

Rethinking the Role of Global Business Actors in Governing Business Conduct

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Résumé :

Dans le monde moderne, les sociétés mondiales sont considérées parmi les acteurs les plus puissants en termes de ressources, de portée géographique et de pouvoir de décision. Par conséquent, l'étendue des responsabilités sociales des entreprises ne cesse de s'élargir, obligeant les entreprises à assumer de nouvelles responsabilités publiques pour combler les lacunes de gouvernance laissées par les gouvernements. À cet égard, un corpus de recherche sur la RSE politique (PCSR- Political Corporate Social Responsibility) a émergé, cherchant à théoriser le nouveau rôle politique de l'entreprise dans un monde globalisé. L'hypothèse principale du corpus de recherche de la PCSR est le transfert de l'autorité de régulation du gouvernement vers les sociétés, conduisant à la substitution du gouvernement par de puissants acteurs corporatifs. Cependant, cette hypothèse axiomatique largement incontestée a fait l'objet de critiques importantes de la part des chercheurs qui soutiennent que même si les gouvernements perdent un peu de pouvoir dans certaines sphères, ils jouent toujours un rôle important dans la gouvernance de la conduite des affaires (Eberlein, 2019; Kourula et al., 2019a; Schrempf -Stirling, 2018). Cherchant à répondre à cette juste critique, nous essayons d'affiner le concept de PCSR en l'enrichissant par des connaissances du concept de contrôle social sur l'inconduite organisationnelle. En nous basant sur les principes du contrôle social de l'inconduite organisationnelle, nous soutenons que dans le monde moderne globalisé les sociétés mondiales prennent un rôle d'agents de contrôle social plutôt qu'un rôle de substitution des autorités Etatiques. Ainsi, cet article théorique propose une conceptualisation alternative du rôle des acteurs organisationnels mondiaux dans le processus de gouvernance mondiale. Nous limitons notre analyse conceptuelle à la portée de la chaîne de valeur mondiale / du réseau de production mondial.

Nous pensons qu'apporter des idées du concept de contrôle social peut contribuer au développement du concept de PCSR de la manière suivante. Premièrement, elles affinent l'hypothèse de la problématique principale de PCSR en soutenant qu'au niveau du réseau de production mondial, les sociétés internationales jouent un rôle d'agents de contrôle social plutôt que de substitution des autorités Etatiques. Deuxièmement, une telle conceptualisation permet d'obtenir une approche plus contextualisée de la gouvernance mondiale à travers la RSE puisque la notion d'inconduite est construite par les agents de contrôle social en fonction du moment et du contexte. Troisièmement, cette approche permet d'avoir une interaction

collaborative entre les pouvoirs publics et privés sans être limitée par l'hypothèse de substitution des autorités Etatiques par les acteurs privés, ouvrant ainsi de nouvelles voies pour étendre la portée et l'orientation du concept de PCSR.

Mots-clés : Political CSR, Global Companies, Social Control Perspective, Global Value Chain, Global Production Network

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¹ This article represents a work in progress

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INTRODUCTION

In modern society the global corporations are considered among the most powerful actors in terms of resources, geographical reach and decision power. Consequently, the external expectations of civil society towards the corporations are also increasing leading to significant pressure exerted on the business actors by various internal and external stakeholders (Andersen and Skjoett-Larsen, 2009). In order to respond to such challenging environment where corporate responsibility is going far beyond the legal boundaries of a firm embracing as well its suppliers, distributors and even general business partners (Bair and Palacuer, 2015; Schrempf-Stirling et al., 2012) global companies start to get more and more engaged in the global governance process, particularly, through corporate social responsibility (CSR) policies and initiatives. CSR at its core reflects “the social imperatives and social consequences of business success” (Matten and Moon, 2008, p.405) and is admittedly dynamic concept evolving over time and having relatively flexible rules of application. In this regard, precise manifestation of CSR engagements through policies and practices lies within the discretion of corporations and constitutes a vast variety of initiatives aimed at development of wider social good and/or reduction of public bad. Such dynamics introduce CSR as a result of continuous contestation process between corporate actors and civil society seeking to re-negotiate the role of business in modern society and re-define social expectations towards business responsibility for some of the wider social good (Bair and Palpacuer, 2015).

