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# Managing for Political Corporate Social Responsibility – New Challenges and Directions

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## ABSTRACT

This article takes stock of the scholarly discourse on ‘political CSR’ (PCSR), reconsiders some of its original assumptions, and develops new directions for future research. We start by developing a definition of PCSR, focusing on firms’ contribution to the provision of (global) public goods in cases where public authorities are not able or willing to do so. We then discuss historical antecedents to the PCSR debate and, based on this, outline the economic and political context that influenced early PCSR debates. The following section explores emerging changes in the institutional context relevant to PCSR. We draft an agenda for future research by reconsidering some of the original assumptions underlying Habermas’ thesis of the postnational constellation. This highlights some neglected issues in work on PCSR, including the influence of new nationalism, the role of new types of business organisations, the return of government regulation, the increasing complexity of institutional contexts, the efficiency of private governance, the financialization and digitalization of the economy, and the relevance of managerial sensemaking. Finally, we discuss the contributions to this special issue and relate them to the newly emerging research agenda.

## INTRODUCTION

In the past decade, the literature on corporate social responsibility (CSR) has taken a ‘political turn’. The focus has shifted towards how firms shape their institutional environment, often driven by a concern for the public good that goes beyond selfish calculations of economic actors (Matten, 2009; Rasche, 2015; Scherer and Palazzo, 2011). On the one hand, this political turn of CSR is interpreted as a corporate attempt to close governance gaps on the local, regional and global level. On the other, the political turn is associated with the changing role of state agencies and the redistribution of governance tasks between private and public actors (Bell and Hindmoor, 2009; Levi-Faur, 2005). This redistribution is considered a continuous process that predates globalization and is influenced by ideological views on the role of the state (e.g. the neoliberal turn in public policy, see e.g. Crouch, 2006), institutional changes in society (Djelic and Etchanchu, 2015; Wood and Wright, 2015), or variations in national socio-economic systems (often associated with the prevailing ‘varieties of capitalism’, see Detomasi, 2015, Hall and Soskice, 2001).

Traditional understandings of CSR emphasize a clear separation of economic and political domains (Sundaram and Inkpen, 2004) and focus on the business case of CSR (Carroll and Shabana, 2010; McWilliams et al., 2006). Recent theorizing has highlighted how firms are increasingly involved in the provision of public goods, they shape (global) regulation in various ways, they consider the public interest, and often do all this in situations where governmental authorities are unable or unwilling to do so (Mahoney et al., 2009; Matten and Crane, 2005; Scherer and Palazzo, 2008). This political understanding of CSR reaches beyond the instrumental view of corporate politics expressed in the literature on corporate political activity (CPA) (Hillman et al., 2004; Lawton et

al., 2013). Businesses not only influence politics via lobbying, they turn into political actors themselves – i.e. they co-create their institutional environment (Barley, 2010; Scherer and Palazzo, 2011). Understanding CSR in this way requires us to rethink existing models of governance on the national, regional, and global level (Aguilera et al., 2007; Rasche, 2012) and to explore the consequences for democracy (Driver and Thompson, 2002; Scherer et al., 2013a; Thompson, 2008).

*Political CSR (PCSR)* (Scherer and Palazzo, 2007, 2011) and the closely related extended approach to corporate citizenship (Matten and Crane, 2005) developed as a critical alternative to the purely instrumental view on CSR and CPA. Proponents of PCSR build on a notion of politics that emphasizes deliberations, collective decisions, and a concern for (global) public goods (Scherer et al., 2014; Young, 2004). This scholarly discourse has proliferated in recent years. Authors have developed normative theory on the responsibilities of business firms based on a distinct political philosophy and theory of deliberative democracy (Matten et al., 2005; Scherer and Palazzo, 2007). In the course of this development the implications of the changing political role of business firms for governance, the role of law, corporate responsibility, corporate legitimacy, and democracy have been explored. As a result, some scholars even speak of a paradigm shift in CSR (Scherer and Palazzo, 2011).

However, PCSR has also been criticized from various angles. Some have argued that the PCSR research tradition over-emphasizes the consequences of globalization (Whelan, 2012). Others have maintained that the concept of a ‘politicized corporation’ disregards the importance of functionally differentiated societies (Willke and Willke, 2008). Frynas and Stephens (2014) have even claimed that PCSR follows a narrow research agenda informed by a normative theory which has largely excluded descriptive accounts. Some have also suggested that the PCSR research agenda needs to be further developed and extended (for other critical reflections see Baur and Arenas, 2014; Edwards and Willmott, 2008; Mäkinen and Kourula, 2012). . This article, and the following articles in his Special Issue of *Journal of Management Studies*, responds to some of these criticisms. We reconsiders some of the original assumptions of the PCSR debate and points to new directions for future research. In particular, we suggest an extended research agenda, which puts more emphasis on the managerial consequences of PCSR.

The articles in this special issue represent the state of the art in PCSR research. They each begin with some of the core assumptions found in the PCSR approach, and then apply these to a range of unique settings: pulp and paper mills in Chile (Ehrnström-Fuentes, 2016); international agreements about coffee standards (Levy et al., 2016); the regulation of trade in conflict minerals in the Congo (Reinecke and Ansari, 2016); the social media strategy of a global health company (Castello et al., 2016); fracking in Quebec (Gond et al., 2016); and the role of leaders in pushing forward PCSR strategies (Maak et al., 2016). But more than just mechanically applying these ideas, the papers in this special issue extend the conceptual repertoire of PCSR. By doing this they provide new conceptual tools that can be used to think about the role which businesses play as political actors.

This article proceeds as follows. The next section starts by clarifying our understanding of what PCSR entails, focusing the debate on an extended concept of (global) public goods. We then discuss historical antecedents to the PCSR debate and, based on this, outline the economic and political context that influenced early PCSR debates. The following section explores emerging changes in the institutional context relevant to PCSR.

We draft an agenda for future research by reconsidering some of the original assumptions underlying Habermas' thesis of the postnational constellation and shedding light on some underinvestigated aspects of PCSR. In the final section we describe the contributions to the special issue.

