them into political actors.

In the management literature, CSR research that implicitly or explicitly operates with a social connectedness lens has started to target the responsibility of corporations and has expanded its scope. Students of CSR have analyzed the implications for CSR concerning issues such as human rights and labor rights (Arnold and Bowie, 2003; Arnold and Hartman 2003; Wheeler et al., 2002; Zwolinski, M. 2007) as well as for environmental issues (Le Menestrel, van den Hove and de Bettignies, 2002; Zyglidopoulos, 2002) across corporate supply chains. Additionally, various studies have examined specific industries through a social connectedness lens, such as tobacco (Palazzo and Richter, 2006), sporting goods (van Tulder and Kolk, 2001, Zadek, 2004),

coffee (Argenti, 2004), cocoa (Schrage and Ewing, 2005), IT (Brenkert, 2009), bananas (Werre, 2003) or toys (Egels-Zandén, 2007). Managing social and environmental externalities along supply chains is positioned as a strategic necessity (Amaeshi, Osuji and Nnodim, 2007; Porter and Kramer, 2006; Zadek, 2004) and a leadership challenge (Maak and Pless, 2006). Analyzing geopolitical contexts for potential CSR risks (Doh & Ramamurti, 2003) or operations in zones of conflict (Gitsham, 2007) have become important topics among management scholars.

The changing conditions of corporate legitimacy: From compliance and manipulation to discourse

The legitimacy of organizations has been addressed in management literature quite frequently (Suchman, 1995; Suddaby and Greenwood, 2005; Vaara and Tienari, 2008) and has also been a concern of political scientists who analyze the contribution of private actors to global governance and the legitimacy of “governance beyond the state” (Wolf, 2005; see also Hurd, 1999). Some students of political science distinguish between output legitimacy (behavior or institution is appropriate for problem resolution), input legitimacy (actor or institution is formally entitled or is acknowledged as an authority) and process legitimacy (behavior or institution is result of a formalized process) (Scharpf, 1997, 1999) and attempt to objectively “measure” the legitimacy of institutions or behaviors with the help of a list of operational criteria (Wolf, 2005). We will, however, follow the concept of legitimacy as it is established in organization studies and has been used by a new school of thought in international relations. Here, legitimacy is not so much an objective construct but rather the result of a *social construction* (Ashfort and Gibbs, 1990). It is subjectively perceived and ascribed to actions or institutions by processes of social construction (Berger and Luckmann, 1966).

In organization studies the legitimacy of business behavior depends on whether this behavior conforms with social rules, norms, or traditions (see, e.g., Oliver 1996; Suchman 1995). Suchman (1995) suggests that legitimacy can be based on three different sources. It can emerge when the behavior of the organization is (more or less unconsciously) perceived as inevitable and necessary and if acceptance is based on some broadly shared taken-for-granted assumptions (*cognitive legitimacy*). Organizational legitimacy can also be based on the calculations of self-interested individuals who will ascribe legitimacy to the behavior of organizations as long as they can be convinced that they themselves benefit from the results of this corporate behavior (*pragmatic legitimacy*).

The economic theory of the firm and traditional concepts of CSR are mainly based on pragmatic and cognitive legitimacy. The implicit assumption behind those concepts is that the social environment of corporations consists of a more or less coherent set of moral rules. This is evident when students of CSR suggest that business firms adapt to “broader community values” (Swanson 1999, p. 517), derive their responsibilities from social expectations “at a given point in time” (Carroll 1979, p. 500) or conform with “the basic rules of society” (Friedman 1970, p. 218) thus establishing cognitive legitimacy. Pragmatic legitimacy is emphasized when business firms “do well by doing good” or at least *appear* to be beneficial to society by manipulating perceptions thorough strategic public relation and image creation. However, Palazzo and Scherer (2006) have argued that under the conditions of globalization both these forms of legitimacy come under pressure.

Faced by the failure of the state system and the uneven distribution of economic gains from globalization, a growing number of individuals become aware that they do not sufficiently benefit from the globalized capitalist system and the output that business firms produce. This results in a loss of pragmatic legitimacy. At the same time, because of the value shift in modern

society and the increasing pluralism of social rules and individualization of life-styles, the social consensus on moral norms and values is eroding. What has been taken for granted now becomes subject to debate. This applies not only to the social norms of acceptable individual behavior (on a more micro level of analysis) but also to the societal system as a whole. After the collapse of the communist system the capitalist model of societal integration was for some time taken for granted. “There is no alternative” was the almost undisputed mantra of neo-liberals and neo-cons at that time; capitalism and liberal democracy were seen as: “the end point of mankind’s ideological evolution” (Fukuyama, 1989, p. 4). However, in face of state and market failures and the undeniable negative side effects of market exchange and global businesses, the problems of the capitalist liberal system and of corporations as the main protagonists of this system are now widely discussed. This is further intensified by the current financial and economic crises and the apparent limitations of the free market cures all ideology. This leads to a significant loss of cognitive legitimacy of the institutions of capitalism and liberal democracy and the corporate form of the firm.

