# CORPORATE POWER ANALYSIS:

# A GOVERNMENTAL APPROACH TO THE STUDY OF THE CORPORATE SOCIAL RESPONSIBILITY SYSTEM OF GOVERNANCE

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# Abstract

Multinational Corporations (MNCs) are tremendously involved into every major societal challenge of today. With governments struggling in addressing major global issues, society is now increasingly calling in the private sector to do so by asking for companies to promote positive social change. Corporate Social Responsibility (CSR) embodies this new position of business in society and makes corporations no longer mere objects of regulation but rather political actors themselves involved in the definition and establishment of rules and norms. The scope of this thesis is to investigate nature and scale of MNCs' political authority in the international system through the analysis of the CSR regime to provide for a better understanding of these new forms of governance. Yet, for this to be possible, a context-specific study of power is needed. Following a power analysis in which different power considerations are connected to different possible reasons for MNCs' compliance with socially-responsible policies, CSR is here interpreted as a system of self-discipline and conformity from which MNCs result being both empowered and constrained. CSR – a by-product of the broader neoliberal regime of governmentality – by redefining the boundaries between public and private, invests firms with political authority while at the same time reinventing their social role in a way that the resulting system of governance ultimately both governs through and consists of the very success of its discourse in the global economy.

**Keywords**: Corporate Social Responsibility, Private political authority, Global governance, Power analysis, Governmentality.

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## Introduction

The ever-increasing power of Multinational Corporations (MNCs) is certainly one of the biggest concerns of today's society. MNCs have become central social actors featuring large amounts of power and influence over almost every aspect of social life. As a consequence, business is now deeply involved into every major societal challenge of today, especially in those areas where the impact of firms is of extraordinary importance such as labor, the environment, and new technologies. Yet, from the International Relations (IR) perspective, this aspect of MNCs' agency is still partially undertheorized, and its political and conceptual implications have been substantially overlooked. The mainstream IR scholarship traditionally tends to look at business actors as subordinated to state power rather than juxtaposed to it. As a result, in the study of international politics, corporate power has been generally neglected. Still, despite its dominant state-centric view, part of the IR scholarship acknowledges the central role of corporations in shaping global governance and understands their power as beyond the one of nation states. This tradition largely passes through Susan Strange's work, who already in 1991 was wondering how long would have taken to the IR scholarship to include "big business into the analysis of the international system".[1] Almost twenty years later, the development of Corporate Social Responsibility (CSR) and its biggest initiatives such as the UN Global Compact and the ISO 26000 standard on social responsibility show that Professor Strange's claims were justified and that the role of corporations went even well beyond her expectations. CSR, in fact, exemplifies the growing tendency and demand for MNCs to provide for a variety of public goods such as human rights, rule of law, and (to a certain extent) security, that historically have been exclusively associated with the nation state. Therefore, CSR is the prime example of how, in parallel with their power, corporations over time have also significantly increased the degree of their involvement within global governance and, with it, of their authority in global politics.

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[1] Strange, Susan. "Big Business and the State1." *Millennium: Journal of International Studies*.(1991):246

Corporate Social Responsibility, by some regarded as the "panacea" to all the mankind's problems and by others as a "troubling dissolution" of the distinction between the private and public sectors, consists of a voluntary commitment from corporations to integrate social and environmental considerations into their business operations and their interactions with stakeholders in accordance with internationally recognized fundamental principles[2]. Voluntary self-imposed obligations from multinational corporations, however, not only move the public interest into the business' agenda, they also bring the business itself into the core of global governance making of MNCs quasi-governmental institutions featuring substantial amounts of power and influence over global politics. The first chapter of this thesis is entirely dedicated to the analysis of this central conceptual shift. It will be presented the theoretical debate concerning the political nature of Corporate Social Responsibility, its multifaced readings, and its underlying implications for the role of MNCs in global governance. In so doing, the political and social role, legitimacy, and authority, of MNCs will be explored by looking at private soft law and rule-making through the analysis of corporate self-regulation, rules, and standards in an effort to cast some light on the aforementioned debate. Hence the discussion delves into the concept of private authority to grasp the profoundly political nature of corporate power in a cross-disciplinary effort to combine and incorporate ideas developed in both the IR and management literature. At the core of this analysis lies the concept of legitimacy that will be here anatomized and discussed from its general terms to its peculiar and underexplored relation with private actors. Henceforth, it is offered a deliberative interpretation of the concept of legitimacy according to which CSR becomes a source for legitimacy through the very process of interaction between private actors and civil society. As it will be made clear throughout the following chapters, the CSR system of principles, norms and practices can be seen as a constructivist regime and MNCs, when interacting with other social actors within its domain, are both empowered and invested with authority by drawing legitimacy from its normative framework.

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[2] Van Marrewijk, Marcel. "Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion." *Journal of Business Ethics*.(2003):96; Levitt, Theodore. "The dangers of social responsibility." *Harvard business review*.(1958):43.

A more responsible behavior from companies towards employees, local communities and environment is undeniably in the common interest. Yet, there might be completely different reasons accountable for the adoption of socially responsible conduct. This thesis aims to identify these reasons to reconsider corporate interest, power, and authority in global governance structures vis a vis the public sphere and to redefine the business-society relationship accordingly. "What is power in the world system /international political economy? And who has it?" provocatively asked Susan Strange to the IR scholarship in 1991[3]. In order to answer her questions, the underlying assumption is here that by looking at the reasons behind agents' actions is possible to assess where the power needed for those actions resides. In other words, by opening up the "black box" of corporate agency it would be possible to capture the CSR regime's immanent power dynamics and thus to determine power's nature and diffusion. Hence, the research questions here addressed: i) What are the reasons and incentives for MNCs to spend resources in CSR policies? What kind of theory of power does the resulting understanding of corporate political agency suggest? And, finally, ii) what are the key mechanisms for the diffusion of power according to the resulting CSR system of governance? In order to do so, the distinction between corporate internal and external governance will be made explicit to avoid any analytical shortcoming. However, would be beyond the scope of this thesis any attempt to capture variations within internal governance practices. Therefore, in order to provide for a higher level of analysis, the former will be deliberately overlooked to only focus on the latter considering MNCs as monolithic, unitary, and rational actors in their interface with society and other political actors. Borrowing from the neorealist understanding of power, namely looking at power as inevitably linked to intentionality, the reasons behind MNCs' compliance with the CSR normative system are here understood as the key element to assess the logic of CSR as a system of governance. Yet, given the conceptual limits in understanding agents' motives and in light of the initial rational-choice

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[3] Strange. *Big Business and the State1*:246.

assumption here embraced, intentionality is assessed through incentives. Glen Whelan, a mainstay for the most recent political CSR literature, notes how:

> the literature on 'Political' CSR often appears agnostic and/or uncertain as to the motivations or interests that drive MNC decision making. (…) Such a general lack of clarity regarding the motivations of MNCs, I now argue, is problematic for both descriptive and explanatory reasons.[4]

Therefore, by (at least initially) keeping power as an agent-based concept, in accordance with the neorealist tradition, the scope of this thesis is to provide for a power analysis that, by ultimately denying this very same agent-based understanding, could eventually overcome the idiosyncrasies of the neorealist conception of anarchy that CSR as a system of governance highlights. In other words, it is argued how the very concept of governance, especially when including non-state actors, offers a new understanding of effective rule and power-legitimacy-authority relations on the international playing field where, in Guzzini's words, as ordering principle "the concept of sovereignty in a system of self-help might not meaningfully matter anymore".[5]

By referring to the existing literature, it will be therefore presented the theoretical debate framing CSR and its underlying possible causal factors ranging from mere profit-seeking to more complex power relations. It will be addressed the question whether to encourage (or force) corporations towards a more responsible attitude is self-interest, ethically-enlightened leadership, or visibility-induced self-constrain. Therefore, drawing from the vast power-related literature, different power considerations will be associated with, and built upon, the different possible motivations behind corporate political action. Ergo, the second chapter will be dedicated to present a taxonomy of power in its multiple, competing conceptions building on the initial assumption of a conceptual link between power and intentionality mirroring Guzzini's gradual progression from agent to structure in the conceptual analysis of power.[6] Intentionality works here as a decoy to capture broader conceptual considerations of power dynamics deriving their meaning from different solutions of the

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[4] Whelan, Glen. "The Political Perspective of Corporate Social Responsibility: A Critical Research Agenda." *Business Ethics Quarterly*.(2012):717.

[5] Guzzini, Stefano. "Structural Power: The Limits of Neorealist Power Analysis." *International Organization*.(1993):477.

[6] Ibidem

agency-structure problem and that would allow to grasp the degree of the agents' autonomous action in a way that the source for power outcomes could be more easily collocated closer to either one or the other extreme on the agent-structure continuum. This way, both the presence and absence of rational choice would be key to determine which theory of power better describes the mechanisms of governance in the CSR regime. Specifically, to instrumental reasons behind MNCs' engagement in CSR activities will be associated the classical neorealist conceptualization of power according to which the latter is physically measurable in terms of resources and attainable through rational calculation. To ethically-enlightened leadership is associated a hegemonic view of power where the latter is expended by the biggest firms to set the normative ground at their future advantage. Finally, visibility-induced self-constrain is matched with structural power according to the idea of MNCs' compliance with CSR as prompted by structure-induced self-imposed behavior in conformity with the norms of the regime.

The third chapter will then try to make sense of these findings. In this regard, the third explanation will be particularly accounted for and will be closely examined through a constructivist lens to identify how socially responsible norms are established and how MNCs themselves contribute to enforce them by becoming actively involved in their adoption and implementation. The Foucauldian understanding of Bentham's panoptical prison-structure will then be brought into this analysis in the attempt of reinterpreting the CSR regime and its mechanisms as a system of self-discipline and conformity and the role of MNCs as central for its perpetuation as they become active in their own surveillance and policing.[7] Hence a post-structuralist approach will be adopted to demonstrate how the CSR discourse and the related normative obligations drive MNCs' behavior by changing the very understanding of the corporate role in the society. Strictly speaking, it is the structure resulting from the CSR regime as part of the broader global, neoliberal, capitalist structure, to "condemn" MNCs to behave responsibly. Within the boundaries of the CSR regime, by virtue of

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[7] Foucault, Michel. *Discipline and Punish: The Birth of the Prison*. trans. Alan Sheridan. London: Penguin Books.(1977)

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their newly acquired political authority, MNCs are social actors, and as such, in their activity they must act in compliance with sensitive social expectations. Accordingly, a fourth explanation is advanced as a conceptual expansion of the third one. Given that CSR still remains an empowering mechanism for MNCs, a different conceptualization of structures as not mere constrains but rather enablers giving actors the possibility to achieve greater influence and authority in the system is needed and a different understanding of structural power as working through specific sets of intersubjective rules and practices rather than just systemic biases must follow. As suggested by Guzzini in his study of the limits of power analysis in IPE and IR, the proper way to acquire a comprehensive understanding of power is by adopting a conceptual dyad in which power is joined by governance through a social constructivist approach that may offer an explanation for the former by re-conceptualizing it in light of its diffusion through the latter.[8] This analysis of the CSR regime makes no exception and, by accepting the interpretation of the compliance to CSR as structure-induced self-discipline, Guzzini's conceptual dyad will be here composed of power as productive and of governance as governmentality. Accordingly, MNCs operating within the normative structure of power centered on discipline, policing, and normalization that is CSR are simultaneously empowered and disciplined by the new identity and social role assigned to them but also contribute in shaping and reshaping this very structure through their own agency in a further conceptual shift from structures per se to (structured) systems of signification and meaning. It follows that, in the absence of a central authority able to effectively roll back the boundaries between public and private, MNCs are made political actors by the very success of the CSR discourse in the global economy.

