

CORPORATE POWER AND RESPONSIBILITY: A CITIZENSHIP PERSPECTIVE

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RÉSUMÉ

Cet article applique la métaphore de la citoyenneté aux relations entre le monde des affaires et la société dans la mesure où le monde des affaires soulève des interrogations, voire des inquiétudes, sur deux thèmes majeurs dans ses relations avec la société : le pouvoir et la responsabilité. Après avoir exploré et expliqué ces thèmes, nous appliquerons la métaphore de la citoyenneté aux organisations selon trois perspectives : (1) les organisations comme citoyens ; (2) les organisations comme modes de gouvernement centrés sur le pouvoir en rapport avec les citoyens humains ; et (3) les organisations comme arènes dans lesquelles les parties prenantes agissent de manière citoyenne. Nous illustrerons comment les statuts, les processus et les droits de la citoyenneté des organisations, des membres humains de la société, et des parties prenantes sont-ils structurés. Nous considérerons enfin l'intérêt et l'utilité de notre approche pour les recherches futures.

Mots-clés : Organisations, citoyenneté, pouvoir, responsabilité.

ABSTRACT

This paper applies the metaphor of citizenship to business – society relations because the former brings concerns with power and responsibility two major themes in contemporary business – society relations. After exploring and explaining these themes, we investigate the application of the citizenship metaphor to corporations in three ways: corporations as citizens; corporations deploying government-like powers in relation to human citizens; and corporations as arenas for stakeholders to act in citizenship-like ways. We illustrate how citizenship status, processes and entitlements of corporations themselves, of human members of societies, and stakeholders of corporations are structured. We consider the usefulness of our approach for future research.

Keywords: Corporations, citizenship, power, responsibility.

INTRODUCTION¹

This paper applies the metaphor of citizenship to business – society relations. We chose this metaphor because it raises important questions of power and responsibility which are in turn central to the developing agendas of business – society relations. Whilst many studies which apply the idea of citizenship to corporations to business – society relations

adopt a single perspective, that of corporate citizenship or membership of society, we adopt a three dimensional perspective by analysing corporations: as if they were people-type citizens; as if they were governments in relation to people as citizens; and as if they create an arena for people to enact citizenship. Through these conceptualisations we examine the different ways in which corporations possess and structure citizenship status, entitlements and processes. We do so in the context of two important and seemingly contradictory

1. This chapter draws on our *Corporations and Citizenship* Cambridge University Press (forthcoming). It incorporates and develops our thinking in: Crane, Matten and Moon 2004; Matten and Crane 2005; Moon 1995; Moon, Crane and Matten 2004.

contemporary developments in business-society relations: the nature and appropriateness of increasing business power and the new claims being made by firms about their being socially responsible.

We use the concepts of citizen and citizenship in their metaphorical sense.² As mentioned, we apply them to corporations in three ways: corporations as citizens who participate in political communities and authorise governments to rule therein; corporations ruling political communities through deploying government-like powers and responsibilities; and corporations creating opportunities or arenas for their stakeholders to act in citizenship-like ways. There will always be debate about citizenship's meaning, merits, and appropriateness. There are internal dynamics to this debate as new models of citizenship are developed against which practices are judged. As Marshall observed of the political concept of citizenship:

Societies in which citizenship is a developing institution create an image of an ideal citizenship against which achievement can be measured and towards which aspiration can be measured (1950: 29).

