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The Progressive Possibilities Immanent in the Regime of Corporate Social Responsibility

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The state-centric focus of the mainstream regime theory did not allow for inquiry into the activities of actors other than public authorities. It was the global governance framework in the early 1990s that created the possibility for analysis of private and voluntary regimes, such as Corporate Social Responsibility (CRS) — a concept originating in the management literature in the 1970s. This article engages in a critical reading of the existing theoretical interpretations of CSR that can be roughly divided into three groups: (i) pro-CRS integrative approach, (ii) against the CSR neoliberal view, and (iii) critical perspective. It claims that the tension that arises between these accounts stems from their conflictual understanding of the role and position of the corporation within society. The article challenges both the neoliberal account that dismisses the necessity of CSR and the critical perspective that identifies CSR as a Trojan horse aimed at preempting the possibility of a meaningful state regulation. Instead, it takes on a constructivist mantle and argues that CSR is a viable alternative to the traditional forms of regulation and also recognizes the ability of NGOs to foster good corporate practices through the stakeholder engagement strategy evident in the CSR regime. In doing so, it uses insights from constructivist scholarship to present the progressive possibilities immanent in the CSR regime.

Keywords: CORPORATE SOCIAL RESPONSIBILITY, CONSTRUCTIVISM, GLOBAL GOVERNANCE, STAKEHOLDERS.
INTRODUCTION

The highly contested concept of Corporate Social Responsibility (CSR) has led to an intense exchange of views both within the academic and the practitioner communities. Originating in the business and management literature in the 1970s, the concept of CSR has recently made its entrance into the International Relations (IR) discipline. Not long ago mainstream IR regime theories were focusing exclusively on regimes involving public authorities. However, in the early 1990s a paradigmatic shift, introduced by the global governance framework, broadened the scope of inquiry to include the activities of non-state actors (Rosenau & Czempiel, 1992). Since the inception of the CSR regime, many practitioners and scholars have tried to put a finger on this esoteric concept by outlining the key aspects that define its meaning. While it is beyond the scope of this article to provide an exhaustive list of all the existing conceptualizations of CSR, a minimal definition of CSR is needed. The proliferation of descriptions of the concept does not imply a lack of consensus on its meaning, but rather an attempt to further specify this evolving regime. A scan of the literature brought me to the conclusion that there are three essential constituents that define the membership boundary of the concept of CSR: (i) its voluntary nature, (ii) its multi-stakeholder participation, and (iii) its objective to balance between profit orientation and social concerns. The European Commission (COM/2002/347, p. 3) provides a concise definition of CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

This article aims to critically examine the ways CSR has been conceptualized by the academic community and the rationale behind the tensions that arise within the debate. For that purpose, I discerned three major groups of scholars with divergent understandings of the concept of CSR: (i) pro-CSR integrative approach, (ii) against the CSR neoliberal view, and (iii) critical perspective. While the last two formulations oppose the concept of CSR, although for different reasons – one on principle grounds and the other on the procedural level – the first view is fairly supportive of the CSR agenda. The article claims that the core source of tension among the actors who debate the CSR regime comes from their opposing views of the role and position of the corporation within society.

This article challenges the claims of the critical perspective that identifies CSR as a Trojan horse aimed at preempting the possibility of a meaningful state regulation. Instead, it argues that CSR is a viable alternative to the traditional forms of regulation and recognizes the ability of non-governmental organizations (NGOs), local communities, trade unions,
and other civil society organizations to foster good corporate practices through the stakeholder engagement strategy evident in the CSR regime. For that purpose, it uses insights from constructivist scholarship to present the progressive possibilities immanent in the CSR regime. Nevertheless, the article admits the possibility for the formation of a symbiotic relationship between transnational corporations (TNCs) and NGOs. Thus, it concludes that NGOs should concurrently employ alternative strategies aimed at inducing corporate behavioral change.

