

# **Corporations and Citizenship Three Global Governance Relationships**

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# Introduction

- Focus on Corporate Citizenship rather than CSR.
  1. Both signal corporate discretion but CC assumes adherence to norms and institutions of polity
  2. Interest in impacts of corporations on wider 'citizenship' roles in new global governance.
  3. Citizenship addresses delineation of *power* and *responsibility* among members of polities (horizontal) & between members & other institutions (vertical)

# Introduction

- 4 Citizenship addresses: Status in polity;  
Entitlements that membership of polity affords;  
& Participation in governing processes of the  
polity
- 5 Thus, suitable for debates on roles of  
corporations as well as governance of global  
environmental change

# Introduction

- Social scientists often address environmental change through lenses of *market & regulation*
- CC straddles these:
- Corporations are main market players (i.e. subject to regulation; source of negative externalities & innovation Stern 2006)
- Participate in regulation: they lobby (e.g. over carbon trading system); they regulate (e.g. practices of employees and supply chains); they co-create new governance (see below)



# Introduction

- Recipe for confusion?:
- Corporations claim citizenship (see reports)
- Corporations are accused of 'take over' of government (Hertz 2002; anti-globalisation)
- Firms are increasingly open to 'stakeholders' (Freeman 1985) including representatives of human citizens & environment (Doh 2008)
- These relationships should be understood together