In this vein political CSR (PCSR) research stream has emerged seeking to theorize a new political role of business in globalized world (e.g., Matten and Crane, 2005; Scherer and Palazzo, 2007, 2011). As Whelan (2012, p.711) claims PCSR scholarship seeks “to normatively prescribe, and positively describe and explain, the political duties and activities of corporations”. The principal assumption of PCSR research corpus is the shift of regulatory authority from government to corporations leading to substitution of government by powerful corporate actors that step in and fill the governance gaps caused by the state failure (Scherer

and Palazzo, 2011). However, this largely uncontested axiomatic assumption has faced significant criticism among scholars who argue that while the governments may be losing some power in some spheres they still play a significant role in governing business conduct (Eberlein, 2019; Kourula et al., 2019a; Schrempf-Stirling, 2018).

Seeking to address this fair criticism, we attempt to refine and develop political CSR concept by bringing insights from social control perspective on organizational misconduct (Greve et al., 2010; Palmer, 2012). Drawing on the social control account of organizational misconduct and the definition of social control agents by Greve and colleagues (2010, p.78), we contend that in the modern globalized world, where global business operates throughout transnational production networks and global value chains, global corporations are taking a role of social control agents rather than substituting the state power.

According to social control perspective, social control agents are those actors who determine the criteria distinguishing proper behaviour from misconduct, in other words drawing a line separating right from wrong, being at the same time able to enforce this order. Social control account for misconduct also highlights the unstable nature of this line that is likely to change its position over time and across places as social control agents adopt alternative judgement criteria. In our point of view, such conceptualization quite accurately describes the role that global corporations play nowadays within their global production network, particularly, in the weak states (ex.: defining the codes of conduct applied towards local firms and enforcing its implementation). In this regard, in many cases the misconduct of local entities is being determined and labelled by global corporate actors rather than by local authorities. Another important point is unstable nature of social-control agent's judgements that also reflects continuous contestation process of renegotiating the CSR requirements towards global corporations (ex.: the codes of conduct are changing over time as the social expectations evolve).

In this paper, we contend that social control perspective maybe fruitfully cross-fertilized with traditional political CSR approach contributing to its development in following ways. First, it refines the principle problematic substitution assumption of PCSR contending that at the level of global production network global corporations are taking on a role of social-control agents rather than substituting the state government. Second, such conceptualization allows for more contextualized approach to global governance through CSR since the notion of misconduct may evolve and be redefined by social-control agents (corporations) depending on the context. Third, such conceptualization allows for collaborative interaction between private

and public authority and is not limited by substitution assumption, thus, opening new avenues for expanding the scope and focus of political CSR concept.

1. POLITICAL CSR

1.1 CORPORATIONS AS POLITICAL ACTORS

Global companies being considered among the most powerful actors in modern globalized world are more and more often getting engaged in self-regulation initiatives seeking to fill the regulatory gaps induced by globalization process and, thus, acquiring more regulative authority (Scherer and Smid, 2000). Such engagement that goes beyond the common understanding of corporate social responsibility signifies increasing involvement of business actors in the production of global public goods, which have been originally treated as a sphere of state responsibility (Scherer and Palazzo, 2011). In this regard, the modern business reality challenges the conventional theory of the firm with its inherent idea of strict separation of public and private domains (Scherer et al., 2014).

Seeking to address the limitations of conventional theorizing about the firm's role in the society a concept of political CSR has emerged (Crane et al., 2008; Matten and Crane, 2005; Scherer and Palazzo, 2007, 2011; Schrempf-Stirling, 2018). Despite increasing research interest towards this concept, in academic literature there is no commonly accepted clear definition of political CSR. In our research we draw on the definition of political CSR provided by Scherer and Palazzo (2011, p.901) who argue that

"In a nutshell, political CSR suggests an extended model of governance with business firms contributing to global regulation and providing public goods. It goes beyond the instrumental view on politics in order to develop a new understanding of global politics where private actors such as corporations and civil society organizations play an active role in the democratic regulation and control of market transactions".