Given the erosion of pragmatic and cognitive legitimacy, business firms are often required to establish the third form of legitimacy (Suchman, 1995): moral legitimacy. Moral legitimacy refers to moral judgments about the corporation’s output, procedures, structures and leaders. It is socially and argumentatively constructed by means of considering reasons to justify certain actions, practices, or institutions and is thus present in discourses between the corporation and its relevant publics. In contrast to the economic logic of pragmatic legitimacy, it “reflects a pro-social logic that differs fundamentally from narrow self-interest.” (Suchman 1995, p. 579) And, in contrast to the unconscious internalization of cognitive and institutional logics that is the basis of cognitive legitimacy, moral legitimacy requires the explicit consideration of the legitimacy of capitalist mechanisms and corporate activities by giving credit to the interests and arguments of a

wide range of constituencies that are affected by the capitalist system. Moral legitimacy is a result of a communicative process and finally rests on the “forceless force of the better argument” (Habermas, 1990, p. 185) that is put forward and not so much on the power of the actors taking part in this process. The above described cooperation of companies with NGOs in processes of global governance can be seen as a key driving force of the growing importance of moral legitimacy (Palazzo and Scherer, 2006; Scherer and Palazzo, 2007)

Scholars in management theory have started to go examine the changing conditions of the corporate license to operate from various angles. There is an emerging discussion on the impact of globalization on legitimacy (Boddeyn, 1995; Henisz and Zelner, 2005). Kostova and Zaheer (1999, p. 76) have for instance argued that multinational corporations are "pushing the boundaries" of theories of organizational legitimacy. Furthermore, there is a growing attention to the role of discursive processes between corporations and their societal environments (Hess, 2008; Rasche and Esser, 2006; Roloff, 2007; Stansbury, 2008). Calton and Payne (2003, p. 35) have argued that the global context rather demands a "dialogue-driven search for generally acceptable standards of corporate behavior". Corporations should perceive themselves as being embedded in multi-stakeholder dialogues. Within these discursive networks corporations participate in shared processes of moral sensemaking (Calton and Payne, 2003). The conditions under which these discourses might fail (Rowley and Moldoveanu, 2003) or turn into discursive struggles instead of leading to shared interpretation are examined (Livesey, 2001). Finally, there is a rising tide of research on the role of NGOs and their cooperative or conflict-oriented interaction with corporations that shows, how civil society is moving center stage in management research (Berger, Cunningham and Drumwright, 2004; den Hond and de Bakker, 2007; Pearce II and Doh, 2005; Spar and La Mure, 2003), partly already with an explicit focus on the role of business/NGO interaction

in global governance (Doh and Guay, 2006; Frenkel and Scott, 2002; Teegen, Doh and Vachani, 2004)

The changing philosophical foundation of CSR: From liberal democracy to deliberative democracy

The growing political engagement of business firms does not only lead to immediate legitimacy problems of corporate activities but also questions one of the basic characteristics of liberal capitalist societies, i.e. the separation of political and economic realms. It appears that the aforementioned paradigmatic shifts have to be connected to and embedded in a new understanding of democratic society. Inasmuch as private business firms engage in the political system and attempt to determine rules and regulations, a democratic deficit emerges. In capitalist societies business firms are entitled to earn profits within the rules of the system but not to conquer the political system itself (Friedman, 1962). The argumentative approach to moral legitimacy just mentioned may be a measure to fill this legitimacy gap. However, it is unclear how and in what sense it can be integrated into the established concept of democracy.

A review of political philosophy shows that the dominating liberal theory of democracy may not contribute to the resolution of our problem (see, e.g., Habermas 1996, 1998; Moon, Crane, and Matten, 2005; Scherer and Palazzo, 2007)⁶. As mentioned above, liberal theory is based on a strict division of labor between nation state politics and private economic behavior. It is the exclusive task of the state to set the rules of the game and to interfere in private business, and to constrain individual freedom only if this is unavoidable. In the liberal conception the citi-

⁶ It is important here to note that our use of the word "liberal" is drawn from the literature of political philosophy (see, e.g., Habermas, 1998, and also Friedman, 1962). We use the word "liberal" to refer to the historic liberal tradition that includes thinkers such as Friedman and Hayek. Its focus is on individual liberty as the main concern of social theory (Friedman, 1962). Thus, free trade and open markets are measures that contribute to individual liberty. This is different from the common (US) American sense where "liberal" in political terms means "left of center".

zen is conceptualized only as a private person (bourgeois) who will pursue his or her private interest both in the economic and in the public sphere. The political order delivers the legal and administrative context of private business so that private property and contracts are respected and individual freedom is protected vis-à-vis the state and the fellow citizens. The legitimacy of the political order and of those who are in office is maintained by adherence to the rule of law and is controlled by representatives in parliament and in periodical elections where the citizens express their preferences in a system of elections, vote-aggregation, and representation (Elster, 1989). Unlike the political system, the private firm is *not* subject to immediate democratic control. Rather it is assumed that the legitimacy of the corporation is derived from the legitimacy of the political system, as long as private businesses stay within the rules of the game and do not break the law or intrude into the political system (Peters, 2004).