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[8] See, Guzzini, *Structural Power: The Limits of Neorealist Power Analysis*. And, Guzzini, Stefano. "The use and misuse of power analysis in international theory." *Global political economy: Contemporary theories.*(2000):53-66.

# CHAPTER ONE – CORPORATE SOCIAL RESPONSIBILITY AND THE POLITICAL LEGITIMIZATION OF THE MULTINATIONAL CORPORATION

> To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.
>
> - Larry Fink, CEO of BlackRock, *2018 Letter to CEOs: A Sense of Purpose*

The role of the corporation in society is constantly changing. As a reflection of the surrounding broader economic, social, and political context, along with the latter, it evolves over time. Today's growing involvement of corporations in politics and society can easily be ascribed to the evolution of a process started in the 1960s that saw a growing importance of the world's largest corporations for the global economic system coupled with an increasingly critical and demanding civil society.[9] This turn of events was somehow predicted already in the first half of the 20th century, with scholars like Berle and Means envisioning the acceptance inside corporate board rooms of the public interest as substantial part of the objective of the corporation while, starting from the early 1970s, other scholars had perceived the growing importance and complexity of the issue over the years ahead, like Daniel Bell who prophetically warned how "the question of social responsibility" would have become "the crux of a debate that will become crucial in the next few years".[10] Large part of the scholarship sees this shift in the corporate sphere of competence as positively correlated to the gradual decline of political and regulatory structures in keeping abreast with the global economy and of the state in some of its historical function as delivering service and regulation, and to a general erosion of national governance in face of globalization.[11] Sébastien Rioux' study of the restructuring of public welfare

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[9] Carroll, Archie. "A history of corporate social responsibility: Concepts and practices." In A. Crane, et al., *The Oxford Handbook of Corporate Social Responsibility*. New York: Oxford University Press.(2008):19-46.

[10] Berle, Adolf and Gardiner Means. *The Modern Corporation and Private Property*. New York: The MacMillan Company.(1932); Bell, Daniel. *The Coming of Post-industrial Society: A Venture in Social Forecasting*. New York: Basic Books. (1973).

[11] See, Reinicke, Wolfgang. *Global public policy: governing without government?* Washington DC: Brookings. (1998); Matten, Dirk, and Crane, Andrew. "Corporate citizenship: towards an extended theoretical conceptualization." *Academy of Management Review*.(2005):166-179; Palazzo, Guido, and Andreas G. Scherer. "Globalization and Corporate Social Responsibility." In A. M. A. Crane, *The Oxford Handbook of Corporate Social Responsibility*. New York: Oxford University Press:(2008):413-431; Wolf, Klaus. "Emerging patterns of global governance: the new interplay

and food assistance programs in the United States illustrates the gradual decline of the State in coping with major social issues such as, for instance, hunger.[12] Rising inequalities coupled with budget balancing through welfare cuts shows how the state is progressively deserting its traditional role of mediator between business and society and increasingly failing to fulfil its function of referee in the labor-capital relationship. At the same time, the increasing corporate engagement into societal issues is filling this gap. Rioux offers the example of Feeding America that, already in 2009, was extensively relying upon its corporate partners to provide for assistance to a rising number of American poor.[13] Yet, with the ever-growing importance of Corporate Social Responsibility (CSR) programs in every self-respecting business model, this tendency is now becoming the standard. CSR exemplifies this growing trend and the related increasing demand for the corporation to provide for a variety of public goods that have been historically associated with the nation state only. On the international level, CSR embodies the new role of the corporation that, by increasing the involvement within global governance, has also significantly increased its political power and authority. Through the analysis of the concepts of corporate legitimacy, private political authority, and international regimes, this chapter aims to grasp the mechanisms behind the transformation of Multinational Corporations (MNCs) from economic to political actors while in the next chapters the analysis of their power will reveal reasons and logic behind this metamorphosis.

## 1.1. Private Political Authority

According to the Westphalian system, states are the only actors in international politics and the only subjects of international law. In this view, politics is a prerogative of the nation state and business is exclusively concerned with the economy, making firms mere economic actors. Under the conditions

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between the state, business and civil society." In Palazzo and Scherer *Handbook of research on global corporate citizenship*. Cheltenham, UK: Edward Elgar Publishing.(2008):225-48.

[12] Rioux, Sebastian. "The Right to Starve: Hunger, Discipline and Labour Market Restructuring under Authoritarian Neoliberalism." In C. B. Tansel, *States of Discipline: Authoritarian Neoliberalism and the Contested Reproduction of Capitalist Order*. London: Rowman & Littlefield International.(2017):87-106.

[13] Ibidem.

of globalization, though, this strict division of public and private spheres of governance does not seem to offer an authentic reflection of reality anymore. CSR is best understood as "international private business self-regulation", meaning that companies voluntarily give up consistent portions of their autonomy in order to fill the regulatory vacuum resulting from the friction that exists between a globalized world and the current state-centric system.[14] Yet, in parallel, during the last decades MNCs have also started to engage in quasi-governmental activities in a wide range of societal sectors such as the environment, public health, social welfare, education, human rights, and the promotion of peace and stability.[15] The very idea of a Corporate Social Responsibility, in fact, rests upon the conviction that corporations' commitment towards environment and society must not be limited to the refrain from causing damage but must include positive contributions. The basic negative duty "to do no harm" must therefore be grounded in broader positive obligations. Hence the basis for the emergence of a corporate political authority. By actively engaging in self-regulatory efforts, MNCs become central actors with reference to the areas subjected to that regulation. Likewise, by spending a fair amount of their resources in CSR programs, MNCs exercise their power over particular social issues on which they consequently acquire further legitimacy to both utter and operate on. Palazzo and Scherer observe how, with regard to MNCs, "current conceptualizations of CSR assume that legitimacy is based on conformity with societal rules".[16] Nonetheless, considering the massive amount of business operations that MNCs have across the globe and across different cultures, legitimacy cannot be confined to a mere compliance with societal rules given the normative heterogeneity on the global level. In a globalized world, the changing nature of the interplay between business, government and civil society required MNCs to expand their agency towards those areas that have traditionally been field of play for state actors only, but by means of a substantially different

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[14] Sheehy, Benedict. "Defining CSR: Problems and Solutions." *Journal of Business Ethics*.(2012):625-648.

[15] Palazzo, Guido, and Andreas Scherer. "The New Political Role of Business in a Globalized World – A Review of a New Perspective on CSR and Its Implications for the Firm, Governance, and Democracy." *Journal of Management Studies*.(2011):899-931.

[16] Palazzo, Guido and Andreas Scherer. "Corporate Legitimacy as Deliberation: A Communicative Framework." *Journal of Business Ethics*.(2006):71-88.

conceptualization of legitimacy. Ergo, MNCs can act as social actors with political authority through the moral recognition acknowledged by those subjected to that authority rather than by virtue of compliance with specific national legal frameworks. In a nutshell, MNCs can exercise their power legitimately only by acting in compliance with societal expectations integrated in a broader international normative regime, of which CSR represents the structural framework. The following paragraphs aim at reconstructing the corporate legitimacy, power, and authority arising from this regime, bypassing the traditional distinction between public and private, to offer a comprehensive analysis of the key concepts at the basis of a reinterpretation of MNCs as political actors.

## 1.2. Corporate political legitimacy

As Scherer and Palazzo argue, "the politicization of the corporation is an unavoidable result of the changing interplay of economy, government and civil society in a globalizing world".[17] Logically, it follows that unavoidable must also be the conceptual shift of corporate political legitimacy. In the age of globalization, the growing heterogeneity of national societies and the gradual assimilation of standard universal values have been reshaping international norms and institutions giving rise to legitimacy frictions.[18] It is therefore problematic to identify a unified set of norms and rules that could determine the legitimacy of private power in the international arena given the absence of a universally accepted normative archetype in today's global society, both in legal and in moral terms.[19] However, the historical transitions resulting from globalization, with the parallel intrusion of new perspectives into different cultural traditions, have indeed fostered what Jurgen Habermas defines as a "pluralism of collective forms of life".[20] Yet, at the same time, those transitions have also transformed norms of interaction in a way that "universalist value orientations gain ascendancy".[21]

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[17] Ibidem.
[18] Ibidem.
[19] Habermas, Jürgen. *The Postnational Constellation: Political Essays*. trans.Max Pensky. Cambridge: Polity.(2001)
[20] Habermas, Jürgen. *Between Facts and Norm*. New Baskerville: MIT Press.(1996):97
[21] Ibidem.

MNCs, by making use of their CSR policies, have overcome these competing conceptions and, instead of embracing the legitimacy of a specific set of norms while inevitably denying the legitimacy of others, somehow reconciled them by actively promoting a universally valid set of principles and standards. In this view, CSR serves as a sort of normative tradeoff and globalization as that framework that makes possible for MNCs not only to comply with existing national and global norms but to also contribute themselves to create new ones through self-regulation and practice. This idea is largely reflected into the UN Global Compact and the ISO 26000 standard on social responsibility. These institutions and the related codes of conduct, the most relevant in regard to CSR, incorporate the very essence of corporate political strategy and authority. They are generally non-legally-binding, enjoy a relatively wide consensus, and do not threaten states' sovereignty. Basically, these codes provide for a shared set of standards for behavior and level the playing field by gathering together the public and private (profit and no-profit) sectors and by providing a means to compel all MNCs to the same set of benchmarks while creating a consistent framework for civil society to evaluate firm conduct.[22] MNCs, in so doing, set self-restraining boundaries through the regulation of their own activity but, at the same time, gain access to the decision-making process ordering their sphere of agency. In other words, by filling the void left by the public sector in those areas where states fail to provide a sufficiently reliable legal frame, corporations privatize problem-solving and supply for what the public sphere is either unable or willing to deliver. As acknowledged by Cutler, Haufler, and Porter, "private actors are increasingly engaged in authoritative decision-making that was previously the prerogative of sovereign states" and, as a result, they are invested with the political authority that comes with it.[23]

The work of Cutler, Haufler, and Porter is a landmark for the concept of private authority, which they describe as the condition under which "an individual or organization has decision-making

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[22] Kobrin, Stephen. "Private Political Authority and Public Responsibility." *Business Ethics Quarterly*.(2009):349-374.