## **THE SCHOLARLY DEBATE ON PCSR: MAPPING THE FIELD**

### **What do we mean by 'PCSR'?**

The term 'PCSR' brings together two essentially contested concepts. CSR has been defined in a number of different, and partly competing and overlapping, ways. Anyone looking for a well-defined paradigm of CSR characterized by consensus is likely to be disappointed (Crane et al., 2008). There is also no widely agreed upon definition of what the term 'political' entails. Scholars have stressed different dimensions of politics (e.g. power and collective decisions) to differentiate the word from its mass association in everyday language (Etzioni, 2003). Given these definitional challenges, we suggest treating PCSR as an umbrella concept. An umbrella concept helps to create some theoretical order; it connects ideas and research findings that would otherwise be treated in isolation (Hirsch and Levin, 1999). Understanding PCSR as such an umbrella concept implies that much past, present and future scholarly work, which may not carry the explicit label 'PCSR', nevertheless contributes to the on-going conversation.

Existing PCSR definitions have highlighted different aspects of the phenomenon. Scherer and Palazzo's (2011, p. 901) work emphasized that PCSR 'suggests an extended model of governance with business firms contributing to global regulation and providing public goods.' While this definition stresses some important cornerstones of the debate (e.g., the role of public goods), it over-emphasizes the global dimension of business regulation. Frynas and Stephens (2015, p. 485) define PCSR 'as activities where CSR has an intended or unintended political impact, or where intended or unintended political impacts on CSR exist (i.e. impacts related to the functioning of the state as a sphere of activity that is distinctive from business activity).' According to Frynas and Stephens, this makes PCSR relevant to three domains: when there are 'deliberate attempts of firms to influence governments in order to gain firm-specific competitive advantages (domain A)', when there are 'sometimes unintended effects of firm activities on the development of institutions such as when acting within 'institutional voids' (domain B)', and when thinking of the 'reactive strategies of firms with regard to changes in the external political environment (domain C).' This definition is problematic for at least three reasons (Scherer, 2015). First, there seems overlap between the three domains (especially B and C). Second, the definition excludes a number of important CSR activities with political impact, for instance when firms *proactively* and *deliberately* shape certain public goods. Finally, and most importantly, Frynas and Stephens fail to define the meaning of 'political'.

Therefore, we start to define PCSR with a simple, yet important, question: What does 'political' mean? Some would argue that politics is essentially about studying how government exercises its authority (Easton, 1981). Such a narrow perspective does not fit the PCSR approach very well, as responsible business behaviour is relevant precisely because public authorities are unable or unwilling to provide certain public goods to citizens. Others see politics as involving basic antagonism between differing ideological positions and their attendant understandings of how society should be organised (Mouffe, 2005). Although this approach is informative, the explicit focus on ideology does not allow us to fully understand the consequences this has for the distribution of public goods.

We view the provision of public goods as a key feature underlying the PCSR approach. The standard definition of public goods is centred on two characteristics (Samuelson, 1954): such goods are non-rival in consumption (i.e. one person can consume a good without diminishing its availability to others) and they possess non-excludable benefits (i.e. it is impossible to exclude someone from the benefits of the good regardless of whether this person contributed to its production).

In some cases, PCSR is concerned with pure public goods, such as when corporations contribute towards peace and conflict resolution (Westermann-Behalyo et al., 2015). However, as Kaul and Mendoza (2003, p. 83) remark, ‘the properties of (non)rivalry and (non)excludability only signal a good’s potential for being (public) private – not its de facto provision status.’ An expanded concept of goods relevant to the public domain needs to consider that some goods can be made public by policy design or other human interventions. For instance, some rival goods have been made nonexclusive by policy choice, such as when basic education and health care are provided for all citizens. Policy-induced shifts have also made some non-rival goods more non-exclusive. For instance, policy makers have emphasized that the respect for human rights in all its forms is, ideally, non-exclusive and hence something that should be available to all people, regardless of who and where they are.

A number of public goods that are of interest to PCSR scholars have a global dimension. Kaul and co-authors (2003) define global public goods as those goods that benefit more than one group of countries without discriminating against a specific population or generation. Building on this research, Kaul and Mendoza (2003, p. 99–101) have suggested differentiating three classes of global public goods: (1) global natural commons such as the atmosphere, the ozone layer, and the high seas (though access to these goods can be restricted through policy decisions), (2) global human-made commons such as knowledge, international regimes and norms, and (3) global policy outcomes or conditions such as global peace, environmental sustainability, and the universalization of essentially private goods (e.g. health care and education). Based on these considerations, we define PCSR in the following way.

*PCSR entails those responsible business activities that turn corporations into providers of public goods in cases where public authorities are unable or unwilling to fulfil this role. This includes, but is not limited to, corporate contributions to different areas of governance, such as public health, education, public infrastructure, the enforcement of social and environmental standards along supply chains or the fight against corruption, discrimination or inequality. These public goods are provided to resolve public issues with the aim of enhancing social welfare.*

This definition does not restrict the link between responsible business and politics to the global level. Existing research on PCSR has been criticized for viewing relevant corporate engagement exclusively as a consequence of globalization (Whelan, 2012, p. 713). But the political nature of CSR also relates to gaps in local or regional governance. Often, firms turn into providers of public goods because local institutions do not work sufficiently, local governments fail to enforce relevant regulations, or because public authorities deliberately shift governance tasks to private actors (Bell and Hindmoor, 2009; Wood and Wright, 2015). The definition also highlights PCSR’s normative dimension by emphasizing that relevant activities aim to enhance social welfare and thus reduce

negative externalities by corporate actors (Marti and Scherer, 2016). While some have criticized PCSR for postulating a ‘normative theory to the exclusion of descriptive theory’ (Frynas and Stephens, 2015, p. 485), we stress that using the attribute ‘political’ already presumes normative implications (Scherer, 2015). As suggested by Etzioni (2003, p. 92), ‘there are no political deliberations, decisions, or actions that do not contain a moral dimension.’ Finally, the definition is also open with regard to what kind of political and economic system can be assumed to provide the background for PCSR. The literature on ‘varieties of capitalism’ shows that the role and functioning of the state and the resulting division of labour between government, business, and civil society differ among nations (Hall and Soskice, 2001). This heterogeneity constantly creates new challenges as well as novel institutional responses that PCSR needs to take into account.