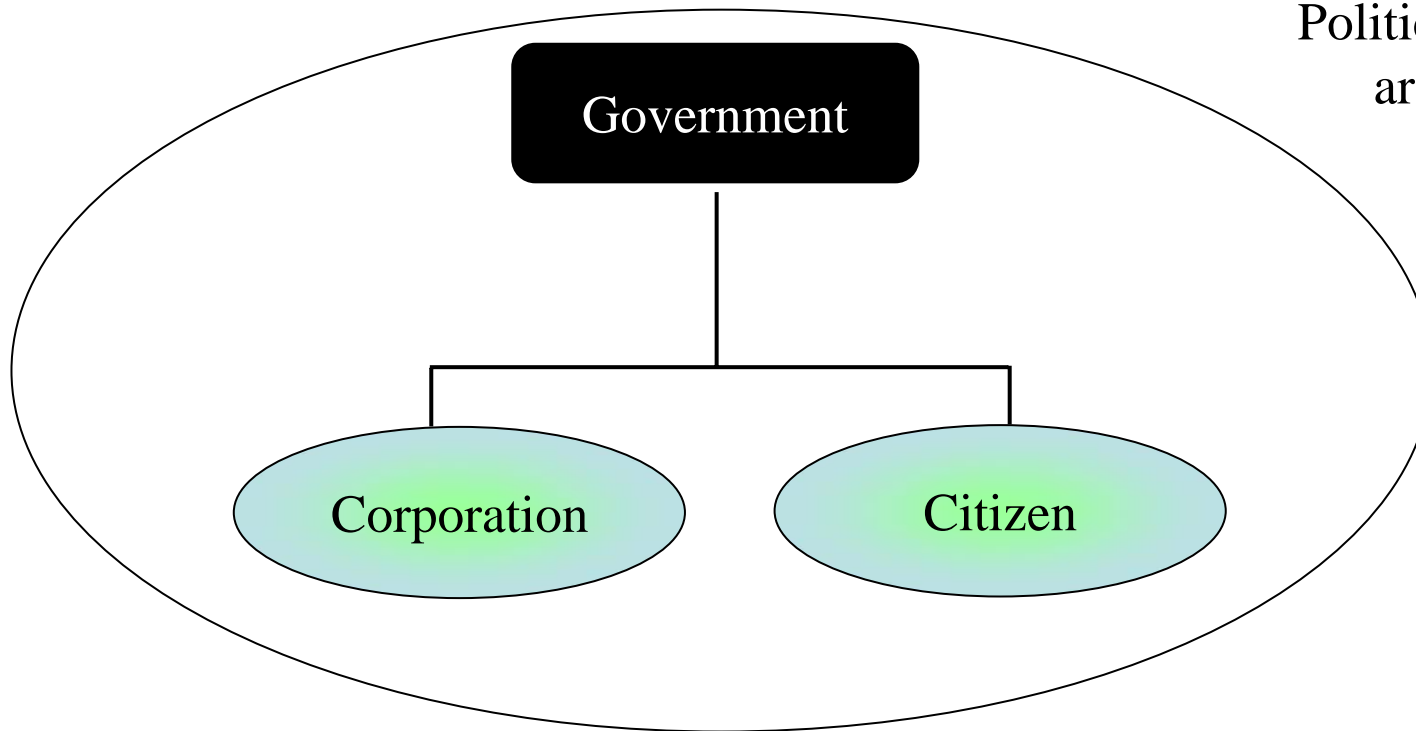
# Introduction

- Our framework distinguishes three relations of corporations with citizenship (Crane, Matten & Moon 2008). Corporations:
  1. are like citizens
  2. are like governments in governing citizenship
  3. enable stakeholders to engage in citizenship
- Integrative framework for understanding
  1. business-society relations
  2. role of corporations in societal governance



# Three views: (1) Corporations as citizens

Political community as the arena of citizenship



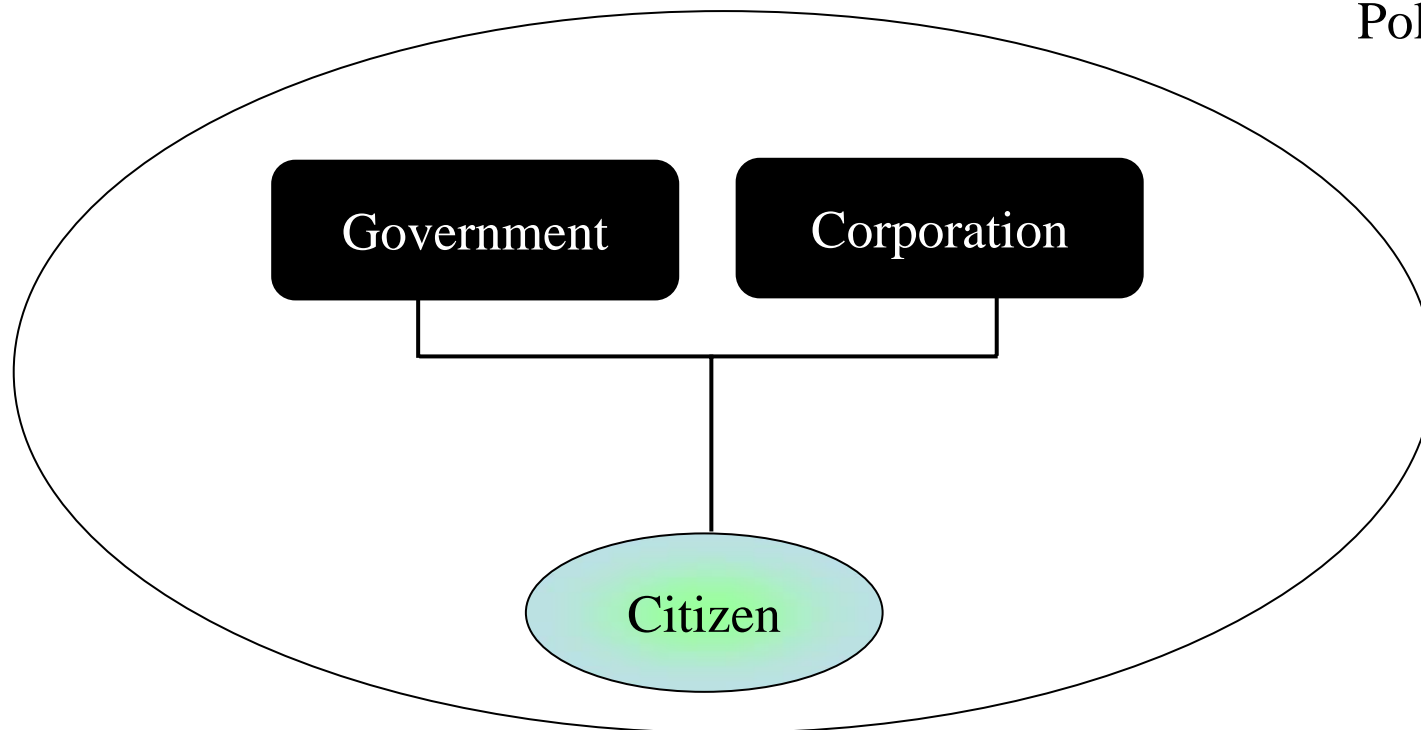
# Corporations as citizens

- Corporation as if it were members of society
- Cooperation with other citizens; philanthropy; paternalism
- Legal status
- Political status but some rights to participate (e.g. to lobby)
- Corporation as subject to government