The article is organized in two parts: theoretical interpretations and constructivist critique. The first section analyzes the theoretical debates around the concept of CSR by subdividing it into three parts, each corresponding to one of the approaches discussed above. Following the discussion on the sources of tension within the CSR scholarship, the second part of the article addresses the actual potential of CSR to foster socially-oriented corporate performance by drawing on the constructivist literature of regime theory. This section is further subdivided into four subheadings that try to (i) de-romanticize the function of CSR and the role of NGOs within this arrangement, (ii) assess the potential of NGOs within this regime, (iii) discuss the prospect for civil society co-optation, and (iv) analyze alternative NGOs’ strategies that can induce good corporate behavior.

THEORETICAL INTERPRETATIONS

Pro-CSR Integrative Approach

This section discusses the scholarly works that advocate the reconceptualization of the corporation as a socially responsible actor. The underlying assumption behind this view is the belief that the multi-stakeholder approach inherent in CSR will eventually lead to good corporate practices. Scholars like Ruggie (2001), who are fairly supportive of CSR, look at it as a learning forum for the emergence of mutually acceptable norms and principles. According to him the aim of CSR is to engage both private and public actors in a debate meant to stimulate socially responsible corporate orientation. While condemning both the supporters for their great expectations and the opponents for their unconstructive criticism, Ruggie (2001) conceives of CSR as a stepping stone toward more meaningful regulation. Given the low probability of establishing binding regulatory arrangements at the global level, one is left with the option of letting capital self-regulate itself within the voluntary regime of CSR. The optimism of this view lies in the constructivists’ conviction that the double-loop learning will eventually occur through discursive practices once the CSR norms are internalized by market actors. In a similar manner, Detomasi (2007) emphasizes the functional superiority of Global Public Policy Networks (GPPN) within the area of CSR, which combines the strengths of the state, TNCs and civil society actors. This integrative strategy combines the interests of both private and public actors and is the best option to deliver results within the existing lax regulatory structure of global governance. Global Compact, Global Reporting Initiative, and various codes of conduct that can be issue-specific, industry-centered or general are specific articulations of GPPN.

Two concerns motivate scholars to adopt a pro-CSR understanding: one is normative and the other is practical. The normative concern underpins the theoretical interpretation by Scherer, Palazzo and Baumann (2006) who draw on the republican business ethics to justify the pro-CSR premise that companies are socially responsible actors. These scholars apply the Habermasian notion of double citizenship when explaining the need for CSR. According to Habermas the individuals in society have double roles: one as private citizens and another as citoyens of a community. Before they can pursue their individual interests as private citizens, individuals must contribute to the social order as citoyens of that community, because social rules are a prerequisite for the realization of individual freedom. Scherer, Palazzo and Baumann (2006) conceptualize the role of private companies in a somewhat similar manner. TNCs are thought to have a double role: (i) as citizens who pursue their self-interest – profit –, and (ii) as citoyens of a specific community towards which they have duties. It is because of this understanding of the roles of corporations that these scholars advocate the creation of the CSR regime. CSR is seen as a communicative action that establishes the role of TNCs as citoyens, as a discursive practice that defines the role of TNCs as socially responsible actors. Besides having economic responsibility to obey the law and allocate resources efficiently, TNCs also have ethical responsibility to act justly and contribute to public wellbeing, which determines the conditions of their existence. Yet another group of scholars like Matten and Crane (2005) entertain the hypothesis of the existence of corporate social duties by introducing the concept of Corporate Citizenship that can be considered to be conceptually equivalent or at least close to CSR. They also call for the reconceptualization of the role of TNCs as social providers, as political channels, and as civil rights enablers. However, they are supportive of the notion of socially responsible corporations not because of any normative concern, but because of the changing empirical reality. Globalization has diminished the government’s capacity to regulate, and TNCs have taken over certain service delivery functions, which previously fell under the exclusive competence of the welfare state. Thus, TNCs are logically expected...
to be socially responsible while exercising their newly acquired functions. Whatever their motivations, these two groups of scholars agree on the need for a CSR regime.