### **Studying PCSR: Historical Antecedents**

The theoretical debate on PCSR emerged as a response to the limitations inherent in three scholarly discourses. First, although the literature on CSR is vast and fragmented along multiple dimensions such as levels of analysis, epistemologies, underlying political ideologies and theories of society (Aguinis and Glavas, 2012; Garriga and Melé, 2003; Scherer and Palazzo, 2007; Windsor, 2006), the traditional CSR discourse contains some characteristics that make it hard to adequately theorize the changing role of business in (global) society. Many conceptions of CSR are still embedded in an economic paradigm. They view CSR as an instrument for advancing the long-term financial value of the firm; the relentless search for the ‘business case’ is a case in point (Carroll and Shabana, 2010). Instrumental CSR frames relevant business activities mostly in a domestic context and hence downplays the consequences of globalization. The underlying economic paradigm advocates a separation of the political and economic domains and thus makes it hard to conceptually grasp firms’ rising impact on socio-economic governance and the provision of (global) public goods (Sundaram and Inkpen, 2004).

Second, the literature on CPA explores the conditions and explains the success of political strategies of business firms (Hillman et al., 2004; Lawton et al. 2013; Lux et al., 2011). CPA assumes that corporations engage with the political system in order to pursue their economic interests, to influence public policy in ways favourable to the firms, and to prevent regulations that may be at odds with the firms’ competitive strategies. Firms influence their regulatory environment or public policy by way of lobbying, establishing relationships with government officials, political inducements and ‘soft money’ contributions, or corruption (Lawton et al., 2013). Originally CPA has not been associated with PCSR and usually there even has been no explicit mentioning of CSR in CPA research (see, e.g., Hillman et al., 2003). Proponents of CPA suggest that CPA is largely compatible with an economic perspective on CSR as both are explained by the instrumental motives of business firms (see Frynas and Stephens, 2015; Lawton et al., 2013). Critics of CPA, however, argue that the instrumental focus of CPA is detrimental for the wellbeing of society and defend a normative-ethical perspective to CSR that puts the pro-social motives of CSR in opposition to the economic motives of CPA (Mantere et al., 2009; Matten, 2009; Néron, 2015; Scherer, 2015).

Finally, the literature on international business (IB) does not account very much for CSR-related discussions. Only a small part of IB research directly addresses questions of ethics, social and environmental responsibility (Doh et al., 2010; Rodriguez et al., 2006). Although IB scholars discuss phenomena like global sourcing strategies, market entry modes or international joint ventures, the consequences of these debates for the responsibilities of MNCs often remain unexplored. As globalization leads to an increase

in global public goods problems and a decline in the regulatory power of national governments over transnational production processes (Chandler and Mazlish, 2005; Kobrin, 2001), many problems that IB scholars are working on have direct implications for the CSR discourse (et vice versa). For instance, while IB scholars have traditionally emphasized different modes of organizing MNCs across diverse national and cultural contexts (Bartlett and Ghoshal, 1989), the consequences of these modes for addressing global public goods problems often remain opaque.

PCSR illuminates the blind spot of these three scholarly debates and integrates them into a new theory of corporate responsibility. Scholars in CSR did not sufficiently consider the impact of globalization, CPA scholars were overly focused on a self-interested manipulation of regulation and regulatory actors, and IB scholars were not investigating the normative dimension of international business activities.

PCSR was proposed about a decade ago as a reaction to major geopolitical changes in the aftermath of the fall of the Berlin Wall. The consequences of this dramatic event were discussed amongst philosophers, sociologists, and political scientists (among others Barber 1992; Beck, 2000; Castells, 1996–1998; Fukuyama, 1992; Giddens, 1990; Habermas, 2001; Held et al., 1999). As those analyses showed, the accelerated global interconnectedness of political, cultural and economic phenomena was about to disrupt the nation state order of the late 20th century. At that time, scholars in the business and society domain rarely reacted to the ‘postnational constellation’, as Habermas (2001) labelled it. The neoliberal idea of a clear (nationally organized) division of labour between governments and corporations still dominated the debate (Sundaram and Inkpen, 2004). Corporations were assumed to be surrounded by a more or less democratic nation state. However, the years after the fall of the Berlin Wall saw the rise of the MNC that could expand globally while the democratic institutions were left behind. The power balance between private and public actors changed: the taken-for-granted assumption that corporations were (at least ideally) regulated by governments and thus tamed by the rule of law became questionable (Barber, 1992).

The idea of the corporation as a politicized actor was proposed as a reaction to the regulatory vacuum opening up around the activities of MNCs (Cashore and Vertinsky, 2000; Matten and Crane, 2005; Palazzo and Scherer, 2006; Scherer and Palazzo, 2007; Young, 2004). In the late 1980s, corporations had started to develop ever more sophisticated global production networks which profited from three types of regulatory gaps: First, there is no legally binding international law for globally stretched private actors. Second, MNCs can operate with extreme institutional flexibility; they can avoid strict regulation or even negotiate regulation with governments and force them into a race to the bottom (Scherer and Smid, 2000). Third, MNCs are increasingly present in geopolitical contexts that are unregulated (zones of conflict), weakly regulated or repressive because of the growing need for resources and the systematic outsourcing of production. In combination, those three types of regulatory problems challenge the taken for granted assumption of neoliberal theory that the law is the (reliable) limit of profit maximization (Scherer and Palazzo, 2011).

Since the late 1980s, NGOs have started to document unregulated social and environmental side effects and attack corporations (Doh and Yaziji, 2009; Spar and LaMure, 2003). Starting with apparel, one industry after another was targeted for a presumed abuse of the above regulatory gaps. The clash with civil society led to legitimacy problems for companies that were in the spotlight for child labour, complicity with dictators,



or other social and environmental issues (for a historic overview, see Schrempf-Stirling and Palazzo, 2016). In a way, this discursive struggle itself can already be perceived as a politicization of the corporation. In the early 1990, however, some companies started to react to the pressure by filling the regulatory vacuum with self-regulatory activities. They developed codes of conduct for their suppliers, audited factories, invested in health care and the infrastructure of the countries in which they operated. Corporations showed an engagement that was not even required by the most demanding CSR or stakeholder theories (Walsh, 2005). Corporations started to behave as political actors, a tendency that became even stronger over recent years (Schrempf-Stirling and Palazzo, 2016).