## Three views: (2) Corporations as governments

Polity as the arena of citizenship

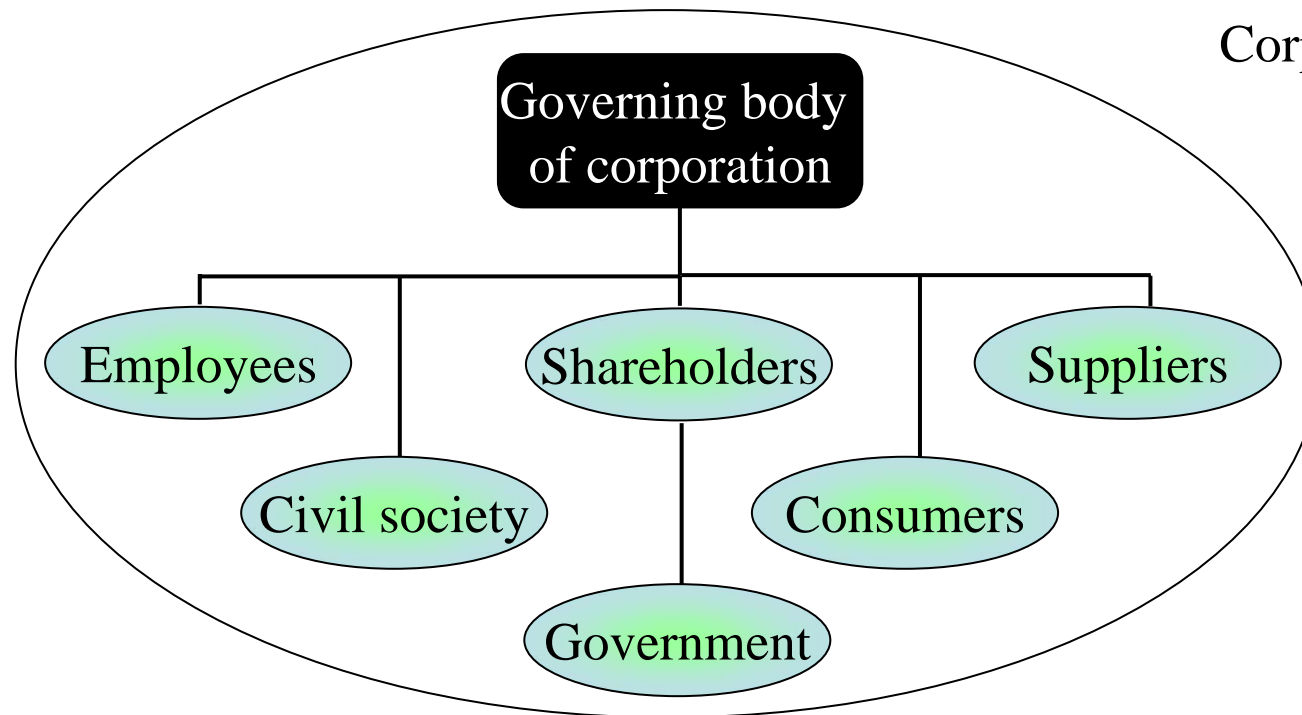


# Corporations as governments

- Corporation as sharing in governing activities?
- Corporations administering human citizen rights
- Corporations allocating resources
- Types of relationship with government (whether as precursor to govt; as alternative to govt; or as partner of govt)
- Range of possible models of governing (un/regulated, un/accountable)



# Three views: (3) Stakeholders as citizens



Corporation as the arena of citizenship

# Corporations as Arenas for Stakeholder Citizenship

- Stakeholder model – but extend from governing of corporation alone into wider governance issues by virtue of the governance responsibilities / proximities of the corporation
- Allied to stakeholder rights (Donaldson & Preston 1995) and stakeholder democracy (Crane & Matten 2005) but no assumptions of equality etc.
- Represents transformation of human citizenship potential and marginalisation of government?



