Introduction to the Special Issue: Globalization as a Challenge for Business Responsibilities

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ABSTRACT: This article assesses some of the implications of globalization for the scholarly debate on business ethics, CSR and related concepts. The argument is based, among other things, on the declining capacity of nation state institutions to regulate socially desirable corporate behavior as well as the growing corporate exposure to heterogeneous social, cultural and political values in societies globally. It is argued that these changes are shifting the corporate role towards a sphere of societal governance hitherto dominated by traditional political actors. This leads to a discussion of the ambivalent results of such a process for a responsible corporate role in a globalized world. While assessing the current reception these changes have received in the management literature, the contributions of the four articles in this Special Issue are framed and evaluated. The argument closes by highlighting avenues of future research on this new challenge.

INTRODUCTION: GLOBALIZATION AS A CHALLENGE FOR BUSINESS RESPONSIBILITIES

GLOBALIZATION CAN BE UNDERSTOOD as the intensification of social interrelations among distant locations (Beck 2000; Giddens 1990). This process is initiated by political decisions such as the reduction of tariffs and non-tariff barriers to the exchange of goods, technology, capital, services, and labor, and the opening of markets through liberalization and deregulation policies. It is further accelerated by political upheavals (e.g., the fall of the Iron Curtain) and by technological advancements in communication, media, and transport, and is accompanied by socio-cultural processes such as increasing cross-border migration, the erosion of traditions, growing individualization, and the emergence of pluralist societies with heterogeneous values, cultures and life-styles (Cohen and Kennedy 2000). As a result national borders and geographic distances are losing their economic and political significance (Scholte 2005). The regulatory power of nation state governance is fading, and received values and traditions are eroding (Habermas 2001). As a consequence global business firms operate in a complex and uncertain environment with gaps in regulation and ill-defined rules of appropriate business conduct (Scherer and Palazzo 2008a).

The globalization of society erodes established ideas about the division of labor between the political and economic spheres, and calls for a fresh view concerning

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the role of business in society. Some transnational corporations (TNCs) have started to change their role from one of simply following the rules to one of creating the rules of the economic game. They already assume social and political responsibilities that once were regarded as belonging to government (Matten and Crane 2005; Scherer, Palazzo, and Baumann 2006). They engage in the production of public goods (e.g., public health, education, social security) (Kaul et al. 2003), and in self-regulation to fill global gaps in legal regulation (Cragg 2005; Scherer and Smid 2000) and to promote societal peace and stability (Fort and Schipani 2004). Some corporations do not simply comply with societal standards in legal and moral terms; they engage in political processes that aim at setting or redefining those standards in a changing, globalizing world (Scherer and Palazzo 2007). Those activities go beyond the received understanding of stakeholder responsibility and corporate social responsibility (CSR) as it was conceptualized in the past decades (that is, as the corporations' adaptation to societal expectations; Carroll 1979; Strand 1983). TNCs operate in a complex environment with heterogeneous, often contradictory legal and societal demands. As a consequence the simple adaptation to a particular set of social demands will not create social acceptance but will instead lead to a mismatch with other societal expectations and the rise of legitimacy questions (Palazzo and Scherer 2006).

The social activities of business firms, however, often go beyond the traditional conception of politics as *power politics*, as it is commonly understood in the management literature. There it is assumed that politics is a process of furthering one's interests by imposing one's will on others (e.g., Baron 2003) and that business firms engage in public policy only for profit oriented reasons, that is, in order to influence the political system so that the interests of private businesses are served and their profit seeking ambitions are not restricted by strong regulations (Bonardi, Hillman, and Keim 2005; Hillman, Keim, and Schuler 2004). Seen from this viewpoint, politics is conceptualized as a power game within a complex system of checks and balances and the outcomes of the political process are explained with the help of power differences among actors with irreconcilably opposed private interests (Elster 1986). However, it remains an empirical question whether all of the corporate social and political activities described above can be explained by rational profit seeking behavior, or whether other factors such as altruism, pro-social behavior, isomorphic adaptation to the changing institutional context, path-dependencies, or argumentative entrapment (i.e., the need "to walk the talk") play a significant role in the political behavior of business firms.

At the same time, it is obvious that the political engagements of business firms do not necessarily contribute to the common good and thus are not always socially acceptable (Banerjee 2007; Reich 2007). Therefore, questions remain as to when political strategies of business firms should be considered legitimate versus when they should be considered dangerous to society and democracy. It addition, it appears that the traditional concepts of corporate politics as power politics have emphasized outcomes and uneven power structures, but generally have neglected the communicative conditions of the political process in which people try to interpret issues of common concern, attempt to regulate some aspects of their social and economic interactions, or try to define a common direction for their course of action (Young 2004). Business firms are both subject and object of this communicative political process of regulating the economy, but this political role for businesses has not yet been sufficiently explored.