## **THE POSTNATIONAL CONSTELLATION 2.0: NEW CHALLENGES AND DIRECTIONS**

The discussion on globalization, the post-Westphalian world order, and Habermas' analysis of the postnational constellation built a central reference point for PCSR (Scherer and Palazzo, 2011). If the assumption holds that society is changing rapidly, it certainly continued to do since the beginning of the PCSR debate, more than one decade ago. Have we move into another phase of globalization, a 'postnational constellation 2.0'? Is it necessary to reconsider some of the basic assumptions of PCSR? Furthermore, after more than a decade of research in PCSR, it is time to tack stock of basic assumptions. We also should ask whether there are important aspects which might deserve more attention by PCSR scholars. Overall, we propose a number of observations that require new reflections by scholars in the business and society field in general and PCSR scholars in particular.

### **New nationalism and religious fundamentalism**

Since the 1990s the consequences of the fall of the Berlin Wall were discussed in two seemingly opposed narratives: Some interpreted globalization as the 'end of history' (Fukuyama, 1992) and a process that would level out differences (Friedman, 2005). Others predicted a tribalization of the world and a return of a new nationalism as the result of a rise of ethnic nationalism and religious fundamentalism (Huntington, 1993; Ignatieff, 1995). According to this narrative, the end of the ideological conflict between Capitalism and Communism unleashed those cultural forces, which were pushed to the background by the bipolar world order after WWII. The liberal democratic nation state of the late 20<sup>th</sup> century was seen as under threat in both narratives. In the globalization narrative, the MNC destabilizes democracy. In the tribalization narrative, ethnic and religious identities become driving forces of democratic instability. This double pressure on democratic institutions has been captured by Barber's (1992) 'Jihad' versus 'McWorld' and Kaplan's (2000) dystopian vision of a world in which the 'first man' of Thomas Hobbes' violent state of nature competes with the rich and cosmopolitan 'last man' of Fukuyama.

Habermas's (2001) analysis of the postnational constellation focused on the threat by economic actors, and PCSR has build on this analysis of eroding state power. However, tribalization has partly strengthened the nation state: state power returns but now builds on (exclusive) ethnic identity instead of (inclusive) civic identities. Some democratic governments tend to become repressive and democratic mechanisms of political will-formation are weakened (Ignatieff, 1995). This development has been accelerated since the declaration of the so-called 'war on terror', which has driven the strengthening of governmental surveillance and sanctioning mechanisms as well as the weakening of civic liberties in many countries (Greenwald, 2014; Michaels, 2008; Richards, 2013).

Tribalism has increasingly taken on transnational forms, including the rise of religious fundamentalism. Habermas has interpreted tribalism as a reaction to the perceived inability of the democratic nation state to cope with the pressure of problems created by globalization (Habermas, 2013). Fundamentalism is a ‘thoroughly modern form of reaction to uprooted ways of life’ (Habermas, 2015). It threatens democratic processes of political will-formation because it enters into public debates with ‘paradigm-constituting networks of concepts that establish a view of the world as a whole.’ (Habermas, 2013, p. 374) While the democratic discourse requires the ‘willingness to de-center one’s own perspective’ (Habermas, 2013, p. 375), religious fundamentalism takes the position of a centered universalism, similar to ancient empires in which the perspective goes from the capital city into the world that is regarded as a province that has to be enlightened. What counts are ‘not “values” but “truths”’; whereas values are ordered transitively, truths obey a binary code.’ (Habermas, 2013, p. 375)

PCSR has to take into consideration this much more complex postnational constellation (Kostova and Zaheer, 1999): corporations are embedded in political and cultural contexts with local and global repressive tendencies and hardening identities where democratic institutions morph into hybrids promoting freedom and repression in parallel. Scholars in PCSR might connect to the debate on values and identities that emerges in the CSR domain in order to examine the consequences of values clashes for discourses and private governance. Maurer and colleagues (2011), for instance, have recently explored the role of values in the clash between corporations and civil society actors, while Rowley and Moldoveanu (2003) discussed the challenges of identity-based activism for corporations. The careful analysis of values and value conflicts does play a role in particular with regards to the important criticism of CSR as a new form of neo-colonialism (Khan et al., 2007). In addition, PCSR might profit from insights provided by the debate on safe spaces, where scholars examine how actors organize discourses and propel change under conditions of violent intolerance for such activities (Rao and Dutta, 2012; Vaccaro and Palazzo, 2015).

### **New types of business organizations**

PCSR theorizes the dynamics between governments and corporations against the background of a particular ideological framework, which Djelic and Etchanchu (2015) call the ‘null hypothesis’ of PCSR: Friedman’s neoliberal theory with its particular understanding of what markets, corporations and governments do and should do. PCSR takes a snapshot of a particular historic moment and neglects the fact that other historic periods have seen a different type of corporation and a different division of labour between private and public actors (see also critically Mäkinen and Kourula, 2012). Djelic and Etchanchu (2015) discuss such differences in their analysis of earlier phases of capitalism, which they label ‘paternalism’ and ‘managerial trusteeship’. They conclude that the politically engaged company is nothing new but the engagement varies over history. Historically, the division of labour between governments and companies has always been the result of on-going power struggles resulting in various types of capitalism. New types of business organizations are currently discussed that have widely been neglected in PCSR discourse, but might transform the institutional order of capitalism again.

A first new actor of increasing importance is the state-owned enterprise (SOE) which does not only operate with a profit interest but in addition has a political agenda. Such companies, when being controlled by democratic governments, might be charged with

more political legitimacy than the shareholder-owned corporation (Detomasi, 2015). However, some of those (globally operating) companies are owned by less democratic states like China or Saudi Arabia (see, e.g., Nordensward et al., 2015; Tan-Mullins and Mohan, 2013). A second type of business organization that is increasingly discussed is the social enterprise (Cornelius et al., 2008; Smith et al., 2013). Such organizations already pursue a civic agenda next to their profit motive and are often a direct reaction to the failure both of governments and corporations to deal with issues of societal relevance. A third type of actors are small and medium sized enterprises (SMEs) which are a significant part of the world economy both in terms of employment and production and an important driver of economic and social innovations. However, the literature on CSR has taken account of SMEs only recently (Jamali et al., 2009; Spence, 2016). Here the different ways of implementing CSR in small and large firms have to be explored (Baumann-Pauly et al., 2013; Wickert et al., 2016). PCSR has to theorize the consequences of the growing importance of such new actors and move beyond a limited discussion on large MNCs.