For corporations, the nature of these debates reflects social and business contexts within firms, among firms, within countries and among countries. Recognizing that, like its related political concepts, the metaphor of citizenship for corporations is essentially contested (Gallie, 1956), does not, of course, obviate the need for closer investigation into its theoretical appropriateness.³

Corporations are generally regarded as the most prominent organisations of contemporary capitalism in part because of the employment, production, investment and wealth that they account for. They are now generally understood to be non-governmental profit-making business enterprises owned by shareholders who control the overall firm policy but managed by the agents of the owners. Their legal identity is distinct from that of their members and their internal governance regimes reflect government regulation and wider features of their national business systems. (Albert, 1991; Whately, 1999). However, numerous big businesses are known as privately-owned in that the shares in the company are not traded through stock exchanges. These remain a particularly important form of big business in parts of the world particularly Asia. Other big businesses are exclusively institutionally-owned (e.g. by banks, governments), a common form of business organisation in Rhenish capitalism of Germany, Austria and Switzerland, for example. The wider definition also brings in cooperative businesses, particularly prominent in Italy. Colloquially, the word corporation is generally used to denote any form of big, private business devoted to profit-making. This is the definition that we will use as the key issues of power

and responsibility link to the size, ownership and purpose of the firm, rather than to one particular feature, albeit a very important one, of ownership and control.

BUSINESS - SOCIETY RELATIONS

In the last decade or so there have been some radical developments in the agenda of business-society relations. These reflect changes in the corporations themselves and changes in the social and political context of business. Consideration of these developments has not simply been in the forums of university seminars and academic journals, nor of the pages of the financial media, nor yet in the agitprop media of the critics of corporations. The social status and impact of corporations has also been the subject of films (e.g. *The Corporation*, *Roger and Me*), of documentaries (e.g. *The End of Politics*, *Supersize Me*) and 'airport literature' (e.g. *No Logo*).

These and other forms of media coverage have brought to mass attention a whole range of issues which reflect or address business activities. For example, the role of Shell in Nigeria and the extent of its responsibilities for the social, political and economic status of the Ogoni people has raised questions about the extent to which a corporate presence is an implicit endorsement of governmental actions and the extent to which corporations should bring pressure to bear on governments. Conversely, the role of oil companies in benefiting from the US invasion of Iraq and the subsequent political settlement has animated anxieties about such close involvements with government. Recent concerns about obesity in western countries have raised the question of the role and responsibility of fast-food businesses for the health and well-being of their consumers, echoing debates about tobacco companies', governments' and personal responsibilities for cigarette consumption and attendant health risks. The publication of the 2005 Nike Social Report in which its suppliers are named and their working pay and conditions independently audited and reported represented a new landmark in the extent to which a western-based retailer is prepared to take responsibility for its supply chain.

Bringing some of these themes together we can see two simultaneous and seemingly contradictory trends. On the one hand, there is a critique of what is deemed excessive business *power* such that the rights of citizens and the powers of governments (assumed in this critique to be protective of citizens' interests) are weakened. On the other hand there are claims by businesses that they are taking more *responsibility* for society, or as acting as 'corporate citizens', and there are more clearly articulated expectations by citizens and

2. See Moon, Crane and Matten 2004 for a discussion of the use of metaphors in the analysis of business.

3. See Moon, Crane and Matten 2004 for a discussion of essentially contested concepts.

governments that corporations should take greater responsibility for society.

The view that corporations are assuming excessive power is manifest in various ways. At the level of political practice, this is evident in the anti-globalisation movement. This is a very heterogeneous movement, in terms of philosophy, organisation and tactics, but united in a main target of corporate operations across a range of countries. Their central critique is not simply that corporations have power but that this is magnified by the 'global' nature of multinational corporations, or MNCs. In some cases anti-globalisation reflects hostility to the cultural referents of particular brands, as in the attack on McDonald's outlets in France. In other cases it reflects a critique of the business practices of major corporations through, for example, the terms and conditions of employment in the third world subsidiaries or supply chains of western clothing and sports equipment companies, the concerns of various fair trade movements. In other cases it reflects a general critique of the political power that goes with global economic power and the way in which this compromises the position of governments, particularly in developing countries, in their deciding the terms of inward investment of such MNCs. Hence MNCs are accused of escaping tax law, of extracting excessive benefits from developing countries and of making improper payments to secure investment opportunities. These perspectives have also been witnessed in a new literature which is critical of the activities of particular corporations and corporate activity (e.g. Hertz, 2000; Kortzen, 1995; Monbiot, 2000).