[23] Cutler, Claire., Virgina Haufler, and Tony Porter. *Private Authority and International Affairs*. Albany: State University of New York Press.(1999):204.

power over a particular issue area and is regarded as exercising that power legitimately".[24] This political authority is thus private since, as they point out, it "does not necessarily have to be associated with government institutions".[25] Nonetheless, power and authority do not always coincide, and decision-making power still needs to be binding to be considered authoritative.[26] Authority is commonly perceived as legitimate power, meaning that it needs to be viewed as legitimate by those subjected to it and, as opposed to more coercive forms of power, it cannot just be imposed. Yet, the legitimacy necessary to constitute authority may arise from different sources and through different mechanisms. In the case of public authority, legitimacy derives from a sense of obligation coming from the formal acceptance of the right for the authority to exercise its power, in conformity with the logic of the social contract where authority is established in formal legal terms. Similarly, the activities of private actors are subjected to legitimacy demands in terms of compliance with the basic legal and moral rules of society.[27] However, for the reasons mentioned in the above paragraph, this is particularly problematic when it comes to MNCs in the context of globalization. In the anarchic international system, there is nothing like a social contract and MNCs do not have any formal, codified source of legitimacy to draw from to legitimize their non-business activities. This leads to the necessity of reconsidering political legitimacy in the international anarchic context to encounter the historical exception put in place by CSR and the resulting politicization of MNCs. As in Habermas' words, "a discursive or deliberative model replaces the contract model: the legal community constitutes itself not by way of a social contract but on the basis of a discursively achieved agreement".[28] The legitimizing framework for self-regulated capitalism that is CSR, therefore, allows MNCs to engage with stakeholders on an intersubjectively accepted normative terrain that regulates the globalized economy. This permits us, by making use of Stephen Krasner's theorization of

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[24] Ibidem.
[25] Ibidem.
[26] Weber, Max. *Economy and society: An outline of interpretive sociology*. Berkley: University of California Press.(1978)
[27] Friedman. *Capitalism and freedom*.
[28] Habermas. *Between Facts and Norm*.

international regimes, to categorize CSR as a constructivist normative framework (a regime) that provides the private sector with both legitimacy and authority.[29]

### 1.3. The creation of the regime

Part of understanding how private power becomes private authority depends on a deeper understanding of the mechanisms behind its legitimization. In this regard, Krasner's concept of International Regimes offers a valuable theoretical support. A regime is defined by Krasner as a set of explicit or implicit "principles, norms, rules, and decision-making procedures around which actor expectations converge in a given area of international relations".[30] In a CSR regime, as thoroughly reported by Alexander Haslam, the norms of behavior through which business is supposed to legitimately organized the global capitalist economy require the approval of stakeholders coming from processes of mediation, discussion and engagement over actual or potential conflicts in full respect of rights and cultural diversity. Furthermore, these aspects have to be coupled with a fair sharing of the benefits produced by business among the members of society, with a concrete commitment for the reduction of its negative environmental and social impact, and with the responsibility to compensate when failing to do so. These norms of behavior are thus operationalized in specific rules. Among them, crucial are the corporate codes of conduct and standards of social and environmental performance reporting and of management process. Finally, rules and norms are implemented through decision-making procedures that regulate corporate internal and external relations by including both corporations' chain of command and multi-stakeholder consultations.[31] As acknowledged by Haslam, the above-listed principles, norms, rules and decision-making procedures do not always converge in homogenous policies among corporations but, as the following arguments aims to clarify, "actors' expectations are increasingly converging around these ideas and

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[29] Krasner, Stephen. "Structural Causes and Regime Consequences: Regimes as Intervening Variables." *International Organization*.(1982):185-205.

[30] Ibidem.

[31] Haslam, Alexander. "Is Corporate Social Responsibility a Constructivist Regime? Evidence from Latin America." *Global Society*.(2007):269-296.

this convergence alters actor behavior".[32] According to the constructivist approach to anarchy in IR, rules and norms are never given as they are, but are shaped through processes of intersubjective construction that determine structure, actors and the interface between the two.[33] With the same logic, the CSR regime developed overtime through practice and deliberation establishing a mutual understanding of the role of business in the society between MNCs and their stakeholders.

International regimes operate as sites for international governance enabling the articulation of international rules and standards grounded in normative consensus. Likewise, the CSR regime ends up being the main forum for global capitalism' self-regulation that, enjoying a broad normative consensus, legitimizes private business actors that operate within its framework and according to its norms. This very idea of the regime as being a *locus* for discussion and deliberation prompts a conceptual shift towards a discursive conceptualization of legitimacy since, with the politicization of MNCs, corporate decision-making opens up to civil society discourses and previously accepted business behavior becomes subject to critical public debate. As discussed above, because of globalization, compliance with assumed societal essential values cannot be a sufficient (sometimes not even possible) legitimizing factor. Instead, legitimacy lies on the very deliberative process that brings to the confirmation, modification, or annihilation of those values. This is the approach also endorsed by Palazzo and Scherer that argue: "Today, complying with the normative standards of society has less to do with the habitualization of existing norms or the engineering of corporate image than with participating in public discourse and providing good reasons and accepting better reasons".[34] From this standpoint, the CSR regime and it discourse, in a way, follow the dynamics of deliberative democracy, where the main focus rather than being on the output of democracy that is the welfare state, is on its input, namely civic participation itself.[35] Accordingly, legitimacy arises

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[32] Ibidem.

[33] See, Wendt, Alexander. "Anarchy is what States Make of it: The Social Construction of Power Politics*." International Organization*. (1992):391-425; Guzzini, Stefano. "A Reconstruction of Constructivism in International Relations." *European Journal of International Relations*.(2000):147-182.

[34] Palazzo, and Scherer. *Corporate Legitimacy as Deliberation: A Communicative Framework*.

[35] Ibidem.

from the very process of public deliberation and the degree of legitimacy depends on the extent of diversity and plurality of competing discourses that characterizes that process.[36] Since governance structures do not need to mimic domestic political patterns given the heterogeneity of values and beliefs on the international arena, international regimes do not need to be based on a consistent set of shared normative principles either in order to constitute a community. Yet, idea of maintaining and respecting cultural differences must be coupled with a universal normative denominator to create order.[37] International regimes, when centered around cultural pluralism, offer the practical and conceptual solution to this problem. CSR, as such, legitimizes the power of those who comply with its norms. In other words, MNCs' non-business-related activities are legitimized by those principles, rules, and decision-making procedures they have contributed to create through self-regulation and that they keep shaping by means of persisted engagement with civil society.

## 1.4. From legitimacy to authority

Legitimacy is what makes of power authority. As between MNCs and civil society-groups within the CSR regime, "within a structure of legitimate relations… the two concepts of power and legitimacy come together in the idea of authority".[38] It is the structure in which power materializes that legitimizes it. Susan Strange takes quite a passive stance on this by arguing that "to the extent that international institutions, states, firms, and people accept the realities (...the constituted power relationship…) is implicitly legitimated. It then becomes authority".[39] The model here proposed for the power-authority relationship as a deliberative process, though, goes beyond this implicit acknowledgment by requiring a necessary intersubjective understanding in order for it to be legitimized. Yet, in congruity with Strange's argument, the MNCs' political authority induced by a

[36] Dryzek, John. "Legitimacy and Economy in Deliberative Democracy." *Political Theory*.(2001):651-669.

[37] Berlin, Isaiah. "The First and the Last." *The New York Review of Books*.(1998, May 14).

[38] Hall, Robert. "Explaining 'Market Authority' and Liberal Stability: Toward a Sociological-Constructivist Synthesis." *Global Society*.(2007):319-345.

[39] Strange, Susan. "Territory, State, Authority and Economy: A New Realist Ontology of Global Political Economy." In R. W. Cox, *The New Realisms: Perspectives on Multilateralism and World Order*. Tokyo: United Nations University Press. (1997):3-19.

normative regime is neither compelling nor coercive and doesn't imply any actor's obligation upon its obedience. Weber himself, the father of the traditional modern obedience-based conception of political authority, notes how ''the merely external fact of the order being obeyed is not sufficient to signify domination'' and that authority ''involves a reciprocal relationship between rulers and ruled''.[40] Still, the absence of coercion does not entail an idea of authority through persuasion. Drawing from Hannah Arendt, authority "is incompatible with persuasion, which presupposes equality and works through a process of argumentation. Where arguments are used authority is in abeyance".[41] Authority does not, in fact, reside in the argument but rather in the process of providing for good arguments that is made explicit in the idea of a deliberative legitimacy. As Arendt goes on, authority "must be in contradistinction to both coercion and persuasion through arguments".[42] The essence of this contradiction, in the case of private political authority, can be seen in the deliberation and intersubjectivity that characterize the normative meaning-creation embedded in the CSR regime, as opposed to coercion and persuasion. Ergo, authority is here constructed and recognized by and between the subjects and from and within the regime.

As acknowledged by Hall and Biersteker, "authority entails both a social relationship between author and subject, and a definable domain of action".[43] Accordingly, MNCs' political authority is constructed through their interaction with civil society and with regard to the very issues that interaction is about. This is the reason why private political authority obtained by private-business actors is sometimes referred to as "market authority" or "expert authority".[44] In other words, MNCs, once legitimized as rightful political actors, can exercise their political authority on the issue-areas on which they engaged with civil society to provide for norms and regulations. Corporate power,

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[40] Weber. *Economy and society: An outline of interpretive sociology*.

[41] Arendt, Hanna. "What was Authority." In C. J. Friedrich, *Authority*. Cambridge: Harvard University Press.(1958):461-482.

[42] Ibidem.

[43] Hall, Robert, and Biersteker, Thomas. *The Emergence of Private Authority in Global Governance*. Cambridge: Cambridge University Press.(2002):4.

[44] See, Hall, and Biersteker. *The Emergence of Private Authority in Global Governance*; Giddens, Anthony. *The Consequences of Modernity*. Stanford: Stanford University Press.(1990); Slaughter, Anne-Marie. *A New World Order*. Princeton: Princeton University Press.(2005).

when properly legitimized through the deliberative process within a broader normative regime, can therefore compete with state power and authority with regard to the issues on which corporate authority has been built around. Allison Marchildon provides for an example of this in her study of corporate power exercised through the CSR policies in the field of bioengineering in North America. She argues how states and private firms are "in competition with one another to become the 'owner' of the bio-engineering problem".[45] In other words, she goes on, "they are vying to obtain the power, [the] influence and [the] authority to define the reality of it and to allocate the responsibilities associated with it".[46] Another example of a non-governmental institution part of the CSR regime and that can "be an authoritative source of rules to which states or firms commit" is the already mentioned International Organization for Standardization (ISO).[47] ISO's standards are emblematic of private authority and MNCs' political power as they may affect the public regulatory process in a number of ways. Sometimes, international trade agreements explicitly recognize them while government regulations refer to them for definition of terms or simply adopt them.[48]

## 1.5. From authority, back to power

Throughout this chapter, it has been argued how states are failing in addressing some of the most compelling global challenges of today and how consequently private business actors are increasingly filling the resulting vacuum by reinventing themselves as quasi-governmental actors. In this regard, a possible tension lies within the "double nature" that a political interpretation of CSR entails, namely the coexistence of normative beliefs and profit-seeking logics. Still, to regard firms as political actors whose legitimacy arises from normative discourse and social engagement does not mean that MNCs should ultimately overlook their primary economic role. Their politicization, in fact, does not change

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[45] Marchildon, Allison. "Corporate responsibility or corporate power? CSR and the shaping of the definitions and solutions to our public problems." *Journal of Political Power*.(2016):45-64.
[46] Ibidem.
[47] Bernstein, Steven., and Cashore, Benjamin. "Globalization, four paths of internationalization and domestic policy change: the case of eco-forestry policy change in British Columbia." *Canadian Journal of Political Science*.(2000):67-99.
[48] Roht-Arriaza, Naomi. "Shifting the Point of Regulation: The International Organization for Standardization and Global Lawmaking on Trade and the Environment." *Ecology Law Quarterly*.(1995):479-539.

the fact that their necessary means of survival remains profit. The greatest achievement of a political conception of CSR, in fact, is exactly that it offers an interpretation of business as still moved by profit but, at the same time, concerned with ethical and social issues without that neither the concept of politics nor the one of business are denaturalized or deprived from their most basic rationale. Therefore, CSR primarily remains an empowering mechanism for MNCs and the resulting system of governance requires a study of its power phenomena to be fully understood. The next step, through the examination of corporate interest, is thus to address this multi-faced nature of corporate political authority from its power perspective.

In the study of CSR as a system of governance, legitimacy and authority received most of the attention even though transnational private governance, as in the words of Jean-Christophe Graz and Andreas Nölke is, in the first place, "a core feature of the devolution of power that we observe in the global realm and that is bringing about new forms of authority".[49] Yet, unlike authority and legitimacy, and with few exceptions, an explicit study of power relations in CSR has received insufficient attention in the literature.[50] Scherer and Palazzo, in developing their theory of political CSR, provide for a poor conceptualization of power as almost exclusively consisting in the declining ability of the public sphere to regulate the private one and in the decreasing leverage of states over MNCs.[51] The two authors' contribution, albeit meaningful regarding the social phenomena leading to private legitimacy and authority, lacks of a fundamental component in the analysis of corporate power in relation to those same social phenomena. Banerjee is critical towards the idea coming from

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[49] Graz, Jean-Christophe, and Andreas Nölke. *Transnational private governance and its limits*. New York: Routledge. (2007):1.