### **Return of government regulation**

Mäkinen and Kasanen (2016) have recently argued in favour of a clear division of labour between governments and corporations, arguing (similar to Djelic and Etchnanchu [2015] in their historic analysis) that conflicting interests would lead private actors to abuse their participation in regulation for the promotion of their own interests. While the critique of Mäkinen and Kasanen seems to be based on a misunderstanding, their arguments are worth investigating. The misunderstanding lies in the claim that PCSR would consider governmental regulation as ‘old fashioned’ (p. 7) and tries to impose private regulation as an ideal, thereby unintendedly promoting the neoliberal agenda of deregulation and further weakening the rule of law. PCSR rather tries to formulate conditions of legitimate political will-formation and rule enforcement in particular in contexts where governments are absent, corrupt or repressive and where private or civil regulation might be the only available forms of regulation (Scherer and Palazzo, 2011). PCSR makes no normative claims about the superiority of soft law over hard law. However, the debate on PCSR might have been too sceptical with regards to governmental regulation both on a national and international level.

There are recent attempts of governments to get back control over the activities of MNCs, both on a national and international level of rule-making. First, governments have started to develop extraterritorial regulation that applies beyond the limits of their national borders (see, e.g., Kohl, 2014). The UK Bribery Act and the US Foreign Corrupt Practices Act punish corporations for paying bribes outside the UK and the USA respectively (Kaczmarek and Newman, 2011; Magnuson, 2013). The Dodd-Frank act of the US government forces US listed companies to assess the human rights risk linked to conflict minerals and to report on their due diligence activities (Park, 2014; Taylor, 2015). The growing power and control of state agencies vis-à-vis MNCs is also obvious in the case of US authorities that have forced Swiss banks to disclose the identity of their customers who are US citizens. This has even triggered changes in the bank secrecy laws of Switzerland (Emmenegger, 2015).

Second, on the international level, the pressure of intergovernmental organizations on corporations has increased as well. Since 2011, the revised version of the OECD Guidelines for Multinational Enterprises define duties with regards to potential human rights violations and impose supply chain due diligence and the creation of national contact points for treating cases of non-compliance (see Young et al., 2012 with regards to pub-

lic health issues). Also, the OECD has started to fight against profit shifting and tax avoidance strategies of MNCs (OECD, 2013; Dharmapala, 2014) a topic that is increasingly becoming a concern of CSR scholars (Dowling, 2014). The EU reformulated its CSR agenda in 2011 and follows an enabling approach in facilitating CSR in member states and at MNCs (Garsten and Jacobsson, 2013; Vallentin and Murillo, 2012). When looking at the global level the United Nations Global Compact is the largest CSR initiative worldwide. The Compact focuses on human rights protection, the enforcement of social and environmental standards, and the fight against corruption. These issues have become widely acknowledged as a core set of corporate responsibilities and have been embedded in international regulatory schemes, industry standards, and corporate codes of conduct (Waddock, 2008; Rasche et al., 2013; Voegtlin and Pless, 2014). While such changes are still legally non-binding and hence far away from an efficient hard law regulation of MNCs, they help to rebalance the power between governments and corporations. PCSR has yet to explore the dynamics of the emerging multi-level schemes and how the OECD, the EU, the UN and other intergovernmental organizations weaken or strengthen the role of national authorities in pursuing their social or environmental agendas vis-à-vis business firms (Ruggie, 2004).

### **The increasing complexity of institutional contexts**

PCSR has to take the institutional context into account in which business activities and their relations to society are embedded. Westermann-Behaylo and colleagues have argued that ‘there has been little emphasis on how context shapes the types of PCSR activities that are employed.’ (Westermann-Behaylo et al., 2015, p. 388) The majority of studies have focused on the standard case of MNCs from ‘western’ countries with decent democratic institutions and rule of law regimes at home that operate in fragile states which lack these institutional properties (see, e.g., The Fund for Peace, 2015). The main concern was how MNCs behave and how they should behave vis-à-vis the prevailing governance gaps, i.e. whether and to what extent they can take advantage of these gaps or whether and to what extent they are responsible to close these governance gaps and/or to provide public goods (Scherer and Palazzo, 2007, 2011).

However, the situation of MNCs today is more complex with a number of variants that deviate from this standard case in various respects.

- (1) Governance gaps have never been an exclusive feature of fragile states. Rather governance gaps have always been a problem in developed economies due to unavoidable institutional failures and limits of law, which gave rise to the need for responsible business behaviour (Djelic and Etchnanchu, 2015; Stone, 1975).
- (2) Today, however, in many developed countries the state deliberately retreats (for various reasons) from tasks that have originally been considered exclusive government responsibilities. In western countries we observe a ‘rethinking of governance’ (Bell and Hindmore, 2009), a ‘new statism’ (Wood and Wright, 2015) and a ‘diffusion of the regulatory state’ (Levi-Faur, 2005) that all contribute to the redefinition of the roles of state and non-state actors and the delegation of governance responsibilities to NGOs and private business firms (e.g. in policy areas such as safety, infrastructure, health, education etc.).
- (3) Hence, the landscape in which MNCs operate is quite heterogeneous (Kostova and Zaheer, 1999). It ranges from developed states that are highly regulated (such as France, Germany, or Scandinavian countries), developed states that are

more deregulated (such as the UK, the US), strong but undemocratic states such as PR China or Saudi-Arabia, weak and undemocratic states such as Belarus or Uzbekistan, to failed states such as Sudan or Iraq. Each of these environments poses different challenges on MNCs and demand different responses that have yet to be explored (Scherer et al., 2013b).

- (4) Finally, MNCs today do not only have their home base in western countries. Rather business firms from transition or emerging economies engage in trade with each other or make investments both in developing and developed countries (see, e.g., Gereffi and Lee, 2016; Kaplinski and Farooki, 2010). The implications of South–South trade and investments for PCSR have yet to be explored (see, e.g., Nordensward et al., 2015; Tan-Mullins and Mohan, 2013).