Against the CSR-Neoliberal View
Having outlined the main tenets of the pro-CSR approach, this article will now proceed with a critical reading of the neoliberal perspective that opposes CSR on principle grounds. The earliest proponents of this view, Friedman (1970) and Hayek (1960), questioned the principles underlying CSR at a time when the concept was emerging in practitioners’ discourse. Namely, these neoliberal scholars built their theory on a clear distinction between the private and public spheres. Cutler (2003) explains how instead of historicizing this distinction they presented it as an inevitable fact that actually rests on four liberal myths: the private sphere is 1) neutral, 2) efficient, 3) natural, and 4) consensual. By stating that the private sphere is concerned with apolitical and objective processes of resource allocation, they obfuscate its distributive dimension, thus insulating it from public scrutiny, where authoritative decision-making takes place. According to these scholars the only responsibility that TNCs have is to be profitable and accountable only to the shareholders and not to the stakeholders. This view about the primacy of the shareholder model over stakeholder-oriented co-determination models is shared by contemporary economists like Hansmann and Kraakman (2000). The state, which is concerned with the broader public interest, is the only actor socially responsible, and there is no room for TNCs to play that role on behalf of the state. CSR is identified as a subversive doctrine, because chief executive officers (CEOs) are not democratically elected and should not engage in tackling social problems (Horrigan, 2010). For an actor to become socially responsible it needs to be subjected to democratic control. And here is the main source of tension between these scholars who draw on the liberal understanding of the market-society relationship and those previously discussed who adopt an integrative understanding of the corporation as a socially responsible actor. The former sees CSR as a threat that undermines the raison d’être of corporations, which is profit-seeking, whereas the latter claims that social responsibility is a duty of any participant in the public sphere. Tension arises from their conflictual understanding of the role and position of corporations.

At this point it is noteworthy to mention that some free-trade economists like Kapstein (2001) and Irwin (2002) oppose CSR, not on principle grounds, but on an expected outcome basis. They oppose CSR because it hampers the net benefits of free trade. By adopting the “lesser evil” logic these scholars try to justify the benefits of allowing capital to operate completely unregulated. CSR undermines the operation of the principle of comparative advantage because it blocks the efficient allocation of resources, which, in turn, reduces the chance of fast economic growth, investment and job creation in developing countries. These scholars emphasize the counterproductive results of CSR strategies. For example, they argue that the CSR principle targeting child labor was damaging because it left children no other option but to beg on the streets. Moreover, Kapstein (2001) claims that socially guided corporate performance will come at the expense of lower innovation, and mentions the pharmaceutical industry as a case in point. However, Kapstein’s hypothesis is based on the assumption that the extra profit incurred at the expense of environmentally conscious production would be invested in new research, which is not always the case (Sell & Prakash, 2004).

Critical Perspective
Having examined the view that criticizes CSR on principle grounds, this section proceeds with the analysis of the actors who do not necessarily oppose what CSR stands for, but its actual inability to fulfill its purpose. While this critical perspective shares with the pro-CSR integrative approach the conviction about good corporate practices, it perceives CSR as an obstacle to developing more explicit and binding regulation with robust monitoring and enforcement mechanisms. Unlike Ruggie (2001), the proponents of this view see the voluntary nature of the CSR regime as a shortcoming, not as an opportunity. They are skeptical about, and suspicious of, the possibility of self-regulation without supervision from a public authority and sanction threats. Žižek (2006) has used the provocative notion of chocolate laxative to denote the paradoxical nature of the socially responsible initiatives of TNCs. He claims that it is oxymoronic to expect a socially responsible conduct from corporations, in the same manner as it is to expect laxative effects from chocolate, that is, something which is supposed to give you constipation.