Contemporaneously, corporations have been claiming that they are acting more responsibly. Even sceptics of the idea that businesses should compromise their core market activity have noted this trend. Martin Wolf, Chief Economics Commentator of the *Financial Times*, commented that there is a sense that corporate social responsibility is 'an idea whose time has come' (2002: 62) and Clive Crook, Deputy Editor of *The Economist* observed that 'over the past ten years or so, corporate social responsibility has blossomed as an idea, if not as a coherent practice' (2005: 3).

At the nominal level, corporations claim to be acting more responsibly through the adoption of such terms and self-descriptions as corporate citizenship, corporate social responsibly, business ethics and sustainable business. In many cases, corporations go beyond the mere adoption of sociable labels, they also seek to integrate their responsibility into their brands (e.g. BP claims to be a green energy company). Whilst there may well be certain business advantages to the use of images of corporate responsibility in marketing and branding, this can also be a source of cynicism. Critics may well ask what lies behind the brand?

In many cases this can be substantiated by organisational manifestations of new forms of responsibility. Many companies have now developed organisational

resources and processes to reflect their increased social commitments, be it defined as corporate citizenship, corporate responsibility or sustainability. Sometimes these are free standing and in other cases they are housed in larger functional units. Some companies are assigning board level responsibilities for these new social relations. Another manifestation of new social relations is that many companies are developing programmes and policies to substantiate their commitments and organisational innovations. These range from community involvement, through concern with responsibility in the products and processes, to attention to their labour relations. Community involvement to some extent reflects a traditional commitment to philanthropy on the part of companies, whether reflecting religious and ethical commitments or more functional concerns with labour force loyalty and productivity.

However, today corporations are viewing community involvement in much more systematic rather than discretionary fashion and doing so in a way that reflects a more self-conscious stakeholder approach. Concern with the products and processes reflects a decision to ensure that goods and services reflect various social expectations in their composition, in the ways in which they are produced, and in the social and environmental externalities thereby created. Sometimes this includes securing third party audits and verification. Thirdly, many companies are also investing greater resources in workplace conditions and even in the extra-work circumstances of their staff, reflecting new demands in the area of work-life balance and new attitudes to and expectations of employment.

In some cases these new areas of company activity have been complemented by self-regulation. An obvious means to this end is through the use of external or internal corporate codes to guide and benchmark responsible behaviour of corporations and their employees. Although these are often criticised for their lack of wider accountability, they do bring opportunities for corporations to develop policies which reflect and complement their own range of commercial activities. Moreover some companies are developing codes which provide for independent verification and certification, often in collaboration with stakeholder organisations.

Another manifestation of greater company concern with their social relations is their preparedness to join business associations whose purpose is to encourage and develop the social face of business. For example, in the UK over 700, mainly large, companies are members of Business in the Community (BITC). BITC provides a variety of services and awards in the area of socially responsible business through its national and regional offices, though it emphasises that membership itself should be a step to a more reflective and proactive style of engagement with society. There are similar associations in the USA (e.g. Business and Society).

Internationally, there are other business associations to encourage more responsible business. CSR Europe, the International Business Leaders' Forum. Membership of the UN Global Compact entails commitment to ten principles covering human rights, labour standards, the environment and corruption.

Another important development has been the growth of social reporting, be it within general company communications, in dedicated social responsibility reports, or within their annual reports. Some go so far as to legitimise their reports through external verification and stakeholder engagement (e.g. British American Tobacco, Nike). Various indicators of business responsibility have also been developed and adopted in tandem. Some of these reflect agreement among corporations about appropriate reporting norms (e.g. Global Reporting Initiative).

