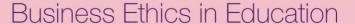ibe

Institute of
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Corporations in the 'Postnational Constellation': Applying a post-colonial lens to Corporate Social Responsibility practices in a global order

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Introduction

Corporations and states have been caught in a power struggle for centuries. The British East India Company and the Canton factories are both examples of how corporations essentially "acted like states" and subsumed governments during the colonial era (Fairbank, 1953). Similarly to large multinational corporations (MNCs) today, they built infrastructure provisions, defined social norms and even employed their own armies. Over the past few decades, however, the power dynamic between corporations and states has grown increasingly complex. The conscious labelling of and engagement with stakeholders has broadened organisational accountability (Crane, Matten & Moon, 2004). However, the rise of the neoliberal paradigm has encouraged Management theorists to view the immense power of corporations in the global sphere as a new phenomenon (Adanhounme, 2011). Seeing the accumulation of corporate power purely as the result of market forces is damaging, because it ignores the historical context in which power relations are contested. For, as Boussebaa, Morgan and Sturdy (2012) point out, it is no coincidence that the grossest power imbalances generally occur between Western MNCs and the previously colonised, now developing countries in which they manufacture. This essay applies a postcolonial lens to the study of corporate power in a global context. A postcolonial approach analyses how the power dynamics associated with colonisation continue to shape todays environments. It will argue that the imposition of Western values through the prevalence of the corporate provision of services arguably in the remit of government poses a danger of neo-colonialism. Often, this is done under the guise of corporate social responsibility practices. Neo-colonialism is the modern extension of colonialism, through which foreign bodies infringe on national sovereignty using elements of political, economic and social control (Bannerjee & Prasad, 2008). After analysing how organisations are assuming state-like functions, this essay will develop the implications that the encroachment on government activities has on understandings of responsibility, legitimacy and democracy in a 'postnational' order.

Neo-Colonialism in the 'Postnational Constellation'

In his influential political essays, Habermas (2001) developed the concept of a 'postnational constellation' in order to explain how and with what consequences non-state organisations have begun to assume state functions. While his dichotomy between the stable 'national' and evolving, heterogeneous 'postnational' order imposes an artificial simplicity on the past, his analysis highlights the implications of globalisation for power relations. Habermas (2001) posits that as corporations amass immense power and resist state control by operating outside of national boundaries, they have weakened legitimate democratic processes. Additionally, they have created problems, such as pollution and organised crime, which transcend state boundaries (*Ibid.*, 2001). To cope, global governance systems have become increasingly complex, involving states, NGOs, international institutions and corporations (Scherer & Palazzo, 2011). In developing nations, corporations have compensated for weak state control by assuming responsibility for governmental functions, such as education and health care. This has led to a popular perception that corporations have begun to act like states. Referring to Shell's operations in Nigeria, for instance, senior manager Anderson claimed: "Things are back to front here. The government's in the oil business and we are the local government" (Bannerjee, 2008).

In crucial respects, however, organisations have resisted the responsibilities of statehood. The Montevideo Convention (1933) set out four premises for the definition of states under international law: they must have a defined territory, a permanent population, a government and the capacity to enter into relationships with other states. Corporations have taken on the 'rights' this implies: they both have relationships with other states and arguably a represent a government. However, as organisations are voluntary bodies with the ability to move, they have shirked the 'responsibilities' of statehood: a permeant population and a defined territory. Additionally, Morgenthau's (1948) seminal essay on sovereignty developed two 'tests' to identify whether sovereignty has been compromised: either a government is legally controlled by another government or a government actually performs the functions of another government. If we accept that corporations can perform the functions of

government in developing states, this implies that they have essentially relinquished their sovereignty. Thus, the sovereignty of states has been compromised leading to a form of neo-colonialism, while creating a power vacuum as corporations are not assuming the associated responsibilities of statehood. Bannerjee (2008) argues this infringement on the sovereignty of developing nations contributes to the rise of a new imperialism.

This conflict highlights the relevance of a postcolonial approach. Traditionally, MNCs have been conceived as above national contexts in their operations. However, recent research has shown that they remain culturally rooted in their home countries (Boussebaa, *et al.*, 2012). This has particular implications for corporate social responsibility (CSR). While ostensibly for the benefit of communities, CSR necessarily involve the imposition of certain value sets. By practicing CSR under conditions aligned with the expectations of MNCs and the stakeholders they privilege, corporations essentially replicate the 'civilising mission' (*Ibid.*). Developing an awareness of these underlying assumptions is crucial for revealing hidden neo-colonialist implications. These will be developed in the following sections by examining the issues that arise in regard to responsibility, legitimacy and democracy.