These scholars doubt the potential of the multi-stakeholder approach because CSR empowers certain actors while leaving other affected parties unrepresented at the table. CSR engages only with the sympathetic stakeholders. This view about the primacy of the shareholder model over stakeholder-oriented co-determination models is shared by contemporary economists like Hansmann and Kraakman (2000). The state, which is concerned with the broader public interest, is the only actor socially responsible, and there is no room for TNCs to play that role on behalf of the state. CSR is identified as a subversive doctrine, because chief executive officers (CEOs) are not democratically elected and should not engage in tackling social problems (Horrigan, 2010). For an actor to become socially responsible it needs to be subjected to democratic control. And here is the main source of tension between these scholars who draw on the liberal understanding of the market-society relationship and those previously discussed who adopt an integrative understanding of the corporation as a socially responsible actor. The former sees CSR as a threat that undermines the raison d’être of corporations, which is profit-seeking, whereas the latter claims that social responsibility is a duty of any participant in the public sphere. Tension arises from their conflictual understanding of the role and position of corporations.

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backing of UN. These scholars yearn for alternative enforcement regimes because the social and environmental cost of TNCs’ irresponsible behavior is enormous and corporations cannot be expected to self-regulate.

**CONSTRUCTIVIST CRITIQUE**

The first part of this article discussed the theoretical interpretations of the CSR regime and the sources of tension within that debate. For that matter, I discerned three formulations: (i) pro-CSR integrative approach, (ii) against the CSR neoliberal view, and (iii) critical perspective. The following section provides a constructivist critique of the critical perspective by emphasizing the progressive potential inherent in the voluntary nature of the CSR regime. I subdivided this part into four sections where I discuss the functions of the CSR regime, the NGOs’ potential to induce socially-oriented corporate behavior, the possibility of co-optation of civil society, and alternative strategies of societal resistance, respectively.

**CSR and its Functions**

Without questioning the actual aim of CSR, which is to engage private and public actors to work within a common framework in order to promote socially conscientious corporate performance, this section tries to address the question of why that specific option was chosen. In the post-Washington Consensus period, when the practices of the neoliberal agenda were being challenged, the corporations needed some strategy to restore their legitimacy without disturbing the disembedded federalism that was in place – concept borrowed from Gill (1998) and Harmes (2006) referring to the practices of new constitutionalism, where the economy operates one level above that of the polity, thus creating a market-friendly environment. Under this arrangement the market-friendly policies are centralized and insulated from democratic control, while the market-inhibiting policies – regulations – are kept at the national level. CSR was the perfect candidate for that job since it was able to confer legitimacy without bringing the polity up and to remove the shadow of regulation at the global level. Thus, some scholars like Lipschutz (2005) identified CSR as another neoliberal strategy that suits the needs of footloose capital. Under CSR the politics operate via the market and NGOs operate by participating in CSR, thereby reifying the idea that business, and not government, is the proper regulator.

In slightly more neutral terms Haslam (2007) tries to depict CSR as a legitimate regime. Drawing on Cutler’s (2003) conceptualization of the emerging private authority in the form of private regimes, Haslam tries to demonstrate how these regimes become legitimized. He argues that any accumulative institution, even private, needs its own legitimizing strategy in order to be intrinsically authoritative (2007). Thus, he identifies CSR as a regime whose purpose is to legitimize these new private accumulation authorities in the deregulated global economy. This article claims that CSR performs not only a legitimizing function, but also a regulatory one. In doing so, it is not backed up by any coercive instrument, but instead operates through consent. Understanding CSR as a regime will help assess the actual potential of NGOs within this framework by applying some of the findings from regime theories, especially the strong constructivist perspective that focuses more on normative validity than on behavioral effectiveness.

**The Potential of NGOs under the CSR Framework**

The constructivist literature provides convincing narrative of how discursive practices and the persuasive power of arguments shape intersubjective understandings, which in turn affect actors’ behavior (Hasenclever et al., 2004). The engagement in communicative action triggers the double-loop learning, which prompts actors to reconfigure their identity and interests by internalizing the new norms that have been created through the process of evolving reinterpretation (Kratochwil & Ruggie, 1986). The learning that occurs through interaction, in turn, induces compliance with the new discursively-constructed norms. Wendt (1992) with his self-stabilization hypothesis of cooperation provides good illustration of how this process unfolds. Namely, even if corporations started participating in CSR for egoistic or PR reasons, their interests might be redefined under the newly emerged normative environment. Actors reconstitute the ontological reality through participation in the integrative multi-stakeholder CSR regime, thus creating possibilities for the acquisition of new identities.