A new burgeoning of CSR consultants suggests that companies are prepared to pay for advice about their CSR (Fernandez Young, Moon and Young, 2003). There have also emerged new responsible business professional networks (e.g. CSR Chicks, Lifeworth, Association of Sustainability Professionals). A new business media on socially responsible business is also emerging. This includes dedicated media outlets (e.g. *Ethical Corporation*, *Ethical Performance*) as well as greater attention to these themes in the mainstream media, illustrated by the *Financial Times*' employment of a CSR correspondent and recent special supplements of corporate social responsibility in *The Economist* (22.I.2005) and *The Independent* (23.III.2005).

So, in conclusion, there is plenty of evidence that corporations are at least keen to be regarded as behaving more responsibly and there is also plenty of evidence of resources being invested in organisational developments consistent with this. What explains these developments?

EXPLAINING CONTEMPORARY BUSINESS - SOCIETY RELATIONS

Having sketched something of the changing nature of business – society relations we now turn to providing some explanation for the trends that we have identified. This section is divided into two parts, the first addressing the drivers of business power and the second addressing the movement for corporate social responsibility.

Corporations are acquiring an increasingly conspicuous and, in some respects, contentious profile. There are various reasons for this. Corporations have acquired a greater share of economic participation following widespread privatisations; they have created new consumer markets; their cross border activities appear to have increased; and they have assumed greater roles in the delivery of public goods.

First, corporations have acquired more commercial opportunities. In many parts of the world, this results from the waves of privatisations in what were already capitalist economies witnessed over the last quarter century (e.g. in Australia, New Zealand, the UK, the USA). Elsewhere this has resulted from more abrupt shifts following the collapse of communist regimes. As a result corporations have become responsible for more facets of citizens' lives than they used to be. In many communities, what was once delivered, for better or for worse, by governmental organisations (e.g. telecommunications, energy, water, mass transport) is now delivered by private corporations. Although governments have tended to retain regulatory, fiscal and organisational capacities, the tides of privatisation have not only had the effect of increasing the corporate sector's share of gross national product and employment but also of yielding to corporations pivotal roles in policy areas previously regarded as fundamentally political (e.g. investment in and performance of transport and utility companies; access to and use of such natural resources as water, oil and gas). Secondly, corporations appear more conspicuous because they have created new consumer markets. This is most obviously true where there have been recent increases in the range and availability of consumer goods (e.g. China). However, it also reflects longer-term shifts in western societies from 'the politics of production' to 'the politics of consumption'. The increasing commodification of life is evident in such domestic activities as home improvements, gardening and sports. Thirdly, corporate cross-border activities have grown. Thus, corporations are often more conspicuous simply because they are large and foreign rather than small or medium and local. This is manifest in vast increases in national foreign direct investment and international intra- and inter-company trade. This is in turn predicated on trade liberalisation facilitated by political reforms, increased access to developing economies, technological change, economies of scale and scope, and cultural homogenisation. For corporations, globalisation thereby offers opportunities to increase growth, stabilise performance, exploit new investment opportunities and increase market power.

Fourthly, there is evidence of wider changes in patterns of societal governance such that governments have reduced some modes of exercising their authority (see Moon 2002). In addition to the effect of the privatisation of governmental responsibilities in creating new market opportunities for business (see above), another corollary is that governments have actually encouraged corporations to contribute to wider governance activities. Similarly, many western companies operating in developing countries undertake such responsibilities in lieu of governmental provision, be it in the provision of pensions, education, worker rights and opportunities and environmental responsibility. This expansion of corporate profile thus in part reflects regulatory failure and regulatory vacuums.

At the same time as these powerful drivers of increased business power have gathered pace other contemporary phenomena have encouraged corporations to behave more responsibly. We divide these drivers into market, social regulation and government regulation: they amount to trends towards a socialisation of markets.

A number of market drivers for more responsible business behaviour have emerged. There are new consumer demands for products and processes which reflect more socially responsible practices. Although some of the public opinion data on consumers' preparedness to punish irresponsible retailers may disguise the effect of price in their actual spending choices, certain new niche markets reflect new social values (e.g. as met by The Body Shop, Green Mountain, ethical trade systems) and of periodic occasions when consumers can be mobilised in consumer boycotts (e.g. boycotts of American sports wear companies' Bangladesh suppliers employing child labour).