### **Efficiency of private governance**

With regards to governance mechanisms, it will be interesting to learn from the literature on global supply chains (Buckley and Strange, 2015; Gereffi et al., 2005). Today, firms are able to build up complex supply chains that stretch over multiple countries with different legal and cultural systems. Business firms externalize value chain activities (outsourcing) and/or relocate the production of goods and services to other countries (offshoring) (Buckley and Strange, 2015). When managing these complex supply chains, corporations make use of various inter-firm governance models that combine elements of hierarchic, market and network governance and that have been explored in the international political economy literature (see, e.g., Gereffi and Lee, 2016; Gereffi et al., 2005). Industry clusters are a special form of network governance. They consist of independent firms that coordinate their activities by informal networks, and relationships based on trust and close geographic proximity. These clusters require mainly horizontal coordination among equals, whereas global value chains normally depend on vertical coordination influenced by lead firms.

It has yet to be explored how far corporate responsibilities reach along the breath and depth of these supply chains and how these responsibilities can be shared and managed among the value chain and cluster partners (Amaeshi et al., 2008; Locke, 2013). In the literature alternative forms of compliance, collaboration, and integrity management are discussed (see, e.g., Foerstl et al., 2015; Paine, 1994; Locke, 2013). However, the positive and negative effects of these models have yet to be explored (Barrientos et al., 2011; Gereffi and Lee, 2016).

Self-regulation in global production networks started with a discussion of the bad working conditions in those factories to which apparel brands outsourced their production since the early 1990s (Arnold, 2003). Companies like Nike were targeted by NGO campaigns and started to impose codes of conducts on their suppliers and eventually began to have those suppliers audited by independent third parties (Connor, 2002; Graafland, 2002). In recent years, scholars have started to investigate the impact of such compliance programs for suppliers. Despite significant investments in auditing systems, key labour right problems such as overtime work, health and safety risks or even child labour have not significantly improved (Locke, 2013; Locke et al., 2009; Locke et al., 2007). As Lebaron and Lister (2016) conclude in a recent study, audits might even reinforce the social and environmental problems in factories they try to solve. So far, PCSR has focused on the process of formulating and implementing of self-regulation initiatives, trying to determine the conditions of legitimacy of such governance mechanisms. The critical debate on the inefficiency of codes of conduct and factory audits points at

the need to shed light on the output side of self-regulation as well.

### **The ever-widening scope of PCSR**

The responsibilities of business vis-à-vis society have changed over time. It appears that today corporate responsibilities have been widened along evermore social and environmental topics and deepened up and down global value chains embracing not only immediate suppliers or customers but also sub-suppliers and sub-purchasers (Cruz, 2013; Gereffi and Lee, 2016; Seuring and Muller, 2008). Obviously, corporations are expected to take responsibility not only for societal problems they directly cause or contribute to, but also for problems that are caused by others and where corporations benefit from the problematic behaviour of these others (see, e.g., Kobrin, 2009; Schrempf, 2014; Young, 2004). Even more so, corporations are asked to take responsibility where there is neither a direct nor indirect connection to the cause of social or environmental problems, but where corporations have the capacity and resources (e.g. knowledge, money, relations etc.) to remedy the problems.

In parallel, new issues emerge with the current ecological crisis. The limits of the earth's ecosystem have been explored, most famously through the Planetary Boundaries concept that focuses on aspects such as nutrient or hydrological cycles and biodiversity (Griggs et al., 2013; Rockström et al., 2009). These aspects have been integrated in the new Sustainable Development Goals (SDGs) (Griggs et al., 2013; Sachs, 2012; Whiteman et al., 2013) which were issued by the UN in 2015. Within the context of the SDGs, social and environmental challenges are often considered as governmental responsibilities (see critically, Sexsmith and McMichael, 2015). However, it is important to consider how non-state actors such as private businesses or civil society actors can also address these challenges, either unilaterally or in cooperation with state actors (Sachs, 2012; Voegtlin and Scherer, 2015). We do not know how the governance structures and procedures should look like that are able to create legitimate and efficient solutions to these challenges, even though a lot of new organizational forms can already be observed (Gabay, 2015; Gereffi and Lee, 2016; Scherer, 2015). Future research needs to reconcile these different approaches (liability, connectedness, capacity) and develop theory on how the scope and depth of corporate responsibilities can be reasonably determined.

### **Financialization and digitalization of the economy**

PCSR has yet to take account of the growing financialization and digitalization of the economy (Davis, 2009; Zuboff, 2015). Up until now the main focus of CSR research has been on businesses from the primary and secondary sectors of the economy with an emphasis on cases from the extracting, industrial and consumer goods industries. By contrast, the third sector, with services, financial intermediaries, and ICT in particular, has been widely neglected despite its rising influence on national economies and the growing value third sector firms enjoy on stock markets. Studies on ethical issues in the banking industry are still rare although the popular press is full of corporate scandals in which bankers and financial intermediaries are involved. It is indeed astonishing that even the financial crisis of 2007/08 did not provoke much attention from both CSR and management scholars (see, e.g., Davis, 2010; Munir, 2011; Willmott, 2011).

Also, the rising significance of information and communication technology companies has yet to be explored. Up until now PCSR scholars have analysed only selected aspects such as corporate transparency (Vaccaro and Madsen, 2009), social media (Whelan et al., 2013), or single case studies on scandals of ICT firms (e.g., Brenkert, 2009). By

contrast there is a growing literature that celebrates the digitalization of the economy and the potentials of extracting rents from ‘big data’ as a major achievement, but widely neglects the potential negative impacts on free democratic societies and the rights of citizens (see, e.g., Brynjolfsson and McAfee, 2014; Rifkin, 2014; Varian, 2014). This is an exciting challenge for PCSR scholars to explore the consequences of the digitalization of the economy and its impact on civic liberties and global governance (see, e.g., the critical works of Lanier, 2013; Richards, 2013; Zuboff, 2015).

### **The inside-out perspective of managerial sensemaking on PCSR**

Next to those changes in the societal context, we would like to highlight one largely neglected aspect of the PCSR within the corporation. . There is surprisingly little analysis of how a political understanding of CSR can be reconciled with the prevailing business rational within corporations (‘creating shared value’, see, e.g. Porter and Kramer, 2011, and critically Crane et al., 2014), how organizational responses, structures and identities are affected (Child and Rodriguez, 2010; Scherer et al., 2013a, 2013b), and how the new understanding of the political role of business firms influences their interactions with competitors in their peer groups and with other governance actors (Binder, 2007; Lamin and Zaheer, 2011; Pache and Santos, 2010). It will be interesting to see how initiatives on PCSR emerge and evolve within corporations. We also need to learn what the role of internal values, external pressure, competitive benchmarking and business case rhetoric in early and later phases of such an engagement is.