Although CSR consists of voluntary codes of conduct, the very moment the parties started engaging in discursive practices through reporting, monitoring, publishing, dialoguing, they started modeling the intersubjective background knowledge, which has the power to enable certain action and deem other as inappropriate. Out of this dialogue new common norms will emerge and will eventually exert a prescriptive influence on the actors in the system. At the very beginning of this process behavioral effectiveness – whether all actors uphold the principles – is irrelevant, but what matters is whether and how they interpret that incident of violation, i.e. communicative dynamics (Hasenclever et al., 2004). If they engage in justification it means that they do not challenge the validity claims of the norms.

While some scholars criticize the potential of CSR and advocate state
regulation since the only way to induce compliance is through material incentives and sanctions, the constructivists emphasize the power of *argumentative persuasion* that is embedded in CSR. NGOs under the CSR network generate compliance not only through *instrumental bargaining* (social sanctioning), but also through *persuasive argumentation* (Checkel, 2001). By realizing the low probability of state regulation at the global level, we recognized the potential of CSR as a voluntary regime, which in time will become more robust and effective. One should not see the voluntary nature of this regime as shortcoming but as an opportunity because the “power of membership” will create a sense of obligation independent of sanctions and instrumental benefits, thus inducing compliance. Franck (1988) explains how the voluntary nature of certain arrangements is not an impediment to compliance, as long as the norms are perceived to be legitimate. Thus, it makes no sense to *a priori* dismiss the possibility of the CSR regime to induce compliance based on its voluntary nature, as the critical accounts do. If there are other instances of voluntary regimes that create a sense of obligation and are as effective in behavioral terms as the binding ones, then it follows that the lack of effectiveness of the CSR regime might happen for different reasons other than its voluntary nature. Until recently, a vast amount of empirical research has focused only on specific CSR arrangements and their effectiveness, and little attention has been paid to the actual emergence of the “pro-CSR norm”. What is needed at this point in time is a meta-empirical analysis about the presence/absence of “pro-CSR norms” at a global level. Moreover, if there are such “pro-CSR norms” are TNCs pressured by them, and if not why not? Maybe because: (i) there is a lack of a critical mass of norm upholders which is needed for the first phase of the norm emergence cycle; (ii) TNCs have not yet internalized the norms. It would be important to assess the situation on ground from a social movement theory perspective that would show at which stage of the norm cycle one is now: norm emergence, norm diffusion, norm internalization, norm compliance.

The co-Optation of NGOs

While I agree with the pro-CSR perspective that “progressive goals can be achieved through incorporating NGOs within the formal decision-making structures of international economic organizations, as means to achieve greater democratization” (Broome, 2009, p. d62), I also acknowledge the merits of the critical approach that emphasizes the danger of co-opting civil society groups into the CSR agenda. Indeed, a symbiotic relationship is likely to be forged between NGOs and TNCs, and some affected stakeholders are likely to remain underrepresented within this framework. Nonetheless, the reason why I remain supportive of the idea of having inclusive CSR arrangements is my understanding of global civil society as an entity that is implicated in the exercise of power under the global governance agenda (Heins, 2008). Unlike the domestic politics where the civil society is the medium that mediates between the state and the market and where each sphere tries to preserve its autonomy, the global realm is constituted by different relations. The structure of the global order is not explicated, but implicated in nature. The notion of global governance tries to overcome the clear boundaries between the private and the public spheres which have become more interrelated. CSR as a specific global governance arrangement aspires to substitute the lack of input legitimacy by bringing the affected stakeholders to the table. While domestically the ballot box serves the function of input legitimacy by linking decisions to citizens, at the global level the concept of partnership performs that function by linking outcomes to affected stakeholders (Scharpf, 2009).