There is also evidence of a greater impact of investors on the agenda of corporate social responsibility. This in part reflects the development of systems of socially responsible investment (SRI) and also the expansion of SRI agendas into wider investment criteria. Although, SRI funds still only account for a relatively small share of total investments (about 15% in the USA, 5% in the UK), these are growing and becoming more engaged with companies. Moreover, general investment funds have also taken an interest in SRI criteria, from risk and corporate governance perspectives.

Employees' expectations are also informing corporate social responsibility. This in part reflects new assumptions about their employers' responsibilities in the work-life balance. In addition, companies are regarding their social responsibilities as part and parcel of being a good employer, both in order to attract and retain employees. Some companies regard the composition of their workforce as linking their social responsibility with their market orientation.

Business customers are increasingly imposing supply chain assurance and auditing systems, particularly international branded businesses which are in turn responding to social regulation of western NGOs (see below). Moreover, competitors can also be a driver of greater business responsibility as they use their social involvement as a feature of their competitive branding. Turning to social regulation, NGOs have emerged as prominent shapers of social agendas which articulate social expectations of business. NGOs such as Greenpeace, the World Wildlife Fund, Amnesty International, and Oxfam have developed critiques of individual businesses and types of business practice rather than just of governments and capitalism in general. Whereas initially these NGOs tended to take an adversarial perspective on corporations, there are now instances of more cooperative relationships such as Amnesty International's collaboration with the International Business Leaders' Forum in developing a

Human rights road map. The impact of NGOs on business responsibility agendas has been assisted by IT developments enabling ready communications between developing world and western NGOs and by the interest of the western media in bringing NGO concerns to wider public attention. Thus, issues such as the working conditions in developing country suppliers of western countries have become familiar within wide sections of western societies.

Governments themselves have also taken an interest in encouraging increased business responsibility. Although some of definitions of corporate social responsibility would appear to exclude activities that are required by law or regulation, many governments have sought to use various forms of soft regulation to encourage business to take greater responsibility for social agendas through mandating, partnering, facilitating and endorsing (Moon, 2004). The Australian Prime Minister's Business Leaders' Roundtable and the UK Minister for Corporate Social Responsibility illustrate governmental interest in endorsing greater corporate social responsibility. OECD governments have sought to facilitate multinational corporations to comply with the OECD Guidelines for Multinational Enterprises by acting as a national contact point to support companies seeking to conform to the standards set out in the Guidelines. The UK government's Ethical Trade Initiative and the CSR Academy illustrate the readiness of government departments to bring their fiscal and organisational resources to partnerships with business and non-governmental organisations in order to advance social agendas in business.

CORPORATE POWER AND RESPONSIBILITY

Some of the key issues that arise concerning corporations and citizenship derive from both their relationship to other sources of power and from the significance of their power relative to that of others in society. As in other institutions such as governments, churches and trade unions, the power of corporations is itself a resource for irresponsibility, corruption and deception and thus there has been an interest in finding appropriate balances between enabling corporations to fulfill their claimed purposes of meeting demands, employing people and returning profits to owners with restraining them from exploiting the powers that go with these purposes inappropriately. This has been an abiding theme in debates about corporations and society from Charles Dickens' stories of early nineteenth century British capitalism through to more recent debates about the allocation of responsibilities for the Enron and Parmalat collapses and measures to prevent repetitions.

Hence, we take the view that consideration of corporations and citizenship should be contextualised by the

themes of power and responsibility. After all, the whole significance of the broader concept of citizenship: it is about identifying, allocating, delineating, restraining, relating and operationalising power and responsibility. Thus, political debates have raged about who is or who should be a citizen because of the opportunities that political power affords and the responsibilities that citizens either expect to be shown to them or which are expected of them. Corporations, like people, both have power and are subject to power. They are both attributed responsibility and they claim responsibility. Clearly, power and responsibility, are closely related. The possession of power is often a pre-requisite to the ability to take responsibility, yet its possession is also regarded as a reason for which its custodians, users and beneficiaries are expected to exercise responsibly.