The aim of this special issue therefore is to discuss the consequences of the social and political mandate of the corporation, and to examine the implications for theory and practice of businesses operating in a globalized world. In our call for papers we asked for contributions from the social sciences, humanities, and professional fields that go beyond established ideas on the role of business in a global society. We invited both theoretical and empirical contributions from different schools of thought, and particularly welcomed papers that argue across various levels of analysis (e.g., global level, national level, firm level, individual level) or that connect the potentially relevant disciplines (management studies, sociology, international law, political theory and philosophy, etc.). By the end of the deadline we received thirty-one paper submissions. Sixteen papers were eligible for review process and finally five papers have been accepted after two or three revisions. In the present special issue of *Business Ethics Quarterly* four papers are published; one paper that was originally submitted for the special issue has already been published in a previous issue of *Business Ethics Quarterly* (Nien-hê Hsieh, "Does Global Business Have a Responsibility to Promote Just Institutions?" *Business Ethics Quarterly* 19:2 [April 2009]: 251–73).

This introduction is structured as follows. In the following section we will briefly describe the limitations of traditional views of the political role of global business. In order to demonstrate the practical significance and theoretical challenge of this issue, we refer to both the desirable and the problematic consequences of corporate political engagement on the global playing field. We briefly summarize the four articles in this special issue. In the concluding section we explain why we need a new conception of the political role of business, and point to some of the challenges that need to be explored in future research.

CORPORATIONS AS POLITICAL ACTORS? THE LIMITATIONS OF CURRENT THEORIES ON THE POLITICAL RESPONSIBILITY OF BUSINESS

So what exactly do we mean if we speak of corporations as political actors? The main feature of the political nature of the corporations is that they increasingly actively participate in societal governance, and that they take part in the authoritative allocation of values and resources (see also Crane, Matten, and Moon 2008: 1). This, however, is a contested idea which causes resistance from various schools of thought. Many economists argue that corporations are institutions which are designed to make profits (Sundaram and Inkpen 2004). They reject any social or environmental engagement of business firms that goes beyond legal requirements and does not contribute to profit making (Friedman 1970; Henderson 2001). However, the economist's argument aims not only to protect the property rights of owners of firms and serve the interests of the shareholders. Rather, economists maintain that private profit seeking contributes to the wellbeing of society via the allocation function of the market system (Jensen 2002). In addition, economists emphasize that managers of business firms are neither elected nor controlled democratically. Therefore, any socio-political engagement by managers not only violates the legitimate claims of shareholders, but is a danger for democratic society (Friedman 1962, 1970; Baumol and Blackman 1991).

Many globalization critics, such as civil society movements, human rights advocates, and environmental protection groups, argue that social or environmental projects of business firms are nothing more than "window dressing" or "green washing" (Klein 2000; Laufer 2003), as corporations attempt to create positive public images without necessarily modifying their problematic business activities: "In this form, corporate social responsibility is cheap and easy" (Roberts 2003: 250). These critics conclude that business firms engage in these CSR projects either to enhance their reputation or for financial reasons (by managing their risks or taking a chance to earn extra money by investing in such projects). Business firms, they assume, have no intrinsic motivation to contribute to the common good; rather they are only concerned with making profit. Therefore, many globalization critics argue that the political activities of corporations are a potential danger for society, as they are not intended to serve the public good but the egoistic motives of managers or firm owners, often at the cost of their social or ecological environment (Korten 2001). These negative externalities may occur in particular where transnational firms operate in failed states with weak or even absent regulation and enforcement mechanism. Therefore transnational corporations have been accused—especially since the 1970s—of being an expression of an imperialist capitalist system and of exploiting developing countries at the expense of the wellbeing of their citizens (Brewer 1980; Mandel 1999; Warren 1980). Today, TNCs have become even more powerful in influencing and determining the political, social, and economic conditions in their host countries; they have become the true "leviathans" of our time (Chandler and Mazlish 2005).