Moreover, CSR is a regime in the making, i.e. the very norms and principles are being discursively created now by the actors who participate in the arrangement. By engaging in the framework, NGOs participate in the construction of the meaning of the norms and reality. And as Bourdieu has rightly observed, those who control the creation of meaning control the world or the situation. Thus, it would be imprudent for NGOs to opt out of the arrangement in order to decrease the likelihood of being co-opted, since they would lose their power to control the meaning of the new CSR norms. Barnett and Finnemore (2004) have demonstrated how International Organizations (IOs) acquired autonomy through their perceived legitimacy and rational authority. In a similar manner, I claim that NGOs, by deploying their symbolic capital, expertise and moral authority, can make use of the given opportunity structure to first set the agenda, then frame the problem in their normative terms and eventually induce behavioral change. NGOs perform epistemic functions when they use their moral authority to redefine the constitutive norms of the system. NGOs have a potential and it is up to them to actualize this potential.

Alternative strategies for civil society to pursue

The benefit of participating in CSR is enormous and it might be the only feasible way of inducing compliance. However, it comes at the cost of contractual responsibilization (Burchell, 1996). The civil society should be wary because the CSR regime objectifies certain subjects that are fit for the capitalistic mode of production, while it delegitimizes the more reform-oriented groups. CSR tends to engage only with the sympathetic part of civil society that shares the same view of the world as TNCs. Thus, the other part of civil society that does not share the same values should
proceed with alternative, more contentious strategies for promoting compliance, like boycotting, promoting ethical consumption, protesting, moral stigmatization (Winston, 2002). These tactics that fall outside the CSR arrangement might have a positive impact on its development, since they increase the value of CSR by playing the role of a bad cop. The shadow of these alternatives will induce corporations to seriously consider the CSR imperatives.

CONCLUSION

Since its first emergence in the 1970s in the management literature, CSR has captured the attention of both the academic and the practitioner communities. This article has engaged in the critical reading of the theoretical debates over the contested concept of CSR. To that end, I roughly categorized three interpretations: (i) pro-CSR integrative approach, (ii) against the CSR neoliberal view, and (iii) critical perspective. The core claim of part one of this article was that the tension that arises between these three accounts stems from their conflictual understanding of the social position of corporations. While the pro-CSR and the critical perspectives share the view that corporations have social responsibility toward the community that enables their free operation, the neoliberal view dismisses any other corporate imperative except for profit-seeking. Although the pro-CSR and the critical views agree on principle grounds, they disagree on the procedural level. While the former identifies CSR as a viable mechanism to foster good corporate practices, the latter perceives CSR as a neoliberal strategy in disguise aimed at blocking any meaningful regulation.

The second part of this article demonstrated the actual promise of CSR by drawing on the findings from the thick constructivist scholarship. It concluded that it is reasonable to believe that CSR as a broad process of genuine deliberation will lead to fairer practices. It claimed that coercion is not the only factor that secures compliance. Instead, even though NGOs do not possess coercive power, they can bring about through discursive validation new norms that will exert a compliance pull on the TNCs. Once that validity is generated, the legitimacy of the norms might be used strategically towards the non-believers (Hurd, 2007). While economic power will continue to shape institutional choices, NGOs can exert influence by using their symbolic capital to alter the constitutive principles of the system.

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Notes

1 For more information see the European Commission, the World Business Council for Sustainable Development, CSRNetwork, UN Global Compact definitions.
2 Practices of global restructuring that constitute the disciplinary nature of neoliberalism (Gill 1998). Also known as complex learning where actors change their identities and preferences, as opposed to simple learning where they just change their means (strategies) due to change in information set.
3 United Nations program consisting of ten principles initiated by Kofi Annan in 1999 (United Nations 2010).
4 Network initiated by the Boston societal organization CERES in 1997 (Global Reporting Initiative [n.d.]).
5 There are other scholars who try to justify the need for CSR on the basis of ethics. See for example E. Freeman who grounds his stakeholder theory in the Kantian ethics that treats people as an end, not means.
6 Hurrell (2007) claims that power and not “best fit” (effectiveness or optimality) is the factor that determines institutional choices.
7 See social movement theories which discuss the norm cycle: from norm emergence to norm diffusion and norm compliance.

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