[50] Banerjee, Subhabrata. "Corporate Social Responsibility: The Good, the Bad and the Ugly." *Critical Sociology*.(2008):51-79.; Aasprong, Marius Lervåg. *Uncovering Corporate Social Responsibility Deparadoxation of power in the CSR-discourse.* Trondheim: Norwegian University of Science and Technology.(2012); Gond, Jean-Pascal, and Nyberg, Daniel "Materializing Power to Recover Corporate Social Responsibility." *Organization Studies*(2017):1127-1148; Ruggie, John. "Multinationals as global institution: Power, authority and relative autonomy." *Regulation & Governance*.(2018):317-333.

[51] Palazzo and Scherer. *Corporate Legitimacy as Deliberation: A Communicative Framework*; Palazzo, Guido and Andreas Scherer. "Toward a Political Conception of Corporate Responsibility: Business and Society Seen from a Habermasian Perspective*." The Academy of Management Review*.(2007): 1096-1120; Palazzo, Guido and Andreas Scherer. "The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy." *Journal of Management Studies*.(2011):899-931.

the deliberative approach that "a better design of communicative processes would somehow neutralize power differences".[52] Such an approach to power, he argues, "is patently unsatisfactory because it elides relationships between power, legitimacy and authority".[53] Even when Legitimacy is the result of deliberative processes, as for the Habermasian reading of democracy embraced in the previous chapter, the latter draws on certain power relations, even if kept aside of the CSR formal discourse.[54] Global governance, and this also applies to the CSR regime, can be viewed as a pervasive mode of power constituted and regulated by discourse.[55] Yet, when a power consideration is brought into the study of CSR, power is somehow often seen as being leveled in favor of the most vulnerable stakeholders as if CSR could "balance the power between governments and corporations".[56] Here too, Banerjee seems very critical reminding of how some empirical studies show the exact opposite, as in many cases in the mining Industry where norms and rules emerging from CSR have provided for more legitimacy to firms rather than to the populations affected by their business activities.[57] CSR, again, has to be primarily understood as empowering MNCs. As in Utting's words, the "capacity of big business to modify its discourse is often considerably greater than its capacity to improve its social and environmental performance".[58] Whichever way one looks at it, power is at the center of the CSR regime as much as of any other system of governance. Regardless of the way corporate political power is understood, "the idea that power could be dissolved through a rational debate and that legitimacy could be based on pure rationality are illusions, which can endanger democratic institutions".[59] It follows that power must be central in the study of political CSR and the analysis of power relations and diffusion seems to be a necessary step towards a more solid theorization of CSR

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[52] Banerjee. *Corporate Social Responsibility: The Good, the Bad and the Ugly.*

[53] Ibidem.

[54] Mouffe, Chantal. "Deliberative Democracy or Agonistic Pluralism?" *Social Research.*(1999):753.

[55] Hewson, Martin, and Timothy Sinclair. *Approaches to Global Governance Theory.* Albany: State University of New York Press.(1999).

[56] See, Haslam. *Is Corporate Social Responsibility a Constructivist Regime? Evidence from Latin America.*; Palazzo and Scherer. *Corporate Legitimacy as Deliberation: A Communicative Framework*.

[57] Banerjee, Subhabrata. "Transnational power and translocal governance: The politics of corporate responsibility." *Human Relations.*(2018):796-821.

[58] Utting, Peter. "Corporate responsibility and the movement of business." *Development in Practice.*(2005):381.

[59] Mouffe. *Deliberative Democracy or Agonistic Pluralism?:*756.

as a system of governance that might avoid descriptive inaccuracies and ad hoc theorizing. Hence the reason behind this study of incentives and motivations behind the compliance with CSR policies. The analysis of corporate intentionality, both in case of rational choice-based and structure-induced explanations, works as an instrument to capture the underlying power phenomena of the CSR regime. In the following chapter, by making use of the existing literature and some empirical evidences, different explanations behind incentives for MNCs to adopt and implement CSR policies will be associated with different theories of power to describe the CSR regime as a system of governance and the related process through which power gets diffused along its structures. A study of power is crucial to understand CSR as a system of governance. As in Guzzini's words, "Power is ubiquitous. No theory and hardly any explanation in International Relations (IR) or International Political Economy (IPE) can do without it."[60] This thesis makes no exception.

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[60] Guzzini. *The use and misuse of power analysis in international theory*:53.

# CHAPTER TWO –TOWARDS A CSR THEORY OF POWER: A CORPORATE POWER ANALYSIS

The previous chapter aimed at discussing the political nature of Corporate Social Responsibility (CSR) and the resulting private political authority of today's corporation by showing the mechanisms behind the construction of corporate political legitimacy. Hence this chapter picks up the concept of corporate political authority to latch on the concepts of power and governance and investigate those forces behind Multinational Corporations (MNCs) compliance with the CSR regime and the way in which the latter eventually empowers them. This chapter precisely aims to identify these forces to understand corporate interest and power vis a vis the public sphere in the CSR regime and to reconsider the related global governance structure accordingly. Adopting (at least initially) rational choice as meta-theoretical framework of analysis, the underlying assumption is that by looking at the reasons driving agents' actions is possible to assess how the power necessary for, or resulting from, those actions flows within the structure and among its actors. Strictly speaking, this chapter tries to answer what may seem an obvious question but eventually brings about a whole theoretical excursion, namely: why would MNCs comply with the CSR regime? Are they trying to acquire more power? Are they spending power in order to secure more in the future? Or is their compliance only the expression of the power of impersonal forces? By regarding power as conceptually linked to intentionality, the motivations behind MNCs' compliance with the CSR normative system are here understood as the key element to understand the mechanisms behind the diffusion of power in the CSR system of governance. In fact, both the absence and the presence of rational choice in corporate political action give us a fundamental hint on where to look for the source of power outcomes.

Therefore, the scope of this chapter is to provide for a power analysis that, through the investigation of actors' agency, might indicate which theoretical framework better fits the description of the CSR system of governance in light of its relationship with the diffusion of power. Hence,

through the analysis of MNCs' interest in adopting socially responsible policies, different understandings of power will here be offered by making constant reference to empirical examples of corporate strategies, policies, and discourse. The assumption is that to encourage (or force) MNCs towards a more responsible behavior might be self-interest motives, ethically-enlightened leadership (basically, normatively grounded self-interest), a visibility-induced self-constrain of power, or a combination of the three. These will be linked with different conceptualization of power respectively as mere steering capacity (agent-based, cumulative, and quantifiable), as hegemonic (agency-based, social, and ideological) or as structural (structure-based, impersonal, and contextual) moving along an agent-structure spectrum that goes from the former to the latter according to the agent's degree of autonomous agency as suggested by the reasons accountable for his compliance with the CSR regime. Then, drawing from the vast power-related literature, a distinct power-governance consideration will be associated with, and built upon, each of these possible explanations in a theoretically multilinguistic effort to provide for multiple possible representations of governance according to competing conceptions of power deriving from different configurations of the agent-structure duality linked to alternative explanations for corporate political actions. At the end of this multi-level power analysis, and with the support of empirical evidences, the CSR regime will be presented as a structure-induced self-disciplinary system and its implications later on discussed in the final chapter. Yet, before delving into the actual theoretical discussion, let us begin by shortly unpacking some of the core concepts here involved.


## 2.1. Conceptual Review: Intentionality, Agency, Structure, Governance

Glen Whelan points out how the political CSR literature has largely been agnostic as the motivations behind MNCs decision-making, to the point of presenting serious descriptive and explanatory shortcomings. Yet the very presumption behind agency is that, in Rolland Munro' succinct

description of agency's conventional conception, "behind every action lies an intention."[61] This strongly intentionality-focused approach is typical of the rational-choice framework, whose scope is to understand individuals' behavior through the analysis of their desires, beliefs, or preferences.[62] In quite the same way, agency is here considered as strictly related to intentionality to grasp its power dimension so that the degree of agents' autonomy in their activity would suggest the degree of their power over other agents and the structure.[63] On the other hand, as shown in the following paragraphs, this does not imply an excessively thin conceptualization of structure as mere constrains, but rather suggests how the structure itself might empower those agents who best manage to maneuver within its schemes.[64] Still, in this case, agents would be able to do so by playing according to the rules given by the wider structural framework rather than following personal beliefs or pursuing egoistic desire, which again suggests the centrality of intentionality in understanding power phenomena. From the acceptance of this centrality, and always based on the assumption of a rational choice, the definition of agency branches off into an historical distinction on which this chapter builds up the first two options for describing MNC's motives in adopting CSR policies, namely self-interest and ethically-enlightened leadership. Part of the literature sustains how agency should be seen as instrumental rationality with individuals calculating their actions in conformity with the information they have about the world, while another part describes it as rational desire driven by norms of appropriate behavior.[65] This distinction between instrumental and norm-based rationality entails two distinct interpretations of freedom and human agency but equally brings about self-interest as ultimately justifying agents' activity. Albeit through different views of human action and social processes, both the interpretations see rational action as only concerned with the best way of attaining agents' goals.

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[61] Munro, Rolland. "Actor-Network Theory." In Clegg, Stewart, and Mark Haugaard, eds. *The Sage handbook of power*. London: Sage.(2009):126-139.

[62] Guzzini, Stefano. *Power, Realism, and Constructivism*. New York: Routledge.(2013).

[63] Lukes, Steven. *Power: a radical view*. London: Macmillan.(1974).

[64] Guzzini. *Power, Realism, and Constructivism*.

[65] Dowding, Keith, ed. *Encyclopedia of power*. New York: Sage.(2011).

A different way of looking at agency is by ascribing more importance to the social context in which agents find themselves operating in, but still keeping the latter's autonomy as a central component for the explanation of the concept. Pierre Bourdieu offers a similar interpretation of agency by introducing the concepts of field, capital, and habitus, this way collocating the concept somewhere in the middle between the agents and the structure.[66] A field, very similarly to a regime, consists in a set of relationships and roles that are established over time through the socialized interaction of the agents while its capital (or worth) is given by the differential rewards and status attributed to the observance of those same roles. Consequently, within each field, actors develop values based on the related reward system and internalize norms as expected from them given their roles. Hence, the term habitus precisely indicates these sets of values. Agency, here understood as context-induced habit, is explained in terms of the surrounding structure but not confined as mere environmental response and, at the same time, still dependent on agents' values and preferences.[67] Without the absolute primacy of neither agents nor structure but, as said, somewhere in between, this account of agency somehow resembles the internal dynamics of the CSR regime as described in the above paragraphs by emphasizing the importance of socialization to explain autonomous action as primarily driven by the agents but still expression of a wider social structure. This takes us closer to the third option for describing MNC's motives in adopting CSR policies, namely as a structure-induced self-constrain of power. This approach to power as a relational concept, which will be better discussed later, is similar to what Guzzini defines as the first meaning of structural power, or "indirect institutional power".[68] Accordingly, power could be increased in a two-fold effort: through the quantitative improvement of the relevant power resources or through the change in the context defining the relevant power resources.[69]

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[66] Bourdieu, Pierre "Distinction: a social critique of the judgement of taste." London: Routledge.(1984).
[67] Ibidem.
[68] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*.
[69] Krasner defines the latter as "meta-power". See, Krasner, Stephen. *Structural Conflict*. Berkeley: University of California Press.(1985):14.