At the same time, the social political engagement of corporations has become a widespread phenomenon: "That corporations do sometimes act as social change agents is not in dispute; indeed it is an empirical reality around the world. Moreover it is becoming a political reality as well" (Bies et al. 2007: 788). Despite the critical comments from various perspectives, a growing number of business leaders seem to assume responsibilities that go beyond profit seeking and compliance to the legal minimum. Without doubt, some of these corporate initiatives may be part of public relations strategies and serve the purpose of creating a positive corporate image while leaving the essential value chain and business processes untouched (Banerjee 2007; Roberts 2003). Moreover, in many instances corporations assume this political role without even being aware of it, let alone intending to do so. Good examples are companies that have taken over public services from government in healthcare, education or public transport (Crane and Matten 2005). In some cases it can even be assumed that the internalization of social and environmental responsibilities not only changes a business's operations themselves, but can even lead to a transformation of the business's perception of its role in society (Zadek 2004).

We suggest that *current theorizing* on the political responsibilities of business firms does not sufficiently take account of these changes, as it is mainly based on (1) an economic view of the role of the business firm and (2) a strict separation of public and economic domains: "[C]ompanies work to maximize their strategic freedom within the bounds set by government. . . . The role of the firm is separate from that of government" (Detomasi 2008: 812–13). Seen from this perspective, business firms are only considered to be private actors, focusing on their economic interest in earning profits while complying with the legal rules provided by governmental regulation and the moral rules of their social environment. This perception of corporate responsibility is based on the premise that markets and market actors are sufficiently controlled and controllable by governments (Sundaram and Inkpen 2004). In fact, in economics, finance and other business-related disciplines the assumption is widely shared that governments are powerful and even regulate too much and should rather decrease the level of control (Norberg 2003). It is commonly thought that taking care of issues of public concern is the exclusive responsibility of the state, and any policy of a business firm is considered an expression of its profit-seeking strategic attitude. Ironically, both of these assumptions are shared by many defenders of free trade and TNCs and by globalization critics.

In management studies the political activities of business firms have been widely discussed (see, e.g., Boddewyn and Brewer 1994; Hillman, Keim, and Schuler 2004; Schuler and Rehbein 1995; Shaffer 1995). The established view on the political behavior of business firms is based on a quite distinct version of *power politics* that is underlying conceptions such as "political strategy" (Hillman, Keim, and Schuler 2004), "political lobbying" (Shell 2004), or "private politics" (Baron 2003). This instrumental view on politics is also common in much of political science, whereby the so-called "real politics" or *Realpolitik* approach is one of the dominant paradigms (see, critically, Wayman and Diehl 1994). The *political strategy approach* has focused on the strategic behavior of corporations "to shape government policy in ways favorable to the firm" (Hillman, Keim, and Schuler 2004: 838). It is based on the premise that "managers choose to engage in political activity to enhance the value of the firm" (Hillman, Keim, and Schuler 2004: 839, emphasis in the original here omitted). Empirical research is dedicated to the question of what factors influence the success or failure of political strategies, i.e., of corporate lobbying. Some authors have even written manuals for corporate managers on how to influence the political system (e.g., Shell 2004).

Likewise, many students of *corporate social responsibility* favor an instrumental approach and search for a "business case of CSR" in order to show if and under what conditions CSR projects may contribute positively to financial performance (see, e.g., Aupperle, Carroll, and Hartfield 1985; Berman et al. 1999; for a critical review see Margolis and Walsh 2003). These studies are based on the premise that profit-making is the final goal of business and that any corporate policy and any corporate social or political engagement must be understood as an instrument to rationally achieve this goal.

These schools of thought work within the assumption that the business of business is business (Friedman 1962, 1970), while it is the task of the state to serve public interest (Frederick 1998; Detomasi 2008; Sundaram and Inkpen 2004). The state defines the rules of the game in processes of public deliberation that regulate private businesses in otherwise free markets (see, e.g., Colley et al. 2003: 7). Private businesses are forced to comply with these regulations by means of legal and administrative sanctions, so that the consequences of market exchanges contribute to the public good and externalities are avoided, or at least compensated. Other than that, private businesses have no additional social or political responsibilities; rather their only responsibility is to earn profits (Friedman 1970). In their comprehensive review of the management literature, Walsh, Weber, and Margolis (2003: 865) have characterized this dominant view and its assumption that the state is the only significant actor in public policy: "Property rights, the invisible hand of the market, and the government are entrusted to solve society's problems. Corporate managements are to play no direct role in ensuring the social welfare of society."

However, as argued above, these proposals work on the premise that the state-system is able and sufficient, via regulation and enforcement, to direct the results of the strategies and actions of self-interested economic actors toward societal good. As a consequence, the economic theory of the firm has focused on economic responsibilities only, and delegates the resolution of societal issues to institutions and actors *outside* the market system (Sundaram and Inkpen 2004).