Responsibility

The purpose of corporations has been fundamentally altered by the extension of their mission to include CSR. Friedman (1970) famously argued that ""business" as a whole cannot be said to have responsibilities". If anything, the responsibility of business is to maximise profits, as this is assumed to benefit society when it occurs within a moral and legal system controlled by governments. However, in order to attract corporate investment, governments in developing countries have begun a "race to the bottom", offering tax breaks and low working standards (Scherer & Palazzo, 2011). Combined with the inability of international law to control corporate behaviour, this has led to a gap in regulation. Corporations are under increasing pressure to adopt an ethical approach to organisation in order to close this gap. This relies on private governance arrangements, such as self-regulation and self-governance (*Ibid.*).

However, broadening responsibility has created an accountability problem which needs to be addressed using a postcolonial lens. By adopting an ethical approach, MNCs have increased their accountability outside of a defined group of shareholders. This occurs in the context of what Scherer and Palazzo (2009) have identified as a global pluralisation of values. They argue that organisations are increasingly held accountable to both more and more heterogeneous stakeholder groups (*Ibid.*). To operate efficiently, MNCs must therefore impose some conception of ethics which conforms to the expectations of a particular group of stakeholders, but not others. This encourages them to define an ethical framework for their CSR activities that holds them accountable to stakeholders in their country of origin. Habermas (2001), however, argues that multicultural, globalised societies require "points of recognition" to practice cultural appreciation. Cultural identities are deeply personal and governing bodies should have a responsibility to recognise them (*Ibid.*). Without accountability mechanisms to ensure this, corporations are given power to enforce their specific moral conceptions. In response to Foucault's call for the critical examination of dominant ideas, the rest of this essay will provide an analysis of the neo-colonialist discourse surrounding the search for legitimacy and democracy.

Legitimacy

The construction of legitimacy has been shaken by the weakening of formal structures regulating the power of corporations. Legitimacy refers to the acceptance of and cooperation with authority and is therefore crucial for organisational efficiency. Scherer, Palazzo and Baumann (2006) argue that traditionally, legitimacy could be gained while pursuing self-interested aims. Before globalization, there was an understanding that action according to the legal and moral rules upheld by nations would

benefit society. As states cannot guarantee these rules, though, corporations increasingly rely on moral legitimacy (Scherer & Palazzo, 2011). This legitimacy is based on moral judgements of whether the actions of corporations are socially responsible (*Ibid.*). However, in a global context there is no uniform interpretation of 'moral legitimacy'. This means that corporations have to choose which stakeholders to privilege over others in their definition of 'moral conduct'.

Unfortunately, this frequently reinforces the existing power balance as Western stakeholders (such as customers, NGOs and governments) are favoured over stakeholders in developing countries (such as employees and communities) (Adanhounme, 2011). Gaining legitimacy with Western groups is necessary to remain competitive, while the populations of developing countries have no choice but to cooperate with foreign corporations. CSR can be used as a tool to gain Western legitimacy by reducing areas of contention. Khan, Munir & Willmott (2007) illustrate how this can work to force Western values on foreign populations in their study of child labour in the football stitching industry. Following an outcry among the Western public in the late 1990s after the exposure of child labour in football production, corporations met with NGOs and Pakistani manufacturers to resolve the issue (*Ibid.*). Without involving workers in deliberations, these groups decided to move production to monitored workshops (*Ibid.*). When both the previous child labourers and the newly employed workers spoke out saying they preferred the previous production system, their voices were silenced (*Ibid.*). Habermas (2001) argues that conflicts are a social phenomenon and therefore an expression of power relations. Having the power to define child labour as the critical problem enabled corporations to disguise the underlying issues that lead to its prevalence. The attainment of legitimacy in this example depended upon the perspective of stakeholder groups. This creates a 'paradox of legitimacy' where underprivileged stakeholders are unwilling to engage with corporations they do not view as legitimate, although their actions influence their lives (Wheeler, Fabig & Boele, 2002).