The PCSR researchers draw on the concept of post-national constellation (Habermas, 2001) that describes a new world order that emerged as a result of globalization process. Such new order is characterized by the loss of regulatory power of state institutions as well as decline of nation-state authority (Scherer and Palazzo, 2011). Building upon the assumption that under the context of globalization the traditional roles of the state and business have eroded leading to decreased power of the state and increased power of the business, political CSR contends that nowadays business has gained more political responsibilities due to the diminished nation state's capacity to govern global business operations (Scherer and Palazzo, 2011; Schrempf-

Stirling, 2018). Such erosion of nation state power and regulatory capacity (Eberlein, 2019) causes the emergence of “governance gap” (Crane et al., 2008, p.205) or “regulatory vacuum” (Scherer and Palazzo, 2011, p. 899). Thus, new political responsibilities of business imply not just mere compliance with societal standards and expectations in legal and moral terms but an engagement to upgrade and redefine these standards and expectations in order to step in and fill these gaps. It gains particular importance within weak state system and underdeveloped institutional environment. Scherer and Palazzo (2011) claim that corporate political engagement aimed at protecting, enabling and implementing citizenship rights occurs usually under the context of failed state, which is unwilling or unable to ensure and implement the basic citizenship rights.

The failure of the state system in regulating business activities, addressing the problem of negative corporate externalities and providing public goods becomes more and more widespread as global companies shift the production to the developing countries where the state system lacks the necessary resources to implement and ensure proper regulation and enforcement mechanisms (Scherer et al., 2014). In such settings the organization and management of CSR issues throughout geographically spread production network becomes not a straightforward exercise for global companies as it remains often unclear, which activities can be considered legitimate and which are not (Scherer and Palazzo, 2011). The situation becomes even more complicated under the conditions of developing countries where *“the governance quality is often relatively low and the cultural and institutional distance is relatively high”* (Van Tulder et al., 2009, p.399). Thus, when the state cannot fulfil its pivotal role in protecting civil rights, ensuring social rights and facilitating the realization of political rights, corporations uptake the governmental functions (Matten and Crane, 2005).

The idea that corporate actors uptake the governmental functions and take on a state-like role is one of the principle assumption of original PCSR research (Scherer and Palazzo, 2011). In further research on PCSR, this idea is referred as *“zero-sum substitution approach”* or *“zero-sum governance gap assumption”* (Eberlein, 2019, p.1128-1129). Terms *“substitution”* and *“zero-sum”* bring here quite an important signification meaning that the role of business in relation to state/government is of a zero-sum – private firms compensate for government failure by filling the regulatory vacuum without government threats or incentives (Eberlein, 2019). However, according to PCSR tradition, corporations assume quasi-governmental responsibilities without replacing government completely but through taking on *“some of the roles and responsibilities previously assigned to government”* (Crane et al., 2008, p.86). It is

as well important to notice that as far as PCSR research is concerned with the issues of corporate *social* responsibility; the spheres of state retreat studied within PCSR research corpus are majorly concerned with social and environmental consequences of global production, thus, delimiting the boundaries of substitution assumption.

While operating within such sophisticated organizational context of institutional and regulation diversity global companies face various public issues that fall within their responsibility without any state regulation. Most of the time this includes environmental and social issues, labour standards and anti-corruption activities – all the concerns considered within the CSR agenda of global companies. Indeed, recently one may find more and more convergence between political sphere and the sphere of CSR - for example, expanding boundaries of CSR, which are aligned with global developmental goals, and mandatory CSR requirements towards private business – signifying that political and social domains are becoming increasingly intertwined (Frynas and Stephens, 2014).

Summing it up, it can be concluded that according to political CSR research corpus integration of political responsibilities within the concept of CSR requires global companies to take over a new role of political actor seeking to contribute to the development of global and local regulatory and institutional environment. Such “*quasi-governmental roles*” require business actors to partly replace government being able to navigate a completely new set of responsibilities (Valente and Crane, 2010, p.53). In this regard, the central assumption of political CSR is an idea of substitution where “*firms take on public responsibilities to fill governance gaps left by governments*” (Eberlein, 2019, p.1125).

1.2 RETHINKING THE ROLES OF BUSINESS AND GOVERNMENT IN GLOBAL GOVERNANCE

However, PCSR research stream has been recently criticized for its normative nature as well as for its unrealistic portrayal of power balance between business and government (Eberlein, 2019; Kourula et al., 2019a; Schrempf-Stirling, 2018). One of the central points of critics towards PCSR concept is the assumption of decreasing role of governments in the governance of business conduct. Kourula and colleagues (2019a) contend that despite the fact that the role and place of business and civil society actors has evolved during last 30-40 years as a result of double challenge of privatization and globalization, the governments have not lost power and capacity to act. In this regard they challenge and problematize the prevalent underlying assumptions of prior organizational scholarship on government and governance of business conduct.