Most debates about corporations and power revolve around evaluations of corporations' own power and estimations of appropriate constraints upon them that can be affected by the application of governmental including judicial power (i.e. regulation) or mutual power (i.e. self-regulation). These impositions of power on corporations are often designed to protect investors, employees and societies from the abuse of corporate power. But they also extend to meeting collective business (and arguably societal) interests of enabling fair and free competition among corporations. Debates about corporations and responsibility also revolve around the relative responsibilities that corporations owe to their owners and to their other stakeholders such as their investors, employees and customers, and wider societal interests. This introduces powers afforded by systems of corporate governance. Debates persist here, particularly over who should have power over the corporation and to whom are its executives responsible. This is most vividly illustrated in the somewhat caricatured attribution to Milton Friedman that the responsibilities of managers are solely to the company owners⁴ which is pitted against the various applications of stakeholder theory to corporations' responsibilities.

The concept of citizenship enables examination of the ways in which corporations deploy or temper their power to exercise responsibility, to whom and why. This can be applied in three ways, first in the ways in which corporations can be considered as citizens. Secondly, certain new roles of corporations are akin to those of governments and therefore raise the question of citizenship rights of people who are affected by corporate activities. Thirdly, and relatedly, following the logic of stakeholder power and arguments about corporate responsibilities to their stakeholders, corporations create arenas for stakeholders to act as citizens, both in respect to the corporations themselves but also in wider societal governance.

It could be argued that our threefold distinctions are rather artificial. We would concede that, from an Aristotelian perspective these distinctions might seem otiose: the three perspectives could be regarded as mutually reinforcing facets of citizenship. However, for the purposes of evaluating corporations, this approach brings the advantages of general conceptual clarity in a field where this is sometimes lacking, and of underlining the political significance of our dimensions of corporate citizenship. By distinguishing the different power relations and responsibility roles that corporations adopt, we are better able to identify the dynamic qualities of corporations in context. As a result, our findings can be addressed to wider questions of institutional review in global governance. Of course, the three general conceptualisations of corporations and citizenship that we adumbrate are differentially experienced according to the respective societal and corporate governance systems that different political communities have developed.

APPLYING CITIZENSHIP TO CORPORATIONS

We argue that the concept of citizenship is appropriate for consideration of the power and responsibility of corporations for several particular reasons. First, the very fact that corporations use the term corporate citizenship as one of several synonyms for their greater social responsibility warrants taking seriously. This enables us to evaluate corporations in part on their own terms. Secondly, citizenship is a concept which is expressly concerned with social relations of power and responsibility which, as we have suggested, enframe many of the current debates about contemporary business-society relations. More specifically, citizenship is an organising principle for aligning powers and responsibilities *among* members of political communities (i.e. on a horizontal dimension), and *between* them and other institutions wielding power and responsibility (i.e. on a vertical dimension).

Thirdly, the concept of citizenship is at the heart of wider debates about societal governance of which corporations form a key part. Thus, critiques of corporate power are often underpinned by a view that citizenship autonomy and choice are being structured by corporate agendas. Alternatively, there is the view that these citizenship pre-requisites are being undermined as the key institutional representatives of citizens, democratic governments, are being superseded by corporate power. Yet more broadly, there is concern that the contemporary forces of globalisation and the undermining of national governments are also inimical to effective citizenship. Although this latter point does not necessarily

4. He specified that this should be within customary ethics and the law, and also acknowledged the mutual benefits of corporate community investment even though he thought that this should be better described as corporate self-interest rather than responsibility (Friedman 1970).

directly relate to corporations, by virtue of their role as agents of globalisation (e.g. through foreign direct investment, global supply chains), they are implicated in broader political debates about citizenship. Paradoxically, this point parallels other broader citizenship themes as globalisation raises questions of changing and even multiple citizenship through new patterns of migration and political identity. Perversely, perhaps, the view that governments are becoming increasingly ineffective, be it because either of globalisation or corporations, is also associated with the view that citizenship is endangered by the evidence of voter apathy in many developed political systems (though not, it seems in places where democracy is relatively new such as South Africa, Ukraine, Iraq).