This controversy over the conceptual prevalence in the agency and structure binomial is at the core of the notorious agency–structure problem, namely the dispute on whether assigning power to one or the other concept. Transcending deeper theoretical disquisitions on the matter, the agency-structure problem embodies the aforementioned divisions in determining whether power needs to be seen as a property of the agent (simply power to do, or power to do despite external resistances) or as a product of structures as opposed to agents (that both constrains and enables agency). However, as mentioned above, the two views are not necessarily mutually exclusive. Power can be seen as a property of agents without denying the structural conditions framing it since it is the overall interaction of agents that constitutes the social structure.[70] Moving further along the agent-structure spectrum, stronger accounts of structural forces as dictating social processes can still be found at the level of agents but look at agency as also including unintended effects. And here comes again the concept of intentionality, that Guzzini, in his second meaning of structural power, already exclude as meaningful component for understanding power since not all the effects of agency can be ascribed to the deliberate and autonomous action of the agents.[71] Finally, at the last stage of this gradual advance from agent to structure in explaining agency, it comes a conceptualization of structure that completely abandon the choice-theoretical mode of explanation and, in what Guzzini indicates as the third meaning of structural power, sees power as impersonal and completely separated from the level of the actors.[72] These all approaches to the agent-structure dichotomy will be later on discussed from a purely power perspective, while so far have been functional to take us to the third fundamental concept of this chapter: governance.

Governance comes as a "seemingly easy theoretical solution" to the agent-structure divide by joining power as necessary concept to account for the range of power phenomena.[73] This solution does not ignore the tensions of the agency-structure problem but prompts a shift away from an

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[70] Dowding. *Encyclopedia of power*.
[71] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*.
[72] Ibidem.
[73] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*:471.

economic (rational utility maximization) to an intersubjective and constructivist approach and therefore allows for a wider approach to power encompassing some (but not all) of the power approaches presented above. Adopting a poststructuralist perspective, and as particularly evident in Foucault's work, governance is not a material entity that some agents might possess and make use of at the expense of other agents, but rather a diffused process passing through agents.[74] As a synthesis of all the above, governance materializes and reproduces itself through practices, habits, preferences, and values, and can thus be defined, in Guzzini's words, as "the capacity of intersubjective practices to effect".[75] Governance, most commonly, is understood as the creation and implementation of systems of rules, norms, and standards enabling the cooperation of social actors and determining the distribution of costs and benefits coming from collective action.[76] Governance comes in clear and deliberate distinction with government since the very idea of the concept sees the latter not as a necessary condition for the former. In fact, the concept of governance acquires relevance especially on the international level where, in anarchy, the absence of government supposedly should not allow collective action that, on the contrary – as Corporate Social Responsibility demonstrates – is present at every level even without the intermediation of states. Taking up from the concept of private authority as presented in the previous chapter, transnational private governance manifests the growing power of non-state actors in face of structural changes and both theoretically, as follows from the above discussion, and practically, as exemplified from CSR, comes as a conceptual solution to the new forces globalization has brought about.

## 2.2. Power Analysis: cogito, ergo power

As highlighted at the end of the previous chapter, the political CSR literature has proven reluctant in providing for a thorough analysis of the CSR system of governance encompassing both power and

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[74] Foucault. *Discipline and punishment*:31-34; Bernauer, James, and David Rasmussen eds. *The Final Foucault*. Cambridge: MIT Press.(1988):18-20.

[75] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*:471.

[76] Koenig-Archibugi, Mathias. "Global Governance." In Dowding, K. ed. *Encyclopedia of power*. New York: Sage. (2011):281-284.

normative relations. To counter this reluctance, this thesis aims to look at power in terms of its relationship with norms and, by so doing, to understand its diffusion amongst agents and structure. However, the scope here is not to provide any new theorization of power but rather to offer a conceptual analysis supported by theoretical enquiries and empirical examples. This power analysis is thought as complementary, together with a normative analysis, of the broader study of global governance - here exemplified by the CSR regime. Because each concept of power is partly distinguished by a particular understanding of the relationship between agency and structure, the following taxonomy of power builds on competing accounts for the agent-structure duality. Each of the following theories of power has an implicit view of both agency structure, ranging from the absolute primacy of agency to the point where structure works as mere contextual restrain, to an explicit account for the dominant role of structures in dictating social life with human agency only responsible for reproducing and eventually transforming these structures. Again, the initial assumption is of a conceptual link between power and intentionality explaining MNCs' agency as rational and driven by either contingencies or opportunities. Therefore, given the complexity in assessing agents' intentions, the idea here is to look at the possible incentives that those agents might consider in taking part to CSR initiatives. Accordingly, possible instrumental, ethical, and structural reasons will be examined in light of those elements that could rationally justify them. This way, either the presence or the absence of the rational choice component in MNCs' agency will equally give us important clues on the nature of their power as an agent-based or a structural concept.

### 2.2.1. CSR as profit-driven, power as a quantifiable property of the agents

Within the body of academic literature emerged around CSR in the last years, large part of the theoretically oriented research has been focusing on its connection with corporate financial performance, looking at CSR sometimes by associating it with increased profitability.[77] This idea is

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[77] See, Moskowitz, Milton. "Choosing socially responsible stocks." *Business and Society Review*.(1972):71-75; Aupperle, Kenneth, et al. "An Empirical Examination of the Relationship between Corporate Social Responsibility and

perhaps the most spontaneous reaction to CSR given that the ultimate concern of business remains profit. The first issue of Business and Society Review in 1972 was already suggesting this connection with Editor Milton Moskowitz clearly implying that socially responsible firms were good investment risks even though there was, as he admits, "no real evidence that capital markets will be materially affected by social performance".[78] His confidence shows how instinctive is the association action-utility when it comes to economic actors. Nonetheless, not even three years later, Moskowitz's theses had already been empirically discredited. Stanley Vance in 1975 examined the market performance of the socially responsible firms recommended by Moskowitz and found that the stock price of all of those companies substantially declined between 1972 and 1975.[79] Yet, the assumption that behind CSR policies there must be some sort of material reward persisted in the collective imagination as well as in the academic literature. Margolis and Walsh in 2003 counted almost 100 studies whose attempt was to quantify a positive link between CSR and Corporate Financial Performance.[80] Likewise, the Socially Responsible Investing Studies (SRIS) website lists over 225 studies concerned with the same relationship.[81] In both cases, the overall orientation was to argue in favor of a positive correlation between CSR and profit.

This immovable confidence entails an intuitive association between economic actors and profit-seeking or, by recalling our previously discussed conceptual analysis of agency, between agent and rational-choice motivated action. Still, as the previous chapter illustrates, socially responsible firms abandon their mere economic role to embrace a wider socio-political position in society and the implied association does not so easily apply anymore. According to the traditional realist thinking, it is the distribution of power to explain the workings of the international system, which means that

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Profitability." *Academy of Management Journal*.(1985):446-463; Berman, Shawn., and Tim Rowley. "A Brand-New Brand of Corporate Social Performance." *Business & Society*.(2000):397-418; Hasan, Iftekhar, et al. "Corporate Social Responsibility and Firm Financial Performance: The Mediating Role of Productivity." *Bank of Finland Research Discussion Paper*.(2016).

[78] Moskowitz. *Choosing socially responsible stocks*:71.

[79] Stanley, Vance. "Are socially responsible corporations good investment risks." *Management Review*.(1975):19-24.

[80] Margolis, Joshua, and James Walsh. "Misery Loves Companies: Rethinking Social Initiatives by Business." *Administrative Science Quarterly*.(2003):268-305.

[81] "Bibliography." Sristudies.org. https://www.sristudies.org/bibliography.

power has to be assessed at the level of actors, of which relative power positions can, in turn, be measured through the share of the most effective means they have under their control.[82] Here, power is understood in economic terms, as a possession, and assumed to be highly fungible.[83] According to this understanding of power, the social reputation gained through CSR should be easily convertible into money and, logically, MNCs would be incentivized in complying with the regime since, by so doing, they would significantly increase their power (profit) vis a vis their financial competitors. This conception fails both in coneptual and in practical terms in explaining power nature, phenomena, and diffusion within the CSR regime. From a conceptual perspective, it fails in recognizing the very existence of a regime in the first place, without which there would not be any of those social expectations towards business that are ultimately responsible for the existence of CSR ideas and practices. How to explain, otherwise, the rising popularity in CSR policies only now that CSR has consolidated as a normative framework, or the fact that most of MNCs do not bother spending resources in socially responsible policies in those industries and countries where CSR has not taken root yet? CSR, hypothetically, could have an effect on corporate financial performance only if and when adopted in those market systems where it is well-established and of which value is widely recognized and appreciated. From a practical perspective, on the other hand, CSR policies do not even seem to have a strong positive correlation with profit at all. Several recent studies demonstrate how there is little if any empirical evidence suggesting that MNCs are economically advantage from their participation in global fora or from their CSR records. In this case, if – as in the conceptualization of power here considered – rationality is a postulate for agents' action, profit-seeking is evidently not a satisfactory explanation for corporate socially responsible behavior, as much as the agent-based

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[82] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*.:449.
[83] Waltz is perhaps the most famous promoter of this idea, while Bull proves to be more skeptical in this sense: Waltz, Kenneth. *Theory of international politics*. Long Grove: Waveland Press.(1979); Bull, Hedley. *The anarchical society: a study of order in world politics*. New York: Columbia University Press.(1977).

conceptualization of power as mere steering capacity is inadequate in describing the CSR system of governance.[84]

## 2.2.2 CSR as ethically enlightened leadership, power as hegemonic

Recent research supports the idea of an inherent strategic value for business attached to CSR policies through the notion of "doing well by doing good".[85] A 2008 study from The Economist Intelligence Unit links this idea, by now a "fashionable mantra" across many corporate boards, to the traditional notion of enlightened self-interest as previously elaborated by Friedman.[86] From this perspective, CSR can be seen as a sort of hegemonic strategy.[87] Hegemony, from this (still) instrumental approach understood in its mainstream IR meaning of leadership, entails a reading of governance as still based on rational choice and on a conceptualization of power as agent-based steering capacity, similarly to the first account of MNCs' motivations and its related power theorization. The difference between the two resides in the amount of power detained by the actors – much larger here – and in the latter's scope and agency. In fact, if looking at CSR as being exclusively motivated by corporate profit-seeking entails an interpretation of agency as mere instrumental rationality, considering CSR as ethically-enlightened leadership suggests an explanation for agency as norms-driven rational desire that, if coupled with superior material capabilities, may result in something very similar to hegemonic power. Accordingly, the largest and most influential MNCs would not just adopt CSR policies to acquire reputational currency to be subsequently transformed into increased profitability but would

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[84] Margolis, Joshua, et al. *Does it Pay to Be Good...And Does it Matter? A Meta-Analysis of the Relationship between Corporate Social and Financial Performance*.(2009) Available at: https://ssrn.com/abstract=1866371; Godfrey, Paul C., et al. "The relationship between corporate social responsibility and shareholder value: an empirical test of the risk management hypothesis." *Strategic Management Journal*.(2009):425-445; Manescu, Cristiana. *Economic implications of corporate social responsibility and responsible investments*. University of Gothenburg.(2010); Banerjee, Subhabrata. "A critical perspective on corporate social responsibility: Towards a global governance framework." *Critical perspectives on international business*.(2014):84-95.

[85] Porter, Michael, and Mark Kramer. "Strategy and society: the link between competitive advantage and corporate social responsibility." *Harvard Business Review*.(December 2006):78-91.