On a deeper level, engaging in stakeholder dialogue presupposes conformity to conditions specified by the organisation. Foucault argues that "There is no power relation without the correlative constitution of a field of knowledge" (Bannerjee, 2008). As such, power relations are dependent on the production of knowledge, which is in turn spread through discourses of truth (*Ibid.*). However, where stakeholders cannot agree on which knowledge underpins the construction of truth, it is difficult to form effective discourse. In Nigeria, Shell supplies 75% of the Nigerian governments revenue and has essentially assumed a state-like function through its various CSR activities (*Ibid.*). Shell clashed with the Ogoni, who argued that the corporation was damaging the environment and using their CSR activities purely for publicity (Wheeler, *et al.*, 2002). This conflict became drawn-out, because both groups relied on different frames of knowledge. The Ogoni argued using emotional and spiritual reasoning, while Shell attempted to refute them using scientific discourse (*Ibid.*). As scientific reasoning is complimentary to Western ideals of rationality, Shell were able to avoid relinquishing power because theirs was drawn from a privileged knowledge base (*Ibid.*). Foucault's conception of discourse as being at the heart of control is visible in this example, as an inability to communicate left the Ogoni unable to resist Shell. Having different, sometimes conflicting, modes of discourse and world views makes it difficult for multinational corporations to gain legitimacy and cooperate effectively, which encourages the suppression of groups unable to negotiate power (Scherer, *et al.*, 2006). According to Habermas (2001), therefore, withholding the fair distribution of rights will continue to handicap corporate legitimacy.

Democracy

Implicit in the inability to establish effective discourse is a lack of democracy. While most developing nations in which corporations have taken over a state-like role were never democratic, the rhetoric of stakeholder management obscures the disenfranchisement of workers and communities. Within a nation subject to defined laws, legitimacy is achieved through formal democratic processes. However, Crane *et al.* (2004) argue that by assuming the role of states, corporations have a responsibility to

safeguard the rights of their 'citizens'- stakeholders. Formal democracy in corporations is impossible because unlike nation states, corporations are voluntary organisations with transient territories and populations (Habermas, 2001). Deliberative democracy has therefore been proposed as an alternative model for participation. It advocates decision-making based on dialogue and consensus between the various stakeholder groups affected by the organisation's operations.

In its most productive sense, deliberative democracy can work to draw attention to the power-laden discourses of decision-making. Ideally, stakeholder groups without access to formalised power would be able to engage with corporations on somewhat equal terms. However, establishing deliberative democracy without having gained legitimacy is not only difficult, but frequently viewed as undesirable. Organisations remain driven by a self-interest and therefore frequently view CSR as a means to accumulate power, not a community-driven act of philanthropy (Bannerjee, 2007). Adanhounme (2011) illustrates this in a case study of CSR practices among Western corporations in Ghana's mining industry. He argues that the postcolonial context precludes efforts to establish effective deliberative democracy (*Ibid.)*. Often corporations move into premises vacated by colonising powers and perpetuate colonial dialogues. Deliberative democracy is outwardly established by building infrastructure provisions in cooperation with the (frequently corrupt) government and Western non-governmental organisations (NGOs) (*Ibid.)*. Meanwhile, exclusion from direct involvement in CSR deliberations pits different stakeholder groups against one another, replicating colonial 'divide and rule' strategies (*Ibid.)*. MNCs therefore consciously choose which stakeholder groups to enfranchise within a deliberative democracy in order to consolidate their power.

With different modes of discourse complicating negotiations in the eyes of corporations, they often rely on Western organisations as intermediaries for stakeholder groups in developing countries. Involving NGOs in dialogue, for instance, creates legitimacy for Western stakeholders. However, Khan *et al.* (2007) argue that due to the enduring discourse of postcolonialism, this poses the danger of silencing the voices of the groups NGOs represent. NGOs are not directly accountable to their beneficiaries, but rather their funders (Crane *et al.*, 2005). As a result, their agendas are shaped by a Western value set and there are often inadequate channels for those they are representing to voice concern. Similarly, consumers in Western countries have frequently been identified as possible intermediaries (Scherer & Palazzo, 2011). They are seen as able to exert power through ethical purchasing decisions on behalf of marginalised employees or communities. However, they often have very limited access to information and fall prey to the same paradigm of Western thought that precludes values not held in their countries (Crane *et al.*, 2005). There is no substitute for direct communication, so marginalised stakeholders will remain disenfranchised unless accessible channels for communication are established (Khan, *et al.*, 2007). An interpretation of deliberative democracy sensitive to postcolonial critique is necessary in order to highlight that democracy through intermediaries perpetuates a Western-centric lens that fosters inequality.

Conclusion

The accumulation of power by organisations in a 'postnational constellation' has significant implications for the governance of societies. As responsibilities have shifted from states to corporations, there is a danger of legitimacy and democracy being eroded, particularly among vulnerable stakeholder groups. A postcolonial critique of the 'postnational constellation' remains to be developed further in order to draw out the hidden assumptions underpinning neoliberal discourse. Developing an awareness of how organisations in a 'postnational constellation' uphold paradigms of colonialism is crucial for empowering stakeholders in privileged contexts to recognise the wide-spread disenfranchisement taking place. Without pressure from these groups to establish a legitimate discourse involving not intermediaries, but marginalised employees and communities themselves, corporations will continue to uphold unequal and damaging power relations.

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