We instead propose to build upon an alternative model of democratic politics that is able both to integrate the argumentative mode of legitimacy generation and to embed corporate political activities in processes of democratic will formation and control and thus overcoming the public private divide (Scherer and Palazzo, 2007). At the same time, we hold that the direct application of argumentation rules to the processes of political decision making in the modern nation state or even to global governance may overstretch the power of the argumentative approach to legitimacy (Habermas, 1996, 1998). It appears to be utopian to conceive of a global democratic polity with citizens bound together in argumentative dialogues, and it appears unrealistic to conceive of the political process as being transparent, inclusive, free of power and directed by a concern for the public good (Elster, 1986; Fung, 2003). Rather, the reality of politics is often much different: a lack of transparency, an exclusion of voices, and an exercise of power seems to be endemic to political processes on the nation state level and even more so in global governance.

But this does not necessarily imply that politics is completely reduced to a power game and that arguments put forward by medium or low powers do not play a role (Deitelhoff, 2009).

Therefore, we need a new conception of democratic society that would help to enhance legitimacy even under these suboptimal conditions (Fung, 2005). We also need one that is able to acknowledge the contribution of both state and non-state actors to global governance, both in the traditional institutionalized processes and in processes of public deliberation that emerge outside the traditional realm of politics. Here the deliberative model of democracy may be of help.

While a liberal model of democracy insulates corporations from immediate processes of democratic scrutiny, in the deliberative model it is assumed that corporations should be exposed to processes of civic self-determination (Gutman and Thompson, 1996, 2004). The erosion of the power of the political system to hold corporations accountable via legal mechanisms of governance makes it necessary to reflect upon alternative modes of control beyond the nation state. The deliberative idea of strengthening the ties between political power and public deliberation builds upon the above described de-centering of political governance and takes into consideration the changing dynamic between state, economy, and civil society. Corporations thereby become *politicized* in two ways: they operate with an enlarged understanding of responsibility and help to solve political problems in cooperation with state actors and civil society actors. Furthermore, they subject their growing power and political engagement to democratic processes of control and legitimacy.

Therefore, we suggest that political legitimacy is not exclusively to be derived from the outcomes of the political process and the benefits it creates for the citizens, as the concepts of output legitimacy (Scharpf, 1997, 1999) or pragmatic legitimacy suggest (Suchman, 1995), but rather from the argumentative involvement of the citizens in the decision-making processes themselves (Risse, 2004). This alternative approach to a liberal conception of democracy is la-

beled *deliberative democracy* (Bohman and Rehg, 1997; Cohen and Arato, 1994; Gutman and Thompson, 1996, 2004; Habermas, 1996, 1998). Democratic legitimacy in this alternative approach is created by a strengthened link between the decisions in the political institutions and the processes of public will-formation as driven by non governmental organizations, civil movements and other civil society actors who map, filter, amplify, bundle and transmit private problems, values and needs of the citizens (Habermas, 1996). In order to understand and consider the rising tide of both conflict and cooperation between corporations and civil society activists as a key issue of the business in society debate (Dryzek, 1999; Matten and Crane, 2005; den Hond and de Bakker 2007), a analysis of the ongoing debate in political theory could prove to be useful (e.g., Deitelhoff, 2000; Müller, 2004; Risse, 2000).

As we have shown, various dimensions of the emerging post-national constellation of CSR are currently examined by management scholars. Our analysis here can only list a just a few of the critical issues a paradigm shift of CSR in a globalized world has to deal with. However, while the type of research analyzed here contribute to the erosion of the liberal foundations of CSR, very few authors have attempted to build on alternative concepts from political theory. We have proposed that the deliberative concept of democracy is better equipped to frame globalized CSR theory and practice (Scherer and Palazzo, 2007; Scherer, Palazzo and Baumann, 2006). While some authors have also proposed to take a closer view on deliberative democracy as a conceptual context for CSR (Oosterhout, 2008) or already started to apply Habermasian theory to CSR (Rasche and Gilbert, 2007; Roloff, 2007) others have criticized this philosophical shift for going too far (Willke and Willke, 2008), or not far enough (Edward and Willmott, 2008). Future research efforts need to further address the challenges embedded in the shift from liberal to deliberative theory.

CONCLUSION

In table 1 we want to summarize some of the main characteristics of the political approach to corporate social responsibility and contrast these with the traditional apolitical approach. It is clear that this proposal is just a first step and that a lot of work lays ahead to further develop this approach towards a new theory of the firm that emphasizes the political role of business firms. While a nationally contained democracy could build upon a clear-cut division of labor between business, politics and civil society, and while business actors could profit by a stable legal and moral context for their operations, the process of globalization casts doubt upon the efficiency and legitimacy of these established roles and responsibilities. As we wanted to demonstrate, political solutions for societal challenges are no longer limited to the political system but have become embedded in decentralized processes that include non-state actors such as NGOs and corporations. This new phenomenon goes beyond the mainstream liberal understanding of corporate responsibility. On the global playing field, corporations have to be understood as economic *and* political actors with the above described consequences for the conceptualization of CSR. In our view, this process of societal transformation finally demonstrates the need for a new theory of the (global) business firm.

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