In the same vein, Schrempf-Stirling (2018, p.1) seeks to reintegrate the notion of state power into political CSR scholarship showing that the state “(1) *set the context within which business takes place*, (2) *regulate offshore business practices*, and (3) *play pivotal roles in new global governance mechanisms*”. She contends that nation states are still playing a very influential role in bridging the governance gaps and remain the most important and powerful actors. Eberlein (2019) also proposes a refinement for a political CSR research perspective deconstructing the problematic assumption of governance gaps filled by private business actors (“*zero-sum constellation of substitution*”, p.1125) and offering a framework of four possible interaction patterns between private and public authorities emerging within the process of global governance (“(1) *substitution*, (2) *support*, (3) *shadow of hierarchy*, (4) *soft steering/orchestration*”, p. 1132).

Another stream of criticism towards PCSR concept concerns its normative nature. Indeed, the central assumption of PCSR – enhanced political role of corporations – is underpinned by normative justification (Scherer and Palazzo, 2011). Political CSR theorize firms as stewards of public interest that should provide public goods and contribute to voluntary self-regulation through deliberative processes and institutions (Eberlein, 2019). Such an approach raises a lot of questions concerning the inherent profit motives of corporation as well as its own political interests. In this regard, Eberlein (2019, p.1129) raises several concerns related to business side of PCSR approach: “(a) *the unclear scope and boundaries of governance contributions by firms*, (b) *the motivation and ability of corporate commitment to the public good*”.

In the same spirit, a critical perspective on PCSR has emerged raising a fundamental concern about the plausibility of corporate participation in democratic deliberation contending that private firms with its inherent profit orientation is a hostile context for any deliberation (Sabadoz and Singer, 2017). Others contend that the model of corporate participation in the global governance proposed by PCSR lacks democratic accountability and suffers from a fundamental problem as it “*allows corporations to participate in governance arrangements in a policymaking capacity*” (Moriarty and Hussain, 2018, p.520).

Regarding the criticism towards general CSR research corpus some researchers point out its narrow simplistic scope seeking to establish some universal principles that would hold true across the various geographical/cultural/institutional contexts (ex.: ISO 26000 on Social Responsibility, the Equator Principles or the United Nations Global Compact). However, Kourula and colleagues (2019b) argue that CSR as a research field offers an excellent example of contextual tensions between the global/universal and the local/contextualized

elements of organizing social responsibilities. In the same spirit, Bair and Palpacuer (2015) theorize CSR as an ongoing process of contestation over the nature of corporate power, the role of business in the society and accordingly, the meaning and scope of corporate social responsibility. Such contestation implies constant negotiations between corporate actors and civil society seeking to push the frontiers of the scope of CSR. This dynamic conceptualization of CSR also raises significant concerns about the universalism of CSR as its scope is being constantly redefined.

However, despite all existing criticism towards the political CSR research thread and disagreements on how to interpret this phenomenon, the fact remains that corporations are taking on some new responsibilities for issues previously considered within the public concern. Against this background, this conceptual paper seeks to refine the political CSR perspective by addressing the fair criticism towards its central assumption – substitution thesis according to which public and private actors are considered as alternatives to each other - by introducing the insights from social control perspective on organizational misconduct (Greve et al., 2010; Palmer, 2012).

2. THEORIZING GLOBAL COMPANIES AS SOCIAL-CONTROL AGENTS

Having analysed the criticism drawn upon the concept of political CSR, one may notice that the major problematized aspect is the central assumption of PCSR that private actors are substituting public ones, in other words, the idea that nowadays business is to certain extent replacing the government. In this regard, our research seeks to develop and refine the concept of political CSR by providing alternative theorization of the existing phenomenon of increased participation of business actors within the sphere of public interests. Within the political CSR research corpus the “*new political role*” requires firms, and primarily, global companies, to get voluntarily engaged into self-regulation initiatives in order to fill the governance gaps left by governments, which are losing regulatory capacity (Scherer and Palazzo, 2011). Thus, companies are getting involved in the process of global governance – “*the efforts of non-state actors to manage transnational processes, including via the creation of norms and rules regarding global production*” (Bair and Palpacuer, 2015, S2). Such definition of global governance, provided by J. Bair and F. Palpacuer, in the context of global companies highlights two conceptual constructs “*global production*” and “*creation of norms and rules*”.