We adopt T.H. Marshall's definition of citizenship as comprising three types of rights: civil, political and social (1965). However, we adapt his classification from simply being rights based and follow the Aristotelian assumption about duties of citizenship, to each other and to the polity as a whole. Civil rights consist of those rights that provide freedom from abuses and interference by third parties (most notably governments), among the most important of which are the rights to own property, exercise freedom of speech, and engage in "free" markets. We refer to these rights and corresponding duties as citizenship *status*. In contrast to these more passive rights (which government respects or actively facilitates) the second category of political rights moves beyond the mere protection of the individual's private sphere and towards his or her active participation in society. This includes the right to vote or the right to hold office and, generally speaking, entitles the individual to take part in the process of collective will formation in the public sphere. We refer to these rights and duties as citizenship *processes*. Thirdly, Marshall's social rights consist of those rights that provide the individual with the freedom to participate in society, such as the right to education, healthcare, or welfare. We refer to these rights and duties as citizenship *entitlements*. In the next section, which fleshes out our three dimensions of citizenship, we will outline different configurations of status, processes and entitlements of citizenship.

THREE CONCEPTIONS OF CORPORATIONS AND CITIZENSHIP

As the changing roles of corporations in business-society relations are complex and multi-faceted, rather than cram all of these relationships into a single conception of citizenship, we present three different ways in which the concept of citizenship illumines the powers and responsibilities inherent in business-society relations. In each of these conceptions, we distinguish different roles and relations for *corporations*, for *governments* and

for *citizens*, by which we also refer to what others describe as the third sector, or societal NGOs.

Corporations as citizens

The first conception focuses on corporations as citizens that are ruled but also participate in the functioning of the overall political community. Thus, there are ways in which corporations, like other citizens in democracies are members of communities and engage with other members to enhance the social fabric. In addition, like other citizens, corporations periodically bring their interests and values to the formal governmental processes of law making, implementation and adjudication within their political community. In this conception corporations are on a similar horizontal relationship with other corporate citizens and human citizens. Like human citizens, corporate citizens are also in a vertical relationship of power with government in which the citizens 'author' the authority of government, most obviously through elections, and thus governments are responsible to these citizens. However, within the parameters of their legitimate authority, governments are also empowered to govern all citizens. Corporations can be considered as if they were citizens in as much as they work 'with' and participate 'in' society and in bringing their concerns to government and reacting to government legislation and executive action. The focus here, then, is on how corporations share status and process elements of citizenship.

Arguments about corporations being like citizens can have a number of sources, though these are not necessarily mutually consistent. Since medieval times, European business people engaged in citizenship-like ways through their membership of and participation in their guilds, the forerunners of business associations, which provided systems of governance within individual trades and forms of mutual support. In early phases of representative politics, business ownership enabled people to meet a property franchise. Secondly, corporations could be considered as part of society in that their members, be they owners, managers or employees are human members of societies. Relatedly, traditions of industrial paternalism or industrial philanthropy speak of the social face of business. Theories of business legitimacy are often premised on the need for corporations to win the approval of society for their individual and collective existence and success. Some theories identified social objectives with normal business activity:

Building a better community; improved education; better understanding of the free enterprise system; an effective attack on heart ailments, emphysema, alcoholism, hard chancre or other crippling disease; participation in the political party of choice; and renewed emphasis on regular religious observances are examples of such further goals (Galbraith 1974: 184).