Although sensemaking processes have been studied in the context of CSR (Basu and Palazzo, 2008), this literature does not yet discuss how organizations make sense of their political responsibilities and what the implications for organizational responses, structures and identities are. In particular, tensions between different organizational discourses (e.g., political responsibility versus ‘shared value’ creation), which can for instance be tied to different organizational departments (Delmas and Toffel, 2008), make for an exciting new research area. It appears that the way corporations balance various discourses within the organization and how they connect these discourses with their environment is central to the understanding of how PCSR is managed (Patriotta et al., 2011; Vaara and Tienari, 2008). How do organizations make sense of their political responsibilities, especially in light of conflicting internal and external demands? In what ways do organizational characteristics enable and constrain such sensemaking processes?

We also do not know much about structures and procedures that restrict irresponsible and/or encourage responsible behaviour in firms. There has been research on the organizational obstacles to ethical behaviour (see, e.g., Bazerman and Tenbrunsel, 2011a; Waters, 1978). And the benefits and limitations of compliance models have been intensively discussed (Paine, 1994; Stansbury and Barry, 2009; Trevino et al., 1999; Weaver et al., 1999). Yet, the obstacles are still present and compliance models are widely used in practice, often for legal reasons (McKendall et al., 2002). Alternatives, such as the integrity model, have been proposed (Paine, 1994) and authors advocate a value-based approach to compliance (e.g., Trevino et al., 1999; Weaver, 2014). However, it is still unclear whether and under what conditions and in what combinations these models will work or fail (see, e.g., Locke, 2013). In particular, future studies have to consider the wide range of alternative institutional environments business firms are operating in (see our preceding sections).

An important part of firm-level structures and procedures is the governance system of

corporations. Corporate governance in the mainstream literature is conceived of a system that is focused on the (economic) interests of shareholders (see, e.g., Jensen, 2002; see critically Blair, 2003). Alternative conceptions, however, develop a broader view that takes account of individual and communal interests and aims to create a balance between economic and social goals (see, e.g., Cadbury, 2003, p. vii; Gomez and Korine, 2005; Parker, 2002; Scherer et al., 2013a). These alternative forms of corporate governance are inclusive and participative insofar as various stakeholder groups are included in the corporate decision making process. This can happen in various degrees, by way of information, consultation, or active involvement in corporate decisions. These participative forms of corporate governance may also provide a solution for compensating for the democratic deficit in the environment of the corporation, e.g. in fragile states (Parker, 2002; Scherer et al., 2013b).

The focus on structure should not lead to the neglect of the dynamics of PCSR. We need to know the organizational preconditions that business firms need in order to develop structures that enable responses to (global) public good problems (Scherer et al., 2013b; Zadek, 2004). Therefore, we need to develop a perspective that is more dynamic and explore questions such as: What are the appropriate capabilities organizations need in order to manage PCSR (Reuter et al., 2010; Torugsa et al. 2012)? How do organizations acquire such capabilities? And how do they differ from capabilities that firms need to pursue a strategic or instrumental approach to CSR (Maxfield, 2008; Ramachandran, 2011)? What is the role of innovation and organizational learning with regards to PCSR (Senge et al., 2007; Voegtlin and Scherer, 2015)?

With regards to the corporate perspective, there is a need to study individual behaviour and its relationship with CSR across levels of analysis (Aguilera et al., 2007; Aguinas and Glavas, 2012; Frynas and Stephens, 2015). Such studies will have to explore the role of leadership models such as transformational (Waldman et al., 2006) or responsible leadership (Maak and Pless, 2006) in organizational and institutional change processes. Moreover, the activities of responsible leaders or CSR managers as social entrepreneurs (Mair et al., 2012; Mair and Marti, 2006) or boundary spanning actors (Edmondson, 2004; Hsiao et al., 2012; Tushman and Scanlan, 1981) within or across organizations and their influence on PCSR have to be analysed. Anecdotal evidence suggests that charismatic individuals in their role of firm leaders or political leaders often are the driving force behind CSR initiatives and change processes in business in society. Here research can explore the following topics: Under what conditions do managers actively engage in political issues? How can individual engagement with PCSR be explained seen from various theoretical perspectives (e.g. sensemaking, identity, network, economic theories)?

### **THE CONTRIBUTIONS TO THIS SPECIAL ISSUE**

The articles, which we selected for this special issue, react to some of the above made observations. In particular, they narrate stories of PCSR from a managerial perspective and thus contribute to filling some of the gaps that we sketched above.

In their study of collective responses to mining minerals in a conflict zone in the Congo, *Juliane Reinecke* and *Shaz Ansari* (2016) follow how companies shifted from thinking about conflict minerals as an insoluble issue, which happened at a distance, to an issue which they were implicated in and should take direct responsibility for. They show how this involved NGOs mobilizing to reframe the problem from being an insoluble private problem to being a private problem, which actors needed to take responsibility for. They



also found that framing and dialogue between NGOs and firms was not enough. What was crucial in this case was that these reframing strategies were connected with changes in US legislation. Through careful political manoeuvring, clauses about conflict minerals were written into a piece of corporate governance legislation in the Senate and Congress (the Dodd-Frank act) (see Taylor, 2015). This addition of hard law to softer form of dialogue and agreement made the changes much more biting. What this paper shows more generally is how wicked problems can often only be dealt with through a process of narrowing, simplification, identifying clear points of blame and ultimately legislative solutions.

*Jean-Pascal Gond, Luciano Barin Cruz, Emmanuel Raufflet and Mathieu Charon* (2016) explore how the institutional context not only shapes PCSR activities but in many cases also impacts to what extent corporate irresponsibility becomes possible in the first place. They ask why it was that fracking failed to gain government approval in Quebec, while it had been enthusiastically backed by other states throughout North America. To explain this process they look at the role which processes of justification played. Based on newspaper data as well as interviews with key informants they traced out the different worlds which people appeal to in their attempt to justify particular courses of action. Most notably a civic justification played a particularly important role in trying to undermine fracking practices. What is particularly interesting in this paper is that they identify the role different forms of power play in trying to mobilize actors. They show how power constrains or enables forms of justification (e.g. because powerful groups delegate the ability to justify actions). They also find that justifications had power in this case by creating a sense of uncertainty as well as forcing institutions to play their role. The paper highlights the rich interplay of justification and power mobilized activities that, in the end, blocked legislation in support of fracking activities. The paper is an excellent example of how PCSR research can unpack power relations that constrain as well as enable processes of dialogue.