The construct of “*global production*” is tightly related to the notion of *Global Value Chain/Global Production Network*, while “*creation of norms and rules*” implies drawing a sort of line between acceptable and unacceptable behaviour in order to differentiate corporate *misconduct*. Thus, for a private actor taking on political role (and accordingly, participating in the global governance) means contributing to the creation of rules and norms seeking to define and eliminate misconduct in the context of weakening state power. Consequently, for global companies it would mean defining and eliminating *misconduct* throughout its entire *global production network*.

In order to deconstruct this conceptual puzzle, we are going to build our analytical argument drawing on the social control perspective on *misconduct* (Greve et al., 2010) at the level of *global value chain*. First, we will introduce and establish the analytical scope of our research and afterwards we will build our argument based on the insights from the social control perspective on misconduct.

2.1 ANALYTICAL SCOPE: GLOBAL VALUE CHAIN

For the purpose of this research we decided to define our analytical scope at the level of global value chain (GVC). As political CSR primarily refers to global companies and their participation within the process of global governance, we contend that the scope of GVC can be considered as an appropriate analytical level to discuss the contribution and efforts of global companies to address existing governance gaps.

In academic literature one may find several conceptual frameworks touching upon the issue of complex cross-national organizational structures that integrates multiple actors linked to the single process of production, distribution and consumption: Global Commodity Chains (GCCs), Global Production Networks (GPNs) and Global Value Chains (GVCs). Having the same conceptual core, these approaches yet have some distinguishing points.

The concept of GCC is considered to be an antecedent of the GVC concept being more focused on the internal governance structures emerging within the supply chains (producer-driven vs. buyer-driven) (Gereffi and Korzeniewicz, 1994). Further emerged GVC concept put an emphasis on value creation activities embedded within the single process of bringing a product or service from the conception to the consumers and final disposal (Gereffi et al., 2005; Kaplinsky, 2000; Porter, 1985). While the concepts of GVC and GCC are somewhat similar in its nature, significant conceptual confrontation arises between the ‘chain’ concepts (GCCs and GVCs) and ‘network’ concept (GPN). The proponents of ‘network’ logic argue

that the reality of modern global economic relationships does not resonate with the linear logic of ‘chain’ concepts, thus, seeking to address this limitation, GPN concept goes beyond this linearity embracing the full variety of complex network configuration (Acquier et al., 2017; Coe et al., 2008). Another point of critics towards the GVC and GCC concepts is due to the neglect of broader external environment, in which the value creation process is embedded (Bair and Palpacuer, 2015; Coe et al., 2008). The GVC research remains more focused on the dynamics emerging within the chain rather than on broader external environment where the GVC is embedded. Despite this criticism, the GVC concept has become an overarching label for the research concerned with nature and consequences of organizational fragmentation and functional integration in global industries (Gereffi, 2005).

Having acknowledged the conceptual distinctions between above mentioned approaches we share the position of Bair and Palpacuer (2015, S4) who argue that *“the distinction between the GVC and GPN approaches as theoretical frameworks is overdrawn”*. Thus, perceiving the overarching role of GVC concept in the management research corpus, we draw on this term in our research. We refer to GVC as an organizational structure that integrates a multitude of internationally fragmented value creation activities fulfilled by various economic actors linked to one another by recurrent economic transactions.

GVC concept gains particular importance for the global companies. Seeking to obtain a competitive advantage through the cost reduction MNCs try to optimize their value chains’ configuration by keeping in-house only the highest value-added segments of manufacturing and shifting other value activities to the outsourcing and offshoring in developing countries. Such organizational phenomenon not only opens up the opportunities for local firms to get engaged in the global economy but also brings new global challenges and risks (Sturgeon, 2008). One of the biggest challenges induced by the globalization of economic activities is a tendency towards growing imbalance among countries (Kaplinsky and Morris, 2000): the major economic value is being created in the global ‘North’, while all environmental and social externalities are brought to the global ‘South’.