We hold that during the process of globalization both of these assumptions—about the sustained capability and efficiency of the nation state system on the one hand, and the separation of public policy and private business on the other—need to be reconsidered (see, Beck 2000; Cragg 2005; Kobrin 2001; Scherer and Palazzo 2008b). Today, businesses do not necessarily operate within the borders of a clearly defined legal system and a more or less homogeneous set of social expectations. Instead many operations are shifted offshore and beyond the reach of the rule of law or the enforcement of taxes or regulations (Palan 2003). In addition, nation state institutions face social and environmental challenges that have transnational origins and cannot be regulated or compensated unilaterally by national governance. This regulatory gap is only partly compensated by new global governance mechanisms to which civil society and private actors, along with governments, contribute knowledge and resources. Unlike nation state governance, these new governance mechanisms consist of non-hierarchical networks of private and public actors, rely on voluntary action, and have only weak enforcement measures (Braithwaite and Drahos 2000).

These developments have at least two consequences: First, the nation state is losing part of its regulatory power, although it remains a significant actor in emerging global governance. Second, the private-public distinction gets blurred. Business firms—for better or worse—engage in public policy (Scherer, Palazzo, and Baumann 2006). Some corporations act as "corporate citizens" and get actively involved in the governance of human rights, public corruption, social and environmental standards, and thus directly shape the public good (again, for better or for worse) where the state is unable or unwilling to do so (Matten and Crane 2005). Other business firms, however, take advantage of the lack of regulation and enforcement and aggressively foster their economic interests, often at the expense of the surrounding communities and the natural environment (Banerjee 2007).

DARK SIDES AND BRIGHT SIDES OF GLOBAL BUSINESS: CORPORATE BEHAVIOR ON THE GLOBAL PLAYING FIELD

The idea of viewing the corporation not only as an economic but also as a political actor thus builds on two seemingly contradictory observations (Palazzo and Scherer 2008). On one hand, the global regulatory gap seems to trigger deviant corporate behavior (Gond, Palazzo, and Basu 2009). Some multinationals are accused of abusing that gap and (directly or indirectly) violating human rights in their globally expanded operations, especially in those areas where state institutions, legal restrictions, and enforcement are weak or almost non-existent (e.g., Mokhiber and Weissman 1999; Korten 2001). On the other hand, corporations get involved in self-regulatory activities (Scherer and Smid 2000) and engage in the production of public goods beyond their immediate business context (Kaul et al. 2003; Valente and Crane 2009). We label these two observations the dark and the bright side of global business.

The Dark Side

It has been argued that weak global governance mechanisms have led to a return of the robber baron phenomenon (Rawlinson 2002). The term "robber baron" symbolizes the dark side of unchecked capitalism. It has been used to characterize the industry leaders of nineteenth-century frontier America, the Vanderbilts, Rockefellers, Morgans, and Carnegies. These captains of industry made a clear distinction between *how to make* and *how to use* a profit. Still under the influence of a Puritan work ethics, they interpreted worldly success as a sign of divine grace and felt a duty of "giving back to society." They gave huge amounts of money to charities or even used their fortune to establish foundations. As Rockefeller once stated, "I believe it is my duty to make money and still more money and to use the money I make for the good of my fellow man according to the dictates of my conscience" (see Norton et al. 1986: 490). Thus, the fact that CSR is often considered merely to be a philanthropic issue (see, e.g., Porter and Kramer 2002) might partly result from the ideological roots of nineteenth-century capitalism.

At the same time, however, these capitalists became notorious for their aggressive drive to increase their wealth at almost any cost, thus demonstrating that ethical duties might be linked to using their profit but certainly not to the process of making it. Vanderbilt's notorious words "What do I care about the law? Haven't I got the power?" (see Josephson 1934: 72) illustrate the libertarian ideology of the robber barons whose workers died in mines, oil fields, factories, or railroad projects. Child labor was a common phenomenon at that time and grew at a high pace. It tripled between 1870 and 1900, and in 1900 almost 13 percent of all textile workers were younger than sixteen (Norton et al. 1986) working under miserable conditions in so-called sweatshops. Even social Darwinist, survival of the fittest thinking found fertile soil in laissez faire, gilded age society (Destler 1946). Robber baronism therefore found its optimal conditions in the transition from rural economy to industrial economy of the nineteenth-century United States (Perrow 2002).

