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New Challenges and Directions for PCSR 2.0

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ABSTRACT

This article takes stock of the discourse on 'political CSR' (PCSR), reconsiders some of its assumptions, and suggests new directions for what we call 'PCSR 2.0'. We start with a definition of PCSR, focusing on firms' contribution to public goods. We then discuss historical antecedents to the debate and outline the original economic and political context. The following section explores emerging changes in the institutional context relevant to PCSR and reconsiders some of the assumptions underlying Habermas' thesis of the postnational constellation. This highlights some neglected issues in previous works on PCSR, including the influence of nationalism and fundamentalism, the role of various types of business organisations, the return of government regulation, the 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.

Keywords: business and society, corporate political activity, CSR, globalization, governance.

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).

Since the 1960s rise of shareholder capitalism, the 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, 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 (Abbott, 2012; 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 that has largely excluded descriptive accounts. Some have 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). Considering these criticisms, we argue that recent changes in the social and political world have given rise to a new context

in which PCSR needs to be discussed. Following Habermas's (2001) original thesis of the postnational constellation, we summarize this new socio-political context as the 'postnational constellation 2.0'. We reconsider some of the original assumptions of the PCSR debate and point to new directions for future research. In particular, we suggest an extended research agenda, an updated version of 'PCSR 2.0', which puts more emphasis on the managerial consequences of PCSR and responds to the challenges of the emerging postnational constellation 2.0.

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 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 a PCSR 2.0 agenda for future research by reconsidering some of the original assumptions underlying Habermas's thesis of the postnational constellation and shed-

ding 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 (Crane et al., 2008; Garriga and Melé, 2003). 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).' This definition is prob-

lematic for at least two reasons (Scherer, 2015). First, the definition excludes a number of important CSR activities with political impact, for instance when firms *proactively* and *deliberately* shape certain public goods. Second, 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? We view public deliberations, collective decisions, and the provision of public goods as key features of the concept of politics (Habermas, 1996; Young, 2004). Understood in this way, PCSR has to embrace all three aspects (Palazzo and Scherer, 2006; Scherer et al., 2014). Business firms become political actors by engaging in public discourse, influencing collective decisions, and/or by providing public goods (or fighting against public bads) because their impact reaches beyond their immediate contract partners and affects others. Consequently, business firms assume enlarged corporate responsibilities and maintain their legitimacy by providing solutions to public issues (Palazzo and Scherer, 2006; Suchman, 1995), complying with changing societal expectations (Strand, 1983), engaging in public deliberations (Palazzo and Scherer, 2006), and by submitting their corporate governance to democratic control (Scherer et al., 2013a). We therefore suggest the following definition:

> *PCSR entails those responsible business activities that turn corporations into po-*
> *litical actors, by engaging in public deliberations, collective decisions, and the*
> *provision of public goods or the restriction of public bads in cases where public*
> *authorities are unable or unwilling to fulfil this role. This includes, but is not lim-*
> *ited to, corporate contributions to different areas of governance, such as public*
> *health, education, public infra-structure, the enforcement of social and environ-*
> *mental standards along supply chains or the fight against global warming, cor-*

ruption, discrimination or inequality. These corporate engagements are responsible because they are directed to the effective resolution of public issues in a legitimate manner, often with the (explicit) aim of contributing to society or enhancing social welfare, and are thus not limited to economic motivations.

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).

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 to 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 deliberations and collective decisions. 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.

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 research even has not been associated with CSR (see, e.g., Hillman et al., 2004).

Finally, the literature on international business (IB) does not account very much for CSR-related discussions either. Only a small part of IB research directly addresses questions of ethics, social and environmental responsibility (Boddewyn and Doh, 2011; Doh et al., 2010; Rodriguez et al., 2006). Although IB scholars discuss phenomena that have direct implications for the CSR discourse, like global sourcing strategies, market entry modes or international joint ventures, the consequences of these debates for the responsibilities of MNCs often remain unexplored.

PCSR builds on insights from these scholarly debates and illuminates their blind spot, integrating them into a new theory of corporate responsibility. Scholars in CSR did not sufficiently consider the impact of globalization (see critically Palazzo and Scherer, 2006), CPA scholars were overly focused on a self-interested manipulation of regulation and regulatory actors (see critically Mantere et al., 2009), and IB scholars were not investigating the normative dimension of international business activities (see critically Doh et al., 2010).

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 neoliberal assumption that the law is the (reliable) limit of profit maximization (Scherer and Palazzo, 2011).

Since the late 1980s, NGOs have started to address unregulated social and environmental side effects and attack corporations (den Hond and de Bakker, 2007; Doh and Yaziji, 2009; Spar and La Mure, 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). This discursive struggle itself can already be perceived as a politicization of the corporation. In the early 1990, 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 operat-

ed. 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 FOR PCSR 2.0

The discussion of globalization, the post-Westphalian world order, and Habermas's 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 moved 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. 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. Therefore, we advocate an updated version of PCSR 2.0. We do not believe that our discussion offers a conclusive list of changes in the socio-political world. However, we suggest that the outlined observations are particularly relevant to the future discussion of PCSR. The main features of this update from PCSR 1.0 to PCSR 2.0 are summarized in table 1.