[86] Franklin, Daniel. "Just good business: A special report on corporate social responsibility." *The Economist,* (January 2008). Available at: https://www.economist.com/special-report/2008/01/19/just-good-business; Friedman. *The Social Responsibility of Business is to Increase its Profits.*

[87] Jones, Marc. "Disrobing the emperor: mainstream CSR research and corporate hegemony." *Management of Environmental Quality: An International Journal*.(2009):335-346.

rather spend their power through non-financially remunerative CSR policies in order to increase their leverage on the socio-political sphere in the present and foreseeable future. This interpretation of corporate power and intentionality acknowledges the empirical evidences for an insignificant CSR-profit correlation and better fits the notion of corporate political authority as presented in the previous chapter. This reading of MNCs' strategic compliance with CSR conceives the corporation as beyond its traditional economic role and understands its power as inherently political. A widely accepted interpretation of CSR sees the latter as an effective way from companies to rebuild relationships with governments and civil societies after decades of critiques from public opinions worldwide and therefore to regain legitimacy and avoid adverse state regulation.[88] Companies, in this regard, are also subjected to considerable peer pressure, "as one rotten apple can spoil the reputation of the entire sector".[89] In this case, the largest and richest companies in a given sector would quite reasonably be willing to spend part of their resources to improve the social acceptance of the latter within both local communities and the wider global public while smaller companies would enthusiastically freeride as the norms promoted by few actors affect the utility calculations of the entire industry.

The CSR system of governance would be here explained through the Hegemonic Stability Theory (HST) that, besides the hegemon(s), also requires a series of secondary actors who are as much as necessary for shouldering the established order. Accordingly, if it is true that smaller companies substantially benefit from the efforts of bigger ones, they also eventually contribute to the maintenance of the regime by complying themselves with its norm, as the recent proliferation of small to medium size companies in the Global Compact suggests.[90] Empirical evidence, as in the case of the South African mining industry and the Bangladeshi banking sector, shows how peer pressure among companies has also a strong positive impact on CSR-expenditure, suggesting how the control

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[88] Hamann, Ralph. "Corporate social responsibility, partnerships, and institutional change: The case of mining companies in South Africa." *Natural Resources Forum: A United Nations Sustainable Development Journal*.(2004):278-290; Hönke, Jana. "New political topographies. Mining companies and indirect discharge in Southern Katanga (DRC)." *Politique Africaine*.(2010):105-127.

[89] Börzel, Tanja, and Thomas Risse. "Governance without a state: Can it work?" *Regulation & Governance*.(2010): 113-134.

[90] Our Participants | UN Global Compact. https://www.unglobalcompact.org/what-is-gc/participants.

exerted through transnational private governance also includes some sort of direct or indirect coercion. [91] BlackRock CEO Larry Fink's 2018 letter to CEOs, where the world's largest investor with $6 trillion under management invites companies (reliant on the fund's investments) to embrace a social purpose beyond just profit maximization, is a perfect example of how intra-private sector power relationships can also bring about forms of ostracism and coercive isomorphism. The message in Fink's letter is clear: behave responsibly or we will not invest in your business.[92] All in all, the makings for an HST reading of the CSR regime are there, namely norms and power to be used as both attraction and coercion. The kind of governance that this understanding of power would entail, as Guzzini points out, would therefore "be situated at the juncture of consensual and coercive power" while being a rational intended outcome of power both from the hegemon and from his subordinates as the resulting order is "to some extent consensual, or, at least, rational insofar as countries (here, companies) do not see any better alternative and therefore share an interest in its continuation".[93]

Yet, also this approach is ultimately unsatisfactory in accounting for power phenomena and diffusion in the CSR regime, with the main problem precisely lying on the kind of hegemonic governance it implies. If the latter is supposed to be a rational outcome of the hegemon(s)' agency, then those effects of CSR that do not positively impact MNCs but, on the contrary, set serious limitations to their activity cannot be explained. A risk behind CSR is, for instance, accountability as the company's reputation takes a hit in the eventuality of its violation. The case of Volkswagen is emblematic when, in September 2015, the company proudly announced how the group had "again been listed as the most sustainable automaker in the world's leading sustainability ranking," just for being accused from the Environmental Protection Agency in Washington DC of using "cheat devices"

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[91] See, Börzel and Risse. *Governance without a state: Can it work?;* and Malik, Mahfuja, et al. "Peer pressure, CSR spending, and long-term financial performance." *Asia-Pacific Journal of Accounting & Economics*.(2019):241-260.
[92] Fink, Larry. *Annual letter to CEOs: A sense of purpose.* (January 2018).Retrieved from BlackRock, Inc. website: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.
[93] Guzzini, Stefano. "The ambivalent 'diffusion of power' in global governance." In Guzzini, Stefano, and Iver Neumann, eds. *The Diffusion of Power in Global Governance*. London: Palgrave Macmillan.(2012):1-37.

to "evade clean air standards" only a week later.[94] If we embrace the idea of hegemony as ethically enlightened self-interest, as in the orthodox realist usage, we still find ourselves stuck in an interpretation of governance as dominance and of power as "power over." An understanding of CSR as ethically enlightened self-interest implies a concept of hegemony that would be built on a theory of power that Guzzini describes as "indirect institutional power" and that merely represents "an update of neorealist power analysis".[95] A theory of power that is embraced, *inter alia*, by Baldwin and by Keohane and Nye, who still take a choice-theoretical model as their underlying methodological starting point and define power in terms of resources although acknowledging the importance of the structure in understanding the situational dimension in which power has to be assessed.[96] This revision of the neo-realist conceptualization of power resists the money-power analogy but, as for the first account of MNCs' intentions, still falls to introduce a satisfactory theorization of governance that might include non-intentional outcomes. With these premises, such a hegemony would carry within it the seeds for its own antithesis as it produces its very dialectical counterpart by including NGOs and other civil society's actors in the very deliberative process through which MNCs attain political authority as described in the previous chapter and could therefore, as Stephen Gill and David Law point out, "never be complete because of counter-hegemonic forces and contradictory elements in the internationalization of capital".[97]

Hegemony still remains a useful concept to understand the CSR system of governance, but a different theorization of the concept needs to be brought in through a substantially different theory of power and social relations. In this regard, Gramsci's concept of hegemony seems a much more useful

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[94] Volkswagen Group. *Volkswagen Is World's Most Sustainable Automotive Group*.(September 2015). https://www.3blmedia.com/News/Volkswagen-Worlds-Most-Sustainable-Automotive-Group; Environmental Protection Agency. *EPA's notice of violation of the Clean Air Act to Volkswagen*. Washington DC (September 18, 2015).Retrieved from https://www.theicct.org.

[95] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*:451

[96] Keohane, Robert and Joseph Nye. *Power and Interdependence: World Politics in Transition*. Boston: Little, Brown.(1977); Baldwin, David. *Paradoxes of Power*. New York: Basil Blackwell.(1989).

[97] Shamir, Ronen. "Corporate social responsibility: A case of hegemony and counter-hegemony." *Law and globalization from below.* (2005):92-117; Gill, Stephen R., and David Law. "Global hegemony and the structural power of capital." *International Studies Quarterly*.(1989):475-499.

approach. In Gramsci, a hegemonic order is based on consent, rather than coercion, exercised in a given social and political constellation of material forces, institutions, and ideologies that he refers to as "historic bloc", and organized around a set of hegemonic ideas, or "dominant ideology".[98] This hegemony, and the related hegemonic power, it is not the intentional outcome of a particularly strong actor, an hegemon, but rather the result of structural forces.[99] This concept of hegemony is therefore incompatible with the theory of power this account of corporate interest suggests as the hegemonic norms on which the CSR system of governance is built on are not the intentional product of ethically enlightened MNCs but rather the result of the structural power of markets and capital. Therefore, a new approach to the CSR regime as a system of governance needs to include a stronger account of structural elements in producing hegemonic norms and, as this contribution mainly concerns the theory of power as in relation to agents' intentionality, needs to be built on an interpretation of corporate interest that sees the compliance with CSR as driven by the necessity of surviving (or prosper) within a wider "historical bloc".

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[98] Gramsci, Antonio. *Quaderni del carcere*. V.Gerratana ed. Turin: Einaudi.(1975).
[99] Cox, Robert. "Gramsci, Hegemony and International Relations: An Essay in Method." *Millennium: Journal of International Studies*.(1983):162-175.

# CHAPTER THREE – THE DIFFUSION OF POWER IN THE CSR REGIME: A STUDY OF THE CSR SYSTEM OF GOVERNANCE

The previous chapter has presented an interpretation of CSR as driven by self-interest. Two conceptualizations of power as a quantifiable property of the agents have resulted in instrumental steering capacity and hegemony. Between the two, the latter comes closer to a conceptual solution but still fails in accounting for those unintended effects of which the CSR regime has proven having plenty. A stronger account for structural elements in the production of power outcomes is needed while our initial power-intentionality link (albeit still instructive even in its absence) must be abandoned. Productive power will be presented as the most reliable theory of power to described CSR and then connected with the associated mode of governance that is governmentality to explain the diffusion of power within the regime. Accordingly, CSR is understood as structure-induced self-discipline that both empowers and constrains MNCs while assigning them new identities (as social actors invested with political authority) as they accept its diffused discourse and in turn internalize, reshape, and constantly reproduce it in their social interaction. This entire process, as it will be argued, indeed consists of that CSR system of governance as neoliberal governmentality of which mechanisms this thesis was ultimately intended to grasp.

## 3.1. Power Analysis Continued: non-cogito, ergo power

Our power analysis has so far presented two different agent-based conceptualizations of power, both looking at power as substantially driven by the actor's rational, autonomous action but featuring different scope and agency. The first sees agency as driven by instrumental rationality, with MNCs weighing their spending on CSR policies in conformity with the amount of profit they may get in return, while the other describes MNCs' agency still as rational desire although driven by normative considerations. This distinction between instrumental and norm-based rationality entails two distinct interpretations of corporate agency but equally brings about self-interest as ultimately justifying

MNCs' socially responsible policies. None has proven satisfactory in providing for a sufficiently exhaustive explanation of power phenomena and diffusion in the CSR regime. In the following paragraphs two other theories of power are built on as many possible explanations for corporate political agency. Structural and productive power are therefore presented as seemingly better explanation for power outcomes in the CSR regime in light of its unintended effects, impersonal biases, and diffused discourse.

### 3.1.1. CSR as structure-induced self-discipline, power as structural

Having excluded profit and value driven interpretations, the third possible explanation for MNCs' motivation in spending over CSR policies is a structural one. Here, CSR is considered as the expression of a structure-induced self-discipline, meaning that MNCs embrace socially responsible practices simply because otherwise they would not be able to effectively operate within today's global economy as described in the first chapter. Susan Strange develops the concept of "nonintentional power" – structural as it sustains the very functioning of the global political economy and because of its indirect diffusion via structures – to describe the workings of the international order.[100] In other words, a state (here, a corporation) by virtue of its dominant position within the system, can influence outcomes unintentionally by simply "being there".[101] One could argue, as much as the dollar's central role in the global financial system "enabled the US to indirectly project its macroeconomic preferences worldwide", certain MNCs turn out to be significantly advantaged by being part of certain sectors enjoying a central importance in the CSR regime in face of given global challenges.[102] In this sense, a recent example is offered by those companies who, already having circular economy-

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[100] Strange, Susan. "International Political Economy: The Story So Far and the Way Ahead," in W. Ladd Hollist and F. LaMond Tullis, eds. *An International Political Economy*. Boulder: Westview Press.(1985):1-25.

[101] Strange, Susan. "Still an extraordinary power: America's role in a global monetary system." *Political Economy of International and Domestic Monetary Relations*.(1982):73-103.