We suggest that the ongoing process of globalization creates a comparable context of transition from domestic economies to a global economy with weak governance mechanisms. Some multinational corporations are criticized for abusing the regulatory vacuum, thereby displaying a behavior that is comparable to that of the notorious robber barons (Mokhiber and Weissman 1999; Korten 2001). Corporations have been accused of profiting from the legal vacuum in African civil wars (Dunfee and Fort 2003; Guidolin and La Ferrara 2007, Roberts, 2003), for collaborating with the military forces of corrupt political regimes in Nigeria, Indonesia and elsewhere (Clapham 2006; Taylor 2004), for bad working conditions in their supply chains, including child labor and slave labor (see, e.g., Bales 1999, 2005; Hightower 2002). Comparable issues are, however, not only a problem in developing countries, but can also be observed in the industrialized countries (see Banerjee 2003 for Australia; Saviano 2008 for Italy). As a consequence of these developments, some multinational companies have been described as the symbol of "what is wrong with twenty-first century capitalism" (Beaver 2005: 159).

While the robber baron outlook of the nineteenth century was sanctioned by the social Darwinist ideology common at that time, today the free trade mantra of some voices in economic theory (e.g., Irwin 2002; Krauss 1997; Norberg 2003) seems to deliver a comparable legitimization for arguably deviant corporate behavior. Krauss (1997: 51) has, for instance, argued that "the way to help poor people abroad is to open our markets to them not to force them to adopt . . . human rights standards," and claims that workers in the developing countries have voluntarily agreed to the terms of their contracts and thus have accepted the prevailing labor conditions even though they may be unsafe and unhealthy. Martinez-Mont (1996) has provocatively argued that it is better to have a lousy job than no job at all. The implicit assumptions in these positions is that prospering markets drive the overall development of poor societies and lift them to a higher level, with a stronger regulatory framework for the protection of human rights and democracy as a *consequence*. As long as these rights are taken as the *precondition*, the development process is slowed down (Barro 1994).

The Bright Side

However, the intensifying critique by civil society actors—who make doubtful business practices of multinational corporations transparent (den Hond and de Bakker 2007)—and the recent use of the US Alien Tort Claim Act and other laws to sue corporations for human rights violations in US courts (Clapham 2006), has convinced some companies to change business practices, to expose their activities to emerging soft law regulations, and even to participate in global governance initiatives and engage in CSR projects for the common good. Up until now more than 4700 business firms have subscribed to the United Nations Global Compact, and have publicly committed to voluntarily support human rights, to enforce social and environmental standards, and to fight corruption in their entire sphere of influence (see www.unglobalcompact.org, accessed May 1, 2009). These corporations assume responsibilities that once were considered the mandate of the state only. They cooperate in private-public-partnerships with civil society actors, international organizations and state agencies in the resolution of social and environmental problems and in the production of public goods (Reinicke and Deng 2000).

It seems that globalization is propelling a new distribution of power among national governments, economic actors, and civil society (Mathews 1997; Wolf 2008). The limited influence of national governments on large corporations is—at least partly—balanced by the politicization of civil society. What has been labeled "globalization from below" (Beck 2000: 68) describes the growing power of civil society actors to influence decision-making processes in governments and corporations. "NGO's role and influence have exploded" (Mathews 1997: 53). With the Internet forcing an ever-growing transparency of corporate behavior, an increasing number of these civil society activities are directed at corporations (Dryzek 1999: 44; Klein, Smith, and John 2004) whose business practices are scrutinized carefully (Spar and La Mure 2003), and who are confronted with growing demands (Walsh, Weber, and Margolis 2003) and changing conditions of legitimacy (Palazzo and Scherer 2006).

Under the pressure of changing societal expectations, some global corporations have started to intensify their CSR engagement. As described in the introduction, many corporate initiatives intrude into domains that traditionally belonged to the sphere of political responsibilities of state actors (Valente and Crane 2009; Walsh, Weber, and Margolis 2003). Business firms sometimes unilaterally address issues of public concern, such as Novartis's engagement in public health (Leisinger 2009), Coca Cola's fight against AIDS (Asongu 2007; Okie 2006), or Chiquita's initiatives to enhance social and labor rights in the banana industry (Were 2003). Aside from these firm level initiatives (for overviews see Hess, Rogovsky, and Dunfee 2002; Hill, Stephens, and Smith 2003) many companies engage in industry level or policy specific multilateral self-regulation initiatives (Gilbert and Rasche 2007) that aim to standardize, enforce and control business practices at the industry or global level, either in particular policy areas such as (for example) human rights, money laundering, corruption, or deforestation, or in certain industries (e.g., banking, retail, food, apparel, consumer goods, etc.). Some of the numerous examples are the *Forest Stewardship Council* for the protection of the world's forests (see www.fsc.org), the *Equator Principles* to support sustainable money lending in the banking industry, the *Wolfsberg Principles* to fight money laundering and corruption (www.wolfsberg-principles.com), the *Global Reporting Initiative* on the standardization of social and environmental reporting (www.globalreporting.org), the *Social Accountability 8000* certification initiative to monitor supply chains in the consumer goods industries (www.sa-intl.org), the *Business Leaders Initiative on Human Rights* to support human rights (www.blihr.org), or the *Kimberley Process*, a joint initiative of governments, business firms and civil society to ensure that the diamond industry does not support violence (www.kimberleyprocess.com). These kinds of initiatives are mushrooming, and they represent a new form of global governance that—unlike national governance—includes non-state actors such as corporations and NGOs, consists of non-hierarchical networks, and relies on voluntary action and weak enforcement mechanisms (Bernstein and Cashore 2007).