## Corporations, Citizenship & Governance Relationships

- Corporations play multiple roles which inhibits clear political theory of the firm
- But we see our conceptualisation as:
  1. Realistic
  2. Not unlike multiple roles of political actors:
    - i Aristotle's citizens govern & are governed
- Democratic govts govern & are governed - by electorates; pressure group participation; media; public debate



## Corporations, Citizenship & Governance Relationships

- ii Political organizations (e.g. political parties, civil society) both govern govts (Dahl 1956) & are arenas for citizens to participate (Pateman 1970)
- Combining i & ii (above), corporations are not so different from other political actors / institutions in combining roles of being i) like citizen ii) like govt iii) a political arena
- Clear implications for broader issues of status, entitlements, participation



## Corporations, Citizenship & Governance Relationships

- The multi-faceted citizenship roles of corporations bring them into more deliberative processes characteristic of networked governance
- As many of these roles are often not formalised, much lies with *corporate discretion* (common to CC & CSR)
- Corporations & their interlocutors should recognise and manage their roles as *governing organizations*



## Corporations, Citizenship & Governance Relationships

- These roles explain corporate contributions to new institutions of global governance
- New governance is characterised precisely by actors operating across different modes and in discretionary networks (Moon 2002) as well as by increased 'explicit' CSR (Matten & Moon 2008)
- Particularly in international & environmental governance in the absence of an effective Leviathan (Moon and Vogel 2008)



## Corporations, Citizenship & Governance Relationships

- Corps participate as citizens across borders with community / civil society organisations (e.g. poverty, health)
- They govern across borders as governments (e.g. working conditions of other companies in international supply chains)
- They constitute arenas of citizenship (e.g. NGOs enact their own citizenship through critique and partnership re global justice and environment)

## Corporations, Citizenship & Governance Relationships

- Combining self-regulation, social regulation, soft / hard regulation (Ayers & Braithewaite 1992; Ruggie varia) corporations can contribute to new institutions:
  1. Between business and civil society
  2. Within companies
  3. Among companies
  4. Between companies and government



## Corporations, Citizenship & Governance Relationships

- These institutions
  1. Bring companies into aspects of societal, including environmental, governance
  2. Bring society & government into companies, including their environmental effects
  3. Offer a contribution to governance because authoritative/ coordinated actions are achieved



## Institutions *Between* Business & Civil Society

- Business – NGO partnerships (e.g. Amnesty International & International Business Leaders Forum)
- Company – NGO partnerships (e.g. Unilever & World Wildlife Fund, Oxfam)
- Company branch – NGO partnerships (e.g. with local charities, community groups)



## Institutions *Within* Companies

- Organisational sections / staff (own / recruited, including from NGOs)
- Codes (own / imported)
- Reports
- Policies (including managerial targets / rewards)
- Procedures

## Institutions *Among* Companies

- Business associations (e.g. Business in the Community; International Business Leaders Forum, Equator Principles, World Business Council for Sustainable Development)
- Indexes of business CSR performance (e.g. FTSE4Good, Dow Jones Sustainability Index, KLD)
- CSR consultants / verifiers / auditors
- Specialist media

## Institutions *Between* Business & Government

- Corporations complement government policies & programmes e.g.: education, workplace, product / process / marketing standards
- National govt-led multi-sector partnerships: e.g. Ethical and Fair Trade systems
- UN Global Compact; OECD Guidelines; Intergovernmental Panel on Climate Change



## Discussion

- Our analysis raises *normative* questions regarding the ability, desirability or feasibility of corporations becoming 'governing' actors
- From the right: corps have profit-making purpose; compromised by political involvement
- From the left: political role corps threatens democracy & citizen's rights; fear of 'the corporate state'



## Discussion

- But recognising that corporations *are* involved in governing and citizenship helps understanding of their political roles
- These extend to deeper-level institutional effects symptomatic of new governance
- Focus on discretion, networks, deliberation for norm-building and cooperation
- Preliminary evidence that companies that cross borders are more responsible than companies that don't (Chapple & Moon 2006)

## Discussion

- What are the incentives for corporation to engage in global governance issues?
- Social pre-requisites for business; impact of home / host country NGOs & media: 'the whole world is watching'
- 'Socialisation of markets': social criteria & choices of employees, investors, consumers, customers
- Global social / environmental conditions of profit-making
- Legitimacy with international govt organisations



## Discussion

- Limitations?
- It is not democratic (though accountable)
- It is not business-wide (free-riders re pollution, corruption, tax avoidance)
- Lack of enforcement (though reputational risk of bad faith e.g. Nike)
- But these objections also apply to national and international governmental organisations

## Discussion

- Corporations can contribute to global governance of environment because:
- They *connect*: consumers, investors, employees, supply chains, communities; their values and interests
- They *connect*: resource holders / users / needy; polluters
- They *connect*: local, national and global govt orgs & NGOs



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