While PCSR research has emphasized how legitimacy is communicatively constructed, scholars often neglect how the interactions among various stakeholder groups also change the business models underlying entire industries. The paper by *David Levy, Julianne Reinecke and Stephan Manning* (2016) discusses these dynamics. They look at how contests around PCSR are related to what they call 'value regimes'. Using a conceptual vocabulary drawn from the followers of Antonio Gramsci, they explore how various activist groups were able to shift the value regime around the international standards associated with the trade in Coffee. They trace three stages of the evolution of this regime following an international trade agreement in 1989. First, fairly traded coffee was seen as a niche within the much larger international coffee market – a few companies would offer specifically 'ethical' coffee brands. Then it came to be accommodated in the mainstream by larger companies like Starbucks and Nestlé engaging in ethical labelling – even for their more mainstream products. Finally, ethical coffee shifted from being seen as a labelling issue to becoming an issue of supply chain resilience. Each of these new value regimes gave rise to new models of value creation. This shows how ongoing interactions between industry and NGOs can give rise to new international regulations as well as entirely new business models. The paper opens our eyes to the economic aspects involved in PCSR – in particular showing us how dialogue between stakeholders creates new business models, modes of governance, and forms of meaning.

The study by *Itziar Castelló, Michael Etter and Finn Årup Nielssen* (2016) examines how digital technologies impact the way in which firms frame their political responsi-

bilities. The paper explores how a small CSR team in a large global healthcare organization learned how to use social media to engage with stakeholders and ultimately build legitimacy for the company. In particular they look at how the company changes the way it uses its newly established Twitter feed. Based on 41 months of data from the company's Twitter feed as well as in-depth interviews, the authors map out how and why the company changed the way it used social media. CSR began with the assumption that engagement with stakeholders was something that needed to be tightly controlled and monitored. The team realized this strategy, which had been taken from the world of engaging with the mass media, did not seem to work particularly well. They decided to surreptitiously try a new approach by entering more directly into conversations with people on social media (rather than just pushing out finely crafted press releases). By doing this, they were able to build up a relationship with many stakeholders. This paid off in terms of increased legitimacy among the stakeholders. Rather quickly, other parts of the organization began to recognize the success, which this small team were having in using social media to engage a range of stakeholders. The paper shows how firms can become political actors in the online sphere through ongoing engagement with their stakeholders. This does not just have to happen in more formalized spaces such as multi-stakeholder forums – it can also happen in digital forums such as Twitter.

*Maria Ehrnström-Fuentes's* (2016) paper takes the interactions between PCSR and the relevant institutional context seriously. She notes that assumptions about democracy and modern capitalism, which so much of the PCSR literature begins with, do not extend to large parts of the planet. Drawing from postcolonial research, she argues that there are often radically different social imaginaries in different parts of the world. These imaginaries are based on differing assumptions about the history of place, meaning of subsistence, relationship to nature and narratives of the future. She compares how two communities with radically different social imaginaries reacted to the construction of a pulp and paper mill. One community was held together by a narrative of industrial progress (anchored around jobs and economic progress), while the other community had a non-industrial imaginary, seeing nature as integral, time as cyclical and the ocean as a major source of sustenance. This meant it had a radically different – and much more hostile and suspicious – relationship to the pulp and paper mill. What this paper reminds us is that the success or failure of PCSR strategies is highly mediated by the different social imaginaries, which are in place in different institutional settings. In many ways, this paper is a call for people studying PCSR to recognize the existence of a 'pluriversal' world of different social imaginaries.

Finally, *Thomas Maak, Nicola Pless and Christian Vögtlin* (2016) take up the relationship between leadership and PCSR in their paper. Building on the upper echelons perspective, they ask what leads to leaders who are more likely to engage in the kind of strategies which PCSR research has focused on (such as pursuing wider welfare goals rather than maximizing shareholder value). They argue that there are two individual level factors, which are decisive – an individual's cognitive complexity and their social complexity. But there are also two organizational level factors, which are important as well – the governance system one is engaged with and the power distance within a particular society. They argue responsible leaders who have a focus on increasing collective welfare tend to have higher levels of cognitive and social complexity, and they operate governance systems with higher levels of stakeholder orientation as well as in lower power distance contexts. By sketching out these dynamics, they provide us with a way of understanding how individual leaders – as well as the corporate governance systems which they work in can constrain or enable a more positive or negative orientation

towards PCSR.

## **CONCLUSION**

Taken together, the papers in this special issue make a number of contributions to the evolving debate about PCSR. The first is to solidifying the existing evidence base – particularly at the macro level. They do this by providing in-depth empirical studies of a number of settings which show how PCSR dynamics play out. This is important, because much of the research to date has been theoretical in scope. A second major contribution is to extend evidence into non-western settings (Dobers and Halme, 2009). A number of case studies in non-western contexts show the complexities as well as the difficulties in directly applying many basic ideas from PCSR. This special issue also identifies the role which government regulation and state power more broadly can play in PCSR (Knudsen et al., 2015; Vallentin and Murillo, 2012). Up until recently, most people studying PCSR have tended to emphasize forms of soft power (Garsten and Jacobsson, 2013; Wilson, 2008). Some of the papers in this special issue show that the harder power of government legislation also plays a critical role in processes of firms becoming political actors. The final major contribution of the papers contained in this special issue is to extend the theoretical bases of PCSR research. Most PCSR research is founded on assumptions, which are drawn from advocates of deliberative democracy like Jürgen Habermas (1996, 2001). In this special issue, we see researchers bringing in a range of alternative bodies of theory to understand these dynamics including Gramscian concepts of hegemony (see Levy and Egan, 2003), ideas about justification borrowed from Luc Boltanski (Boltanski and Thévenot, 2006), and concepts of framing from social movement studies (see Cornelissen and Werner, 2014; Goffman, 1974). Bringing in these novel theories helps to extend the scope of existing work on PCSR.

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