[place table 1 about here]

Hardening identities: 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 20th 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, tribalism 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-centre one's own perspective' (Habermas, 2013, p. 375), religious fundamentalism takes the position of a centred 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: 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).

Neglected 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). 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. Originally, the discourse on PCSR has focused mainly on large MNCs with a home base in industrialized countries. However, certain 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 neglected actor of increasing importance is the state-owned enterprise 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., Nordensvard et al., 2015; Tan-Mullins and Mohan, 2013). A second type of business organization that is increasingly discussed is the social enterprise (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 neglected 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) 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 nation-

al and international level and too much focused on soft-law initiatives and the significance of private authority.

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 public 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 (Rasche et al., 2013; Rasche and Kell, 2010; Schembera, 2016; 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.

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 or avoid externalities (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. Governance gaps have never been an exclusive feature of fragile states. Rather such gaps have always been a problem (also) 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). 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 Hindmoor, 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.). Hence, the landscape in which business firms operate is quite heterogeneous. 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). 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., Nordensvard 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).

It has yet to be examined 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). 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.

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 tertiary and quarternary sectors, 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. One may even claim that the latter sectors have a major influence on the former and on how business firms produce and distribute public goods. However, 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. So far, 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 ne-

glects 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 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 (Abbott, 2012; 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., economic vs. prosocial rationalities), 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 (Pache and Santos, 2010; Scherer et al., 2013b)? How do loose coupling or de-/recoupling processes explain corporate responses to heterogeneous demands (Haack et al., 2012; Rasche, 2012)? How do individuals engage in these sensemaking processes (Haack et al., 2014)? 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, 2011; Waters, 1978). And the benefits and limitations of compliance models have been intensively discussed (Paine, 1994; 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).

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). 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)? How can HRM contribute to facilitating PCSR (Jamali et al., 2015; Morgeson et al., 2013; Newman et al., 2016)? 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 responsi-

ble leadership (Maak and Pless, 2006) in organizational and institutional change processes. 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 when 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 insoluable 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 with-in 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 responsibilities. 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 individuals 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.

Taken together, the papers in this special issue make a number of contributions to the evolving debate about PCSR 2.0. 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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	PCSR 1.0	**PCSR 2.0**
socio-political context	postnational constellation 1.0 • end of bi-polar world order (capitalism vs communism) • reduced barriers for trade and investment • strengthening of economic actors • eroding state power • focus of ethical debate on principles and discourse	postnational constellation 2.0 • hardening of identities: new nationalism and religious fundamentalism • repressive tendencies on local, national, and global levels • weakening of democratic institutions and civic liberties (even in developed countries) • focus of ethical debate on values
focal types of responsible business organizations	selective set of business firms • focus on large MNCs • static/a-historic view on division of labor between private and public actors	enlarged set of business firms • e.g. MNCs, SMEs, state owned enterprises, social enterprises • dynamic/historic view on division of labor between private and public actors
role of government regulation	erosion of public authorities • private regulation as a substitute for public authority • focus on soft-law • significance of business-NGO collaborations, MSI etc.	strengthening of public authorities • extra-territorial enforcement of national laws vis-à-vis private actors • intergovernmental initiatives on regional and international levels (e.g. EU, OECD, UN) facilitate CSR • complementarity of hard and soft-law elements
institutional complexity	standard case (lower complexity) • MNCs from western countries operating in fragile states	variations that deviate from standard case (higher complexity) • delegation of governance responsibilities in western countries • institutional heterogeneity between host countries of MNCs • MNCs with home base in transition or emerging economies • south–south trade and investments
efficiency of private governance	simple supply chain governance • focus on auditing of structures and procedures along supply chains • development of compliance models	complex supply chain governance • focus on input, procedure, and output side • combination of compliance, collaboration, and integrity models
relevant industry sectors	focus on primary and secondary sectors (esp. extracting, industrial, and consumer goods)	analysis of all sectors • financialization and digitalization of society as new challenges for PCSR
sensemaking of PCSR	selective analysis of management issues • economic and social rationalities as antagonisms (efficiency vs. ethics) • single level analysis restricted on macro and – to a lesser extent – meso levels • limited analysis of organizational structures and procedures (focused on compliance management *or* value based approaches) • individual level and behavioral aspects largely neglected	extended analysis of management issues • economic and social rationalities as results of discursive sense-making within business firms • single and multi-level analyses (macro, meso, micro) • enlarged analysis of structures and procedures (integration of various management systems – compliance, collaboration, integrity, role of corporate governance, HRM etc.) • analysis of individual and leadership behaviour ('responsible leadership')

Table 1: Changing contexts – enlarged responses: From PCSR 1.0 to PCSR 2.0