These political initiatives and processes go beyond the mainstream CSR discussion, which assumes an intact division of labor between state actors and economic actors (Scherer and Palazzo 2007). While the traditional understanding of CSR still builds upon the isomorphic approach that demands compliance with society's moral and legal standards (see, e.g., Strand 1983; Swanson 1999), some corporations have started to set or redefine those standards, thereby assuming a politically enlarged responsibility (Scherer, Palazzo, and Baumann 2006).

Discussing the cultural and institutional consequences of globalization for governmental, business and civil society actors, researchers have begun to redefine the role of the non-state actors in the process of global governance. These discussions and approaches are significant for the future theory development in corporate social responsibility and business ethics, since they offer concepts that include, explain and examine the described phenomena of private political activities. The present special issue contributes to this discussion.

NEW AVENUES FOR RESEARCH: THE CONTRIBUTIONS TO THE SPECIAL ISSUE

The four papers that are included in the special issue cover various levels of analysis (e.g., global level, organizational level) and policy issues (e.g., human rights, security). They are good examples of the new research on the role of business in a global society.[1]

Stephen Kobrin, in "Private Political Authority and Public Responsibility: Transnational Politics, Transnational Firms and Human Rights," explores the question of whether transnational corporations should be held directly responsible for human rights violations. He argues affirmatively and explores various options on how TNCs can be held responsible. He suggests that the global political economy is currently in a transition from the Westphalian to the post-Westphalian world order, with an increasing ambiguity of borders and jurisdictions, a fragmentation of authority, and a blurring of the separation between private and public spheres. TNCs have become powerful actors that assume authority in the international political system. They supply public goods, set social and environmental standards, and participate in political negotiations. Kobrin concludes that "political authority should imply public responsibility." When it comes to the question of how TNCs can be held accountable, Kobrin emphasizes four criteria: (1) the mechanisms have to be consistent with the post-Westphalian system, (2) they cannot be based only on voluntary compliance, (3) they must be considered both authoritative and legitimate, and (4) the scope of their coverage must be limited to a universally accepted set of human rights. Kobrin distinguishes various mechanisms within a 2x2 matrix, with a hard law/soft law dimension and an international (emphasis on state actors)/transnational (emphasis on state and non-state actors) dimension: 1) voluntary codes of conduct by either firms or international organizations, 2) international law that emphasizes the central role of nation states in international law, 3) a transnational solution, which he considers a hybrid form of hard-law and soft-law mechanisms. Kobrin analyses the potential and limitations of each of these mechanisms, and argues that a hybrid form—private-public actor collaborations with reliance on a mixture of hard and soft law—is most suitable for the current post-Westphalian order, although he hopes that the soft mechanisms may eventually emerge into harder forms of law.

Ingo Pies, *Stefan Hielscher*, and *Markus Beckmann*, in "Moral Commitments and the Societal Role of Business: An Ordonomic Approach to Corporate Citizenship," contribute to the debate on the political role of the corporation on at least two levels. First, they provide a conceptual framework for systematically differentiating conventional CSR approaches from a politically informed view of 'corporate citizenship' (CC) as recently espoused by several authors (e.g., Norman and Néron 2008, Crane, Matten, and Moon 2008). Based on rational choice and game theory (the eco-'nomic'-part of their 'ordonomic' approach), they show that corporations become increasingly involved in societal governance, both by setting rules (e.g., by self regulation) and by initiating rule-finding discourses. Thus corporations assume responsibility for the institutional settings that govern and structure political processes in society (the 'ordo'-part of their 'ordonomic' approach). It is here where their paper sees the key difference between CSR and CC. Second, their conceptual framework addresses another controversy in the literature on CC, namely the question of why self-interested and profit-seeking actors would possibly engage in these political activities (see, sceptically, e.g., van Oosterhout 2005, 2008). For Pies and co-authors this indeed can be the case, and based on a carefully crafted, economic framework they identify four specific situations wherein a company would see it in its utter self-interest to engage in CC activities. For the readers of *BEQ* the paper is a fascinating read for many reasons, two of which we would highlight here. To start with, there have not been too many papers in the business *ethics* literature recently that use economic methods in such a skillful and radical manner. Furthermore, in coining their 'ordonomics' term the authors engage in one of the favourite pastimes of scholars, namely, releasing new terminology into the academic community. While we believe that their approach may be considered controversial by some, we nevertheless think that in its current form it makes a rather original and valuable contribution to the debate.