Against this background, GVC or GPN provides an interesting ground to analyse the participation of global companies within the process of global governance. Indeed, the central stage within the GVC research corpus is given to the issue of GVC governance, which determines the distribution of power within the chain (Gereffi and Lee, 2016). In this regard, Bair and Palpacuer (2015) even consider GVC governance (also called *“industrial governance”*) and global governance as two overlapping dimensions of governance.

Following the same logic, we contend that global governance is being fulfilled by global companies through the industrial governance of its GVC. Bair and Palpacuer (2015, S3) contend that

“governance refers to the explicit or implicit ‘rules of the game’ that enable and constrain domains of behaviour and the ability of particular actors to set and/or enforce them, either via formal authority relations or through other forms of power.”

Thus, governance in its general sense always requires some power dynamics and coercive mechanisms applied to enforce it. In this regard, the GVC with its inherent power asymmetry can be considered as an appropriate ground for studying global governance process.

It is also a relevant analytical level for political CSR research. As it was discussed before, political CSR implies voluntary adoption of self-regulation initiatives by global companies. However, in the modern globalized world this would require global companies to implement such self-regulation initiatives not only within the organizational boundaries of a company itself but to ensure that all the business actors contributing to the process of value creation are sticking to the determined principles. Thus, we can conclude that analytical scope of GVC/GPN provides a fertile ground for political CSR research.

2.2 CORPORATE MISCONDUCT: SOCIAL CONTROL PERSPECTIVE

As it was discussed before, governance in its general sense is related to setting the norms and rules by certain actors who have as well an ability to enforce them. In general sense, rules and norms serve to differentiate acceptable behaviour from misconduct. In other words, to determine what the responsible behaviour is and what it is not. Thus, the principle point of governance would be to define the criteria that constrains the domain of activities differentiating appropriate conduct from misconduct, in other words to draw this line between right and wrong. However, the question remains: what is appropriate conduct and what is misconduct? In order to get additional insights on this issue, we turn towards the research on organizational misconduct.

In academic literature one may find different perspectives on organizational misconduct such as rational-choice perspectives (misconduct as rational choice), strain theory (strain as a source of misconduct), cultural theories of misconduct (culture as a cause of misconduct), network theories of organizational misconduct (network effect on misconduct – influence and secrecy accounts) and accidental account of misconduct (misconduct as a result of accident) (Greve et al., 2010). However, we would like to draw attention to another approach to

consider organizational misconduct – to analyze misconduct as socially constructed phenomenon. In this regard, it becomes clear that organization cannot engage in misconduct unless there is a line drawn separating acceptable and unacceptable behaviour and unless organizational behaviour would not be evaluated based on the relationship to that line. Thus, the misconduct emerges and becomes labelled as misconduct based on the judgments done by the external agents by comparison with laws, ethical principles, norms and standards. In this vein, Greve and colleagues (2010, p.56) define organizational misconduct as

“behaviour in or by an organization that a social-control agent judges to transgress a line separating right from wrong; where such a line can separate legal, ethical, and socially responsible behaviour from their antitheses.”

Such definition represents a social control account for misconduct, defining misconduct not *“as a straightforward implication of a set of laws, ethical principles, and/or social norms”* (Greve et al, 2010, p.56) but as a judgement of a social-control agent. Palmer (2012) contends that social control perspective might be considered as *“social constructionist”* perspective as it assumes that wrongdoing is determined by social dynamics in a particular time and place. Such analytical approach brings certain conceptual interest as it establishes misconduct as a dynamic phenomenon that evolves depending on the context and situation. Thus, misconduct is admitted to be relative empirical question rather than universal absolute. It is as well important to notice that social-control agents are essential elements within the conceptual construct of misconduct according to social control perspective: they are drawing the line between acceptable and unacceptable behaviour and further judgements of misconduct are being done with respect to the location of this line. The central role played by the social-control agents highlights this notion of misconduct as socially co-constructed phenomenon that would not exist without those who evaluate it and gives judgement upon it.

Greve and colleagues (2010, p.56) define a social-control agent as *“an actor that represents a collectivity and that can impose sanctions on that collectivity’s behalf.”* Thus, Greve and colleagues (2010) highlight two principle criteria of social-control agent: the representativeness and possession of legitimate and effective means of monitoring and enforcement. In their paper they consider the world polity, the state and professional associations as social-control agents. However, we contend that in the modern business reality, the global companies are also playing a role of social-control agents within the scope of their global production network/global value chain. In this regard, we contend that social control perspective of organizational misconduct can be fruitfully cross-fertilized with

political CSR research corpus as it brings conceptualization of global companies as social-control agents rather than just a replacement of government that, in our opinion, more accurately depicts the current phenomenon of private actors contributing to global governance process.