[102] Ibidem.

strategies at the core of their CSR policies, were suddenly given a spotlight with the recent worldwide revolt against plastic.[103]

The contraposition Strange emphasizes between her theory of power and the HST allows us to better see the break between this and the second account of corporate interest in CSR considered in the above paragraphs. If the HST sees a declining hegemonic power as indicative of a declining provision of the international public good, Strange reverses this thesis and considers the declining provision of international public goods as an omen for the consequential decline of the power of the hegemon.[104] Here, the choice-theoretical reference point of the previous approaches goes missing and, with it, the intentionality-outcome link. Strange's "nonintentional power" excludes an agent's conscious control of the available resources from her power analysis but does not deny agency. As Guzzini points out, her "insistence on unintended effects attempts to show that agents could make a difference if they wanted".[105] As a dispositional concept, this theory of structural power allows certain actors a greater space for maneuvering and a certain degree of authority to reinterpret the meaning of those rules constituting the structure as, in Guzzini's words, "one can leave intentionality out of an agent-based power concept" as long as the analysis starts from the agent's actions rather than intentions.[106] It is clear how this thesis' initial assumption of the intentionality-power link here falls short – as it will totally disappear while moving forward. Still, its absence works exactly as its presence in offering us an effective ploy for the interpretation of power phenomena as in relation to their positioning along the agent-structure continuum.

Finally, moving forward to an even greater account of structural power as determining governance mechanisms in the CSR regime, unintentionality meets impersonality and the origin of

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[103] World Economic Forum. *These 11 Companies Are Leading the Way to a Circular Economy*. (February 2019). Retrieved from: https://www.weforum.org/agenda/2019/02/companies-leading-way-to-circular-economy/.
[104] Keohane, Robert. "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977." in Ole R. Holsti, Randolph M. Siverson, and Alexander L. George, eds., *Change in the International System.* Boulder: Westview Press. (1980):131-62; Strange. *International Political Economy: The Story So Far and the Way Ahead.*
[105] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*:459.
[106] Ibidem.

outcomes is not located at the level of actor anymore. Here, power ceases to be an agent-based concept and becomes "impersonal", as determined by systemic bias, and "intersubjective", as determined by systems of thoughts.[107] The former is a positional concept according to which power-creation is based on an impersonal bias that systematically gives an advantage to a given actor due to its specific positions within the system. The latter, based on Foucault's concept of power/knowledge, sees power as created by social consciousness, or systems of thought, and as requiring prior intersubjective recognition.[108] Both the approaches, non-mutually exclusive, are useful in describing the structural power of the CSR regime. In the first case, as structures are seen as limiting certain actions while enabling others, power can be obtained through the compliance with the structural constrains in place or by challenging those same constraints and replacing them with other. Haugaard uses the terms "organizational outflanking" to describe this de-structuring process, of which CSR is an example as it causes a widening of the system bias of the economy.[109] On the other hand, now that CSR has become a widely accepted normative regime, MNCs are empowered through the compliance with its principles. In the second case, structures are shaped by specific rituals and discourse that are not intentionally affected by any particular actor and on which power gets diffused and reproduced. CSR as a discursive system has already emerged and established – for instance, it occupies a central role in contemporary management literature – since, to paraphrase Foucault, it has already crossed the threshold of formalization.[110] Therefore, by virtue of their positioning within the global market (neoliberal and pervaded by the CSR discourse) MNCs do not deliberatively decide to adopt CSR policies but rather find themselves in the position where they have to if they want to remain competitive. By so doing, they are empowered by material and normative structural aspects "such that patterns of incentives and constraints are systematically created" and power differences would result from how well they managed to take advantage of those patterns and other situational

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[107] Ibidem.

[108] Foucault, Michel. *Power/knowledge: Selected Interviews and Other Writings 1972-77*. New York: Pantheon Books. (1980).

[109] Haugaard, Mark. "Reflections on seven ways of creating power." *European journal of social theory*.(2003):87-113.

[110] Foucault, Michel. *The Archeology of Knowledge*. London: Routledge.(1994).

contingencies.[111] Back to the Gramscian concept of hegemony, the ruling ideology here made up of CSR discourse and practice results virtually irresistible for power addressees who then consensually enter the related transnational historical bloc. Consensually since, in what Guzzini labels as "a kind of Weberian approach wrapped in a Gramscian blanket", the structural power resulting from the ruling ideology – power as in the Weberian concept of authority (*Herrschaft*) – is internally accepted by the agents in the historical bloc as legitimate and then produced and reproduced through rites, routines, and discourse.[112] Along the same lines of the deliberative approach adopted in the previous chapter to account for the construction of corporate political authority, CSR is legitimized and reproduced as a system of governance through those power practices that "bind, conquer, and administer social space and time" at the point of becoming discipline.[113] It follows, as revealed by our progression from agent to structure in the attempt of understanding power as revealed by the agent's degree of intentionality, that CSR might be better understood as a discursive system of which power is prevalently structural and intersubjectively constructed. Having said that, this interpretation compels us to reconsider the related workings of power one last time and to readjust the concept of structural power to better account for the regime's systems of knowledge and discursive practices that are ultimately responsible for the interpretation of CSR as an expression of self-discipline.

Our last categorization of power must take into account a few of the above observations, namely that structures are not mere constrains but rather enablers, that even though induce agents' behavior may also allow them to achieve greater influence and authority, must be conceived more dynamically as working through specific sets of intersubjective rules and practices rather than just biases. As suggested by Guzzini in his analysis of the limits of the neorealist power analysis and of its conceptualization of structural power, the only way to properly understand the complete range of power phenomena is by adopting a conceptual dyad in which power is paired by governance through a constructivist approach that does not ignore the agent-structure problem and still offers an

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[111] Gill, Stephen and David Law. *The Global Political Economy*. New York: Harvester.(1988):73.
[112] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*:464.
[113] Ibidem:465.

explanation of power by re-conceptualizing it in light of its diffusion through governance.[114] This analysis of the CSR regime makes no exception. By accepting the interpretation of corporate intention as in the third of the options so far considered, namely CSR as structure-induced self-discipline, and assuming this paragraph's initial considerations on the reconceptualization of structure, Guzzini's conceptual dyad is here composed of power as productive and of governance as governmentality. Hereby, the reasons for this conceptual shift.

### 3.1.2. CSR as a diffused discourse, power as productive

Productive power overlaps in different central aspects with structural power. The two concepts are both informed of the importance of constitutive social processes which are not controlled by any specific actor but at the same time realized through the practices of actors, and both are attentive of how these processes shape actors' identity and desires while neither depends on the existence of expressed conflict (they include no specific notion of coercive power).[115] Yet these two conceptualizations of power, as Michael Barnett and Raymond Duvall observe, differ in a critical aspect: "whereas the former works through direct structural relations, the latter entails more generalized and diffuse social processes".[116] To put it another way, while structural power consists of production and reproduction of structurally determined hierarchies, productive power resides in various systems of knowledge and discursive practices from which emerge specific social roles. Therefore, moving from a structural to a productive understanding of power means leaving structures for systems of signification and meaning – still structured but not structures per se – in accounting for power phenomena. If CSR is seen as an expression of neoliberal self-discipline, the main advantage of moving beyond mere structural explanations to embrace a post-structuralist understanding of power as productive precisely lies on this central difference. While with structural

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[114] Ibidem:471.

[115] Barnett, Michael, and Duvall, Raymond eds. *Power in global governance*. New York: Cambridge University Press. (2004).

[116] Ibidem:20

power it would not be possible to fully understand outcomes of a self-discipline-based order internalized and legitimized by the actors, productive power is the conceptual key. Productive power works through diffuse constitutive relations meaning that, instead of resulting from immediate, direct, and specific relationships, it is the product of historically and contingently produced discourses that shape the subjectivities of actors through social relations that are indirect, socially diffuse, and temporally distant.[117] Accordingly, as historical consequences of dialectic processes of legitimization, authority establishment, and meaning construction, discourses determine ordinary practices and social fields of action while producing social identities, rights, responsibilities, and social capacities by assigning them a meaning .[118] To draw a parallel with our study of the CSR regime, the emergence of discourses of socially responsible business can be considered as resulting from the legitimization of the corporation as a political actor due to those Habermasian deliberative processes described in the first chapter that are ultimately responsible for the creation of corporate political authority. Yet, a necessary clarification in this regard is that discourse does not coincide with the Habermasian notion of communicative action, as the term itself might suggest, but is rather its consequence as it results from the solidification of historically repeated social interactions, very similarly to the formation of the Gramscian historical bloc. Accordingly, MNCs would comply with the CSR regime out of self-disciplinary commitments to internalized and legitimized discourses of socially responsible business that, in turn, assigns them political roles, power, and authority through the repetition of socially responsible practices. In the wider picture, CSR discourse and practices in MNCs' activity reflect the neoliberal hegemonic ideology and enable the resulting neoliberal mode of governance as

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[117] Fairclough, Norman. "Discourse and text: Linguistic and intertextual analysis within discourse analysis." *Discourse & Society*.(1992):193-217; Wickham, Gary and Gavin Kendall. *Using Foucault's methods*. London: Sage Publications.(1999); Barnett and Duval. *Power in Global Governance*.

[118] See, Foucault, Michel. *The Order of Things: An Archeology of the Human Sciences*. New York: Pantheon.(1971); Foucault, Michel. "The Juridical Apparatus." In Connolly, W. eds. *Legitimacy and the State*. New York: New York University Press.(1984):201-22; Foucault, Michel. "Afterword: The Subject and Power." In Michel Foucault, H. Dreyfus, and P. Rabinow eds. *Beyond Structuralism and Hermeneutic.* Chicago: University of Chicago Press.(1983):208-26; Butler, Judith. *Gender Trouble: Feminism and the Subversion of Identity*. New York: Routledge.(1999).

governmentality. However, before proceeding with the analysis of the mechanisms behind this kind of governance, it is necessary to further break down this concept of self-discipline.

Michel Foucault argues how, over the past few centuries, western society has witnessed a decrease in coercive mechanisms of control and a resulting increase in social control through individual self-discipline.[119] Michael Merlingen uses this concept to describe how certain Intergovernmental organization (IGOs) exert control over developing countries, as in the case of the National Network of Civil Society Development Centres in Albania, "through which the Netherlands Development Organization (SNV), with the support of the OSCE presence in Albania, tries to intensify and regulate public life" with the purpose of creating loyal citizens who can be relied on, through their self-disciplined civic engagement, "for the construction of an efficient and orderly government of social life".[120] Similarly, the idea of self-discipline can be applied to the case of CSR, where the voluntary commitment of MNCs to maintain a socially responsible conduct towards their stakeholders, employees, environment, and society comes through the mediation of neoliberal institutions such as, above all, the UN Global Compact and various aligned national and international networks. Both for governments and corporations, there is no (at least, direct) coercion from above towards this alignment with neoliberal values. Hence the critical distinction between discipline and self-discipline that this power analysis has been leading us to by discarding the neorealist conceptualization of power in favor of a post-structuralist interpretation. In order to better understand this idea of self-discipline, looking at structural frameworks is still a useful approach. Foucault projects panoptical mechanisms of watching and being watched onto various aspects of society to understand disciplining power and analyze related power relations and models of governing.[121] So does this study to the analysis of the CSR regime.

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[119] Foucault, *Discipline and Punish the Birth of the Prison*.
[120] Merlingen, Michael. "Governmentality: Towards a Foucauldian framework for the study of IGOs." *Cooperation and Conflict*.(2003):361-384.
[121] Foucault. *Discipline and Punish the Birth of the Prison*.