In "Private Security Companies and Institutional Legitimacy: Corporate and Stakeholder Responsibility," *Heather Elms* and *Robert Phillips* examine the legitimacy of the private security industry. Private security companies (PSC) play an important role in modern warfare and global security. They work for various customers such as governments, corporations and humanitarian organizations. The ongoing war in Iraq shows the growing relevance of private security companies, with the number of US forces almost being matched by PSC employees. Building on Suchman's (1995) concept of organizational legitimacy, Elms and Phillips argue that the consumption of PSC services points to the existence of audience-specific pragmatic legitimacy (societal acceptability based on the perceived utility of PSC's activities). However, because of their growing power, the global expansion, and the widening regulatory gap in which PSC operate, these local pockets of pragmatic legitimacy become insufficient. The industry is confronted with a rising tide of critique from the mass media, lawmakers and various civil society actors, questioning the moral legitimacy of its customers, objectives and methods (societal acceptability based on the perceived normative appropriateness of PSC's activities). Building on discussions in neoinstitutional theory and stakeholder theory, Elms and Phillips discuss how PSC and their key stakeholders (customers, employees, financiers) can mutually reproduce the moral legitimacy of the industry. The authors discuss the reciprocal moral obligations of PSCs and customers (e.g., the legitimacy of objectives), employees (e.g., the professionalization of behavioral standards) and financiers (e.g., the appropriateness of information) that would build the foundation of morally legitimate PSC. The paper concludes with a discussion of four broad standards of responsibility that Elms and Phillips propose for the evaluation of the moral legitimacy of PSC: transparency, accountability, professionalism and dignity.

Stephanie Hiss, in "From Implicit to Explicit Corporate Social Responsibility: Institutional Change as a Fight for Myths," provides a rather fresh and unconventional view on the political dimensions of CSR. Hers is a case study on the proliferation and rise of CSR practices in Germany, a country whose legacy in this area is a relatively recent one and whose institutional framework governing economic activity differs strongly from the Anglo-American approach. The paper contributes to our understanding of the political dimensions of CSR in a number of ways. First the paper shows how deeply embedded CSR practices are in the regulatory, political and customary institutions of a specific geographic context. Second the paper shows that change within these institutions is a political process in which corporations, next to governments and civil society actors, play an intricate, active and crucial role. Last, but by no means least, by using neo-institutional theory the paper not only showcases the value of interdisciplinary—in this case sociological—perspectives on questions of business ethics and responsibility. Hiss's theoretical lens also highlights the political dynamics among different societal actors in shaping the CSR activities of individual corporations.

IN SEARCH OF A NEW CONCEPTION OF THE POLITICAL ROLE OF BUSINESS: CHALLENGES FOR FUTURE RESEARCH

In the past few years numerous academics have advocated a new conception of the political role of business in society. Dubbink (2004) called for a reinterpretation of the government-business-civil society-interaction. Walsh, Weber, and Margolis (2003) considered the analysis of this interaction to be one of the main challenges of CSR research and suggested to look beyond the established borders of management theory (Walsh 2005). And Barley (2007: 214) thinks we need to reverse the thinking "about how to study the relationship between organizations and their environment." In the course of this search our discipline will face a number of challenges.

First, we need *new analytical tools* that take account of the fading of the public-private divide in order to explore the new business-society relationships and the *contribution of private actors to public policy*. Crane, Matten, and Moon (2008), for example, have recently proposed to build upon insights from discussions in political theory and to regard corporations as political actors that can be held responsible to provide social rights (e.g., some corporations manage health care issues); enabling civil rights (e.g., some corporations protect the freedom of speech of workers and their associations in countries with repressive regimes), and channeling political rights (e.g., some corporations engage in self-regulation). Some corporations behave as "corporate citizens" and assume a state-like role when they administer the rights of citizens and provide public goods to the communities of the host countries in which they operate. Likewise, Scherer and Palazzo (2007) have developed a political conception of CSR and have suggested considering business firms as political actors in public policy processes above and beyond the state.