2.3 GLOBAL COMPANIES AS SOCIAL-CONTROL AGENTS

The social control account for organizational misconduct provides several perspectives that enable us to re-conceptualise the role of global business in modern society. Greve and colleagues (2010, p. 78) contend that

“Social-control agents are entities that can make reasonable claims to represent the interests of broad communities of actors, and have capacity to monitor and enforce organizational behavior.”

We believe that global companies nowadays being sort of flagships within their global value chains are taking on a role of social-control agent at the scope of their globally spread production networks. First of all, the implementation of different self-regulation initiatives is usually applied throughout the entire supply chain of global companies. Usually it happens through the implementation of corporate norms and standards or through enforced abidance by international norms and standards. We contend that nowadays global companies are having enough power and legitimacy to define the rules within their production networks (ex: to introduce the corporate standards, ethical principles and guidelines, safety requirements, etc.), to make the suppliers/business partners abide by these rules as well as to enforce it (ex: to implement auditing procedures, to stop the commercial transactions in case of nonconformity, to exclude from the network, etc.).

Two important elements evoked by Greve and colleagues (2010) are monitoring and enforcement. Both elements might be present in commercial relationships of global companies with its business partners. In the age of expanding responsibilities of business as well as increasing societal expectations towards global players, global corporations are paying significant attention to all the dimensions of business activities of their commercial partners. Seeking to ensure the internal and external coherence of corporate values with the performance of external partners, nowadays global companies seek to establish the corporate norms and standards that should be respected and strictly followed by all the organizations participation in the value creation process going far beyond direct suppliers. In this regard, monitoring is becoming an essential element of this process – in order to ensure that

commercial and business partners abide by the determined rules global companies are using multiple mechanisms such as audits, reporting, certification, etc. At the same time, the global companies have access to enforcement instruments as well, primarily through the contract mechanism. Thus, the global companies have legitimate and effective means to determine their own criteria that enables and constrains the domain of behavior of their business partners, to evaluate their behavior in respect to its relationship to that line, to monitor and enforce it.

One of the empirical examples giving evidence to presented theoretical assertions might be a case of McDonald's rejection to buy genetically modified (GM) potatoes from its biggest potato suppliers (J. R. Simplot Company) in 2014. Despite the fact that this type of GM potatoes was approved by the United States Department of Agriculture (USDA) in 2014 and the Food and Drugs Administration (FDA) in 2015, McDonalds being the largest purchaser of potatoes in the USA has done another judgement of appropriateness of such behaviour drawing their own line separating right and wrong business conduct and judging the use of GM potatoes as a wrong thing to do.

Such dynamics become even more visible under the context of weak state, where the government does not have enough resources to develop a comprehensive set of rules and norms and enforce it. A good example might be a child labour issue in some African countries: when a state has a weak capacity to define child labour as unacceptable organizational misconduct and to implement enforcement and monitoring procedures, it's global companies such as Nestlé that take on a role of social-control agents setting the rules within their production network that establish child labour as organizational misconduct that should be eliminated. Another empirical example might be activities of a leading French energy company in Papua New Guinea where there is a significant rate of sexual violence against women. Under the background of very weak state that is not capable of enforcement and monitoring of this type of unacceptable behaviour, the Company had to introduce this aspect as one of the principle criteria that is underpinning any commercial transaction with local entities. Thus, a global company took on a role of social-control agent by judging such type of behaviour unacceptable and introducing enforcement and monitoring measures within its production network.

It is also important to highlight the dynamic nature of social-control account for organizational misconduct: as far as misconduct is not defined in absolute terms, it is an indisputable fact that the position of a line between right and wrong is variable over time and

across places (Greve et al., 2010). This point reinforces our theorization as it reflects the real phenomenon – CSR as an ongoing contestation process - in more accurate way. Indeed, the frontiers of corporate social responsibilities are expanding constantly as the civil society actors are trying to re-negotiate the role of business in society and scope of its responsibilities. Thus, such a dynamic approach of social control perspective might be admitted to be able to provide quite an accurate reflection of CSR contestation process. Empirically it might be proved by the fact that codes of conducts (that basically determine where the line between right and wrong is located) are getting updated quite often repositioning the line separating right from wrong. For example, several years ago the issue of inclusiveness and gender equality was not considered to be of a high importance and was not included within the codes of conducts, while now every global company has a clear judgement upon this issue.