The effectiveness of the panopticon lies exactly in the fact that, while the surveillant cannot be seen, there is a perceived constant gaze over the prisoners as, from the watchtower, the surveillant is potentially able to see everything. Supposedly, this should be enough to convince the inmates to behave and discipline themselves, and a stable and docile society gets created with the minimum effort in the optimal use of resources. As the observer is invisible, it is the visibility of the observed that creates order so that, hypothetically, no observer is needed. With this in mind, the application of a self-discipline-based model to the contemporary neoliberal market and CSR practices seems rather straightforward. In the anarchic international system, obviously, there is no central authority – ergo there is no authoritative surveillant watching over MNCs' conduct. Still, their visibility seems to be enough for them to refrain from patent infringements of societal norms (CSR's basic principle of "do no harm") and even to engage in positive contributions (actual CSR policies). In an imaginary panoptical version of the Global Compact, the watchtower is clearly empty and, nevertheless, MNCs are constantly competing in a sort of "good behavior game." In this regard, the example offered by the Communication on Progress (CoP) initiative is ironically appropriate, as the acronym itself, CoP, recalls the actions of surveillance and policing "imposed" upon its members.[122] According to the CoP Policy, a report should explicit present and future support for the initiative, list practical actions for the implementation of its principles, and measure the various goals achieved by the company in his "sustainability journey".[123] Basically, companies are expected to commit themselves (and confirm their future commitment) to CSR while reporting and evaluating their own activity. In other words, companies commit to discipline themselves and self-report to – again – themselves, as substantial part of the UN Global Compact's leadership consists of a Board composed by CEOs and CFOs of some of the most influential MNCs worldwide.[124] There is no public authority in the watchtower and there is no punishment for the prisoners as there is no need to.

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[122] Communication on Progress | UN Global Compact. https://www.unglobalcompact.org/participation/report/cop.
[123] Ibidem.
[124] Board Members | UN Global Compact. https://www.unglobalcompact.org/about/governance/board/members.

Here, the power typology that better describes the phenomenon remains productive power. It is, indeed, the success and acceptance of the CSR discourse within the broader capitalist system to be accountable for the transformation of MNCs' in such collaborative voluntary "prisoners" that are also empowered themselves by its practices. Sustainability reporting, among the most popular CSR strategies, effectively exemplifies self-surveillance's practices and demonstrates how self-discipline can be an empowering strategy for MNCs and not a mere expression of structural constrain as it would not be possible to adequately described it with a hierarchical understanding of surveillance. Albrechtslund' study of online social networking shows how "online social networking seems to introduce a participatory approach to surveillance, which can empower – and not necessarily violate – the user".[125] In the case of sustainability reporting, the process works more or less in the same way. While a hierarchical conception of surveillance entails a power relation which is in favor of the surveillant and that reduces the observed to powerless, passive subjects, self-surveillance, as in the case of social media users in online social networking, involves an idea of mutuality in the construction of subjectivity and meaning.[126] Through sustainability reporting and the various forms of watching-and-being-watched the latter entails, companies gain further knowledge about the risks and opportunities they are facing, they are offered new models of governance through peers' feedback and are helped to better adapt to the sustainable global economy. In other words, remaining in the structure/discourse-based framework, MNCs shape and reshape their identity through self-discipline that, in turn, empowers them by helping them adapting to the structure and its diffused discourse. Here, power is clearly productive as it shapes the actors' subjectivities by further enforcing the social significance of MNC's activity while sustaining CSR discourse and structure. Nevertheless, to make sense of self-discipline as an expression of productive power one needs to integrate the analysis of the associated mode of governance – governmentality.

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[125] Albrechtslund, Anders. "Online social networking as participatory surveillance." *First Monday*.(2008). Available at: https://firstmonday.org/article/view/2142/1949.
[126] Ibidem.

### 3.2. The diffusion of power as governance, CSR as governmentality

As argued by Guzzini, "By focusing on power, one needs, for instance, to integrate an analysis of governance via the social patterning of structures." The reason for this is that social interactions affect the agenda setting that eventually privilege specific agents over others in a way that the agents' bargaining power and authority ends up being determined by governance. On the other hand, again Guzzini, "by focusing on governance, one needs to conceptualize power via the way the identities of agents are constantly redefined".[127] Here Foucauldian ideas of identity-creation are central again, especially in periods of transition such as the one that has, as this thesis' first chapter is all about, made of the corporation a fully-fledged political actor. Governmentality can be understood as "rationality of government", a concept that is further broken down by Colin Gordon who describes it as a way of "thinking about the nature of the practice of government (who can govern; what governing is; what or who is governed)".[128] Governmentality is, in Foucault's words, the "right manner of disposing things".[129] Yet, governmentality is more than just governing, as much as global governmentality is more than the sum of national governmentalities. Its global neoliberal regime, as mirrored by the narrower CSR regime within it, is made of its internal social relations, rules, and roles and with and through the capillaries of productive power that materialized in discourse and practices through which the architecture of the global capitalist order is ultimately maintained.[130] The two concepts of power and governance, here, account for each other. Within a system of governmentality, outcomes are not just consequences of action, as different compositions of Guzzini's power-governance dyad might envisage, but rather are the meanings in the system of social relations that are discursively transformed in a way that "does not directly threaten structural relations between public

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[127] Guzzini. *Structural Power: The Limits of Neorealist Power Analysis*:474.

[128] Gordon, Colin. "Governmental rationality: an introduction." in Burchell, Graham, et al. *The Foucault effect: Studies in governmentality*. Chicago: The University of Chicago Press.(1991):1-51.

[129] Foucault, Michel. "Governmentality." In in Burchell, Graham, et al. *The Foucault effect: Studies in governmentality*. Chicago: The University of Chicago Press.(1991):87-104.

[130] Lipschutz, Ronnie. "Global civil society and global governmentality: or, the search for politics and the state amidst the capillaries of social power." *Power in global governance*.(2005):229-248.

and private".[131] As Ronnie D. Lipschutz puts it, when accounting for governmentality, "what counts is not getting B to do what A wants, even if B doesn't want to do it but, rather, through discursive practices and processes changing what B wants to do".[132] In other words, the concept of productive power as well as CSR itself when explained through the concept of productive power, finds its expression with and through governmentality as its diffusion coincides with governance. Likewise, governmentality is based on a dispersion of power as its mechanisms of governance are directly connected to its diffusion. As Guzzini points out, "the question is not what the diffusion of power entails for governance; in a sense, the diffusion of power (as implied in governmentality) is governance".[133] Therefore, returning to our case study, our corporate power analysis based on different understandings of corporate agency as connected with different interpretations of corporate intentionality, has led us to see the CSR regime as discursively constructed and based on common understandings of the corporate role in society that, changing across time, affect MNCs' legitimacy, authority, and power in a wider system of governance that both governs through and consists of that very same discourse. On the other hand, by looking at CSR as motivated by self-disciplinary mechanisms – therefore by removing purely-autonomous action from the equation – might seem problematic as governmentality only functions through the positive will of subjects. Yet, as in the Panopticon, self-discipline is indeed based on individual choice – even though induced by obvious circumstances – while at the same time also consisting of continuous policing, on the self and on peers, as liberal governmentality is a "further developing" of both the policing and identity-providing mechanisms of the liberal order.[134] Neoliberal governmentality has therefore the ambiguous function of providing its agents with both freedom and constrain since, as Nikolas Rose recognizes, individuals

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[131] Ibidem.

[132] Ibidem.

[133] Guzzini. *The ambivalent 'diffusion of power' in global governance*:24.

[134] See, Neumann, Iver B. and Sending, Ole J. *Governing the Global Polity: Practice, Mentality, Rationality*. Ann Arbor: The University of Michigan Press.(2010):33; and Merlingen, Michael. "Foucault and World Politics: Promises and Challenges of Extending Governmentality Theory to the European and Beyond." *Millennium: Journal of International Studies*.(2006):192.

are not merely "free to choose", but "obliged to be free".[135] In the international anarchic system amended by the neoliberal values and in the absence of an authoritative center of power to prompt and enforce structural changes, it is the productive power inherent in governmentality to ultimately constitute identity, power, and authority of the actors. Therefore, the lack of a central authority able to actively redefine the boundaries between the public and the private domains, MNCs become political actors because of the very success of the CSR discourse in the global economy. In fact, MNCs within a CSR normative regime centered around self-discipline, policing, and normalization, are simultaneously empowered and constrained by the new identity and social role the regime assigns to them but also contribute in shaping and reshaping its structure through their own agency by confirming and reproducing its diffused discourse.

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[135] Rose, Nikolas. *Powers of freedom: Reframing political thought*. New York: Cambridge University Press.(1999):87.

## Conclusions

This thesis argued how Multinational Corporations (MNCs), by increasing the degree of their involvement in global governance, have become fully-fledged political actors on the global playing field. Part of their activity is either overlapping with or taking the place of some of the historical functions of national governments with the result of raising some conceptual tensions in the way we assess the role of business in society and global politics. Corporate Social Responsibility (CSR) perfectly embodies this transformation. The scope of this study was precisely to unpack this new role of the corporation by adopting CSR as a case study and analyzing its conceptual implications to understand how social and political processes change and develop when are private actors who are running the game. To this end, the first task was to set the debate in its right context by demonstrating the political nature of CSR and consequently looking at MNCs' political role through the analysis of those concepts befitting proper political actors: legitimacy, authority, and power. Regarding the first two concepts, the first chapter has been entirely dedicated to the analysis of that combination of corporate soft law, rule-making, and self-regulation constituting the CSR regime at the base of the transformation of MNCs into social actors. The debate has therefore been centered around the concept of private political authority and based on a conceptualization of legitimacy as arising through the very process of interaction between private and civil society actors. Accordingly, MNCs are both empowered and invested with authority by virtue of their engagement with various societal actors in the formulation of standards and rules in a distinctively Habermasian interpretation of legitimacy as resulting from discursive models and communicative processes. Hence, corporate legitimacy is transformed into political authority as these processes take place in the universalizing normative framework offered by the CSR regime in which authority is constructed and recognized by and between the subjects as in conformity with its intersubjectively accepted discourse.

But how does this discourse even acquire such prominence to converge into a system of governance in the first place? Authority and legitimacy alone do not tell us much about this, and a

specific study of power is needed. Hence, an update of our question – how does power work in the CSR system of governance? The second and the third chapter have thus been centered around the study of power in the CSR regime. Once excluded agent-based theories of power through the analysis of corporate agency – paradoxically, by initially assuming a conceptual link between power and intentionality where the poly was to look at the "why" of CSR policies – a structure-induced self-disciplinary system has emerged as ultimately responsible in driving corporate political-action. Therefore, the interpretation of power as productive and of governance as governmentality has come as the conceptual solution to the above question. The CSR discourse has therefore been understood as the historical consequence of a dialectical process of legitimization, meaning construction, and identity formation arising from the reification over time of broader social interactions, similarly to the formation of a Gramscian historical bloc, that brought about the idea of responsible business. Around this discourse has formed the CSR normative regime from, and within, which MNCs draws the legitimacy, power, and authority for their social activities. Thus, governmentality comes in to explain how this discourse has taken hold and why MNCs have embraced it over time. In the international anarchic system amended by the neoliberal values and in the absence of an authoritative center of power to prompt and enforce structural changes, MNCs have been made "socially responsible" actors from the productive power inherent in neoliberal governmentality – the neoliberal solution to the structural changes caused by globalization. MNCs have thus been given a new identity and social role from the self-discipline-based CSR normative regime while also contributing themselves in actively shaping and reshaping its structure by confirming and reproducing its diffused discourse through policing, self-surveillance, and social interaction. In conclusion, in the absence of a central authority able to effectively roll back the boundaries between public and private, MNCs are made political actors by the very success of the CSR discourse in the global economy. Hence, if one still wonders why MNCs comply with CSR, the answer would be quite an easy one: that's just how things work today.

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