Second, the political activities of corporations are a potential threat to democratic societies. Therefore, we need to explore new ways of *strengthening political communities and making business firms democratically accountable.* As Detomasi (2008: 807) maintains, the CSR efforts of corporations "—or their lack thereof—will significantly impact on the external, social and political environment in which they operate." However, corporate managers are neither elected nor democratically controlled and the activities of globally operating business firms are no longer embedded in a democratically defined system of rules, due to the fading of the regulatory power of the state and the outsourcing and off-shoring of business activities to locations beyond the reach of a state's rule of law. As a consequence the public influence of state institutions on businesses is in decline, and at the same time the growing political influence of private businesses on national governance and on international organizations threatens the democratic self-determination of political communities. This is even more the case when the political activities of business firms are reduced to strategic lobbying so as to make instrumental use of the political system in favor of the profit motives of the firms while neglecting the concerns of the communities and the natural environments in which the business firms are operating. Thus the strategic intrusion of corporate interests into national governance is undermining the regulatory capability of the state system in the post-national constellation even further and is weakening democracy. As Robert Dahl (1998: 73) reminds us:

> To govern a state . . . requires incorruptibility, a firm resistance to all the enormous temptations of power, a continuing and inflexible dedication to the public good rather than benefits for oneself or one's group. (Emphasis in the original omitted here)

Third, we need to develop a *new understanding of politics* that extends beyond the narrow conception of power politics common in the management literature. We suggest that an *expanded view* on corporate politics and the role of business in a global society is necessary to sufficiently address the *new political role of business* in global governance, and to critically analyze corporate engagement with public policy (Scherer and Palazzo 2007; Crane, Matten, and Moon 2008). In contrast to the instrumental view of power politics, alternative conceptions of politics with respect to corporations have to broaden the concept in three ways. (1) A new concept of politics must go beyond the narrow concept of politics-as-profit-seeking-behavior and consider "political" any process in which people collectively regulate their social conditions and decide on the direction they wish to take (Young 2004) regardless of the various motivations the actors have to enter this process. Such an extended concept may be helpful to capture the *variety of reasons* of why business firms and corporate managers engage in politics (self-interest, altruism, imitation, duties, virtues, etc.). (2) A broadened concept of politics has to emphasize the *common good* as the final goal of politics (Elster 1986). Such a normative benchmark is needed in order to discuss under what conditions the political behavior of business firms can be socially accepted and when it has to be considered as dangerous for democracy and the well-being of society (Palazzo and Scherer 2006). (3) Rather than conceiving of politics as an aggregation of fixed preferences in a power game (Elster 1986) and thus emphasizing the outcomes of the political process, the new concept emphasizes the *role of communication and discourse* in the *process* of forming and transforming preferences (see, e.g., Risse 2000; Müller 2004; Deitelhoff 2009). Therefore, it may be helpful to rather conceive of this political role of business as an engagement in the deliberative process of democratic will formation, as it is discussed in political sciences and theory of democracy (Dryzek 1999; Habermas 1996; Rasche and Esser, 2006; Scherer and Palazzo 2007).

Fourth, we need to further explore the internal organizational consequences of the political mandate of the business firm. We need to analyze what organizational structures and processes will support or impede the new political role of the corporation (Edward and Willmott 2008). What are the implications of compliance or integrity organizations (Paine 1994; Stansbury and Barry 2007)? Will the new political role be assigned to a designated department or will it be the task of general management? What are the consequences for the human resources function (selection, appraisal, development)? How does the discussion of global governance change the discussion of corporate governance (Thompson 2008)? And what are the implications for leadership style and responsibility (Maak and Pless 2006)? These are only a few of the challenges that need to be addressed in business ethics and management research.

It seems as if a fresh view on the role of business in society must consider theories outside the mainstream. Therefore, we suggest a paradigm shift in research on corporate social responsibility, building upon some main findings in political philosophy (Dryzek 1999; Habermas 1996), political science (international relations) (Risse 2000; Deitelhoff 2009), and legal studies (Parker and Braithwaite 2003) as well as in some unorthodox approaches to CSR (for an overview, see Scherer and Palazzo 2007). This expansion of perspective will help us to critically reconsider some of the basic assumptions about the role of the corporation in society, and also to develop alternatives to mainstream views of the firm. In view of the widespread practices of politically responsible behavior of business firms on the one hand (Bies et al. 2007; Matten and Crane 2005), and, on the other hand, the slow conceptual response of research in business related fields, this agenda may help business research and practice find its cause again (Walsh, Weber, and Margolis 2003).

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