DISCUSSION & CONCLUSION

Our analytical research sought to refine the concept of political CSR by proposing alternative conceptualization of global companies at the scope of global value chain/global production network. The principle objective of this research was to refine and develop the political CSR concept in order to address the fair criticism raised towards its underlying assumptions. Drawing on the insights from social control perspective on organizational misconduct we argue that at the scope of global value chain/global production network global companies are taking on a role of social-control agents rather than replacing the government. Such conceptualisation contributes to the development and refinement of political CSR concept by addressing some important points of criticism in following ways (Table 1).

Table 1. Cross-fertilization of PCSR and Social Control Perspective

Analytical aspect	PCSR Assumption	Social Control Perspective
<i>Business – State Relation</i>	Zero-sum substitution (companies are replacing governments; governments losing their power and regulatory capacity)	Collaborative approach (precedence of state authorities that create overarching background legal and institutional frameworks)
<i>Theoretical Aspiration</i>	Normative prescription	Positive description & explanation
<i>Role of the context</i>	Universalism	Contextualization

One of the major points of criticism raised towards political CSR concept is the substitution assumption – in modern world business actors are replacing governments becoming stewards of public interests, while governments are stepping back losing their power and regulatory

capacity (Eberlein, 2019; Kourula, 2019; Schrimpf-Stirling, 2018). In this regard we propose that in modern world companies are becoming social-control agents rather than substituting government. Such conceptualization allows for multiple form of collaboration between private and public actors without being limited to “zero-sum constellation of substitution” (Eberlein, 2019). Indeed, social-control perspective does not determine *how* social-control actors establish their judgements on misconduct. In this regard, global companies can collaborate with governments in terms of monitoring and enforcement of defined order or can re-define order within their GVCs in order to align it with local authorities. This is an important point as according to social control perspective; governments continue to play an important role being an overarching social control agent who create the legal and institutional framework, within which corporations determine where and how to place their own judgements about some sorts of organizational behaviour. For example, in the USA where the legal and institutional framework is quite developed and reinforced, companies may decide to align their judgements with the ones of the state, while in other countries, where the legal and institutional mechanisms are less present and enforced, global companies may decide to place their own line between right and wrong that would outperform the one developed by the state authorities. However, it is important to highlight the precedence and the overarching role of state regulation that can be surpassed but never transgressed by corporate social control efforts.

The fact that social control perspective does not determine *how* and *why* social-control agent takes certain decisions also enables us to reduce the normative nature of political CSR, thus, also address some points of criticism towards PCSR. Such theorization does not contend that corporations are drawing or repositioning line between right and wrong in accordance with pure public interests: the companies may decide to establish and enforce some regulation within their global production network due to their own profit or political interests (ex: to avoid the pressure from NGOs, to reduce the complexity of institutional environment, to reduce the risks, etc.). In this regard, the proposed conceptualization proposes more “*positively describe and explain*” rather than “*normatively prescribe*” approach (Whelan, 2012, p.711).

Finally, the dynamic nature of social-control perspective leaves a room for contextualisation of corporate CSR efforts, thus, reducing the inherent tensions between global/universal and local/contextualised norms and initiatives (Kourula et al., 2019b). As Palmer (2012) argues social-control account can be seen as “*social constructionist*” perspective, thus, the social-

control agents may change their decisions based on the context and time. Such approach enables us to theorize why global companies may change their priorities and judgements across the geographical location. Proposed conceptualization of global companies also enables the increased involvement of different local stakeholders, even those who usually might be considered voiceless and marginalised (ex: the issue of violence against women in Papua New Guinea).

As we discussed before, global companies operate in diverse environments containing many different constituents and the importance of this environmental variable requires more contextualization within political CSR. In the end, universal CSR initiatives and engagements defined at the global level may exist only theoretically as the core idea of CSR may find its real implication only within particular context.

To conclude, we believe that proposed theorization of the role of global companies in the modern society brings new insights and refine political CSR concept and opens up new research avenues.

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