The idea that corporations could be considered as if they were citizens can also draw on the slightly different sort of argument, that corporations have a distinct functional identity: they are praised or blamed, they make deals, enter into contracts and develop internal decision-making system and structures independent of the people within the company. A further variant is the significance of corporations' distinct legal identity. In essence, incorporation presumes that the business is recognised as being capable of acting il/legally and as having duties and rights of legal protection and compensation. Businesses can enter into legal agreements, own property, employ workers, sue and be sued. As a result a company can be treated in the eyes of the law as if it is an 'artificial person'. More generally, the application of the citizen metaphor to corporations can draw on the argument that 'every large corporation should be thought of as a *social enterprise*, that is, as an entity whose existence and decisions can be justified only insofar as they serve public or social purposes' (Dahl, 1972: 17).

Although there are clearly limits to the application of the citizenship metaphor to corporations particularly regarding their *status* (e.g. they do not vote or sit on juries), nonetheless they participate in various *processes* of citizenship. First, corporations engage in various forms of lobbying, be it of governments or of business associations or of the media. This is akin to pressure group activity, justified in liberal democratic politics as an extension of participation through voting. Secondly, corporations participate within community processes of decision-making and mobilization. This might include membership of 'social' partnerships with non-profit and governmental organizations. These might be concerned with such matters as local economic development, education or environmental concerns. Thirdly, corporations can align their activities with broader social agendas as captured in the terms sustainability and 'triple bottom line' thinking, with its commitments to social justice, environmental responsibility, and economic development (Elkington, 1999). Corporations may even open their own processes to social engagement as in systems of stakeholder reporting and in deliberation over the targets of corporations social investments. Moreover, corporations can enjoy *entitlements* which are akin to those of citizens such as protection under the law and eligibility for subsidies under various public policy regimes (e.g. for training programmes).

Corporations as governments

Here we refer to the ways in which corporations are acting as if they were governments and are responsible for the delivery of public goods and for the allocation, definition and administration of rights. This could either be in substitution for government, in the absence

of government, or in areas beyond the reach of governments, specifically internationally. Such developments raise important questions for the governing of citizenship even though the cases of corporations replacing citizens entirely are rare (e.g. 'company towns', corporations' health and education systems in developing countries). In such a conception, the corporation shares a horizontal dimension with government and is vertically aligned with human citizens within a political community. The focus here, then, is how corporations inform the status, processes and entitlements of people as citizens.

First, corporations might become involved in governing citizenship where *government ceases to do so*. This situation mostly occurs as a result of institutional failure and new political ideology in liberal democracies, and in the shift from communist to capitalist systems in transitional economies. This may happen either when corporations have opportunities to step in where once only governments acted or where corporations are already active, but their role becomes more pronounced if governments retreat.

Thus, corporations can become more responsible for citizen *entitlements* of former public services. We see corporations increasingly active in the takeover of former public services, such as public transport, postal services, healthcare or education. In fact, many so-called 'corporate citizenship' initiatives are fundamentally equivalent to corporate philanthropy and targeted at reinvigorating (or replacing) the welfare state, such as improving deprived schools and neighbourhoods, sponsoring university education or the arts, or setting up foundations for health research.

Although the *status* of citizens is generally the preserve of governments in developed countries, corporations become directly involved in the ways citizens can claim status by their participation in labour and product markets and in downsizing industries where governments may have taken responsibility. Similarly, civil rights of prisoners are increasingly a corporate responsibility as correctional and security services are privatized. Governmental failures in developing or transforming countries shift the focus to corporations as Shell found in Nigeria when it was implicated in the failure of the state to maintain the protection of the civil rights of the Ogoni people. It is now suggested that corporations should 'step in' when the status of citizens is threatened in such circumstances.

In terms of *citizenship processes*, corporate roles appear more indirect in that they can help facilitate, enable, or block certain political processes in society, rather than directly taking over formerly governmental prerogatives. Thus many political issues are now directed at corporations rather than at governments (e.g. anti-corporate protests, consumer boycotts). Hence, rather than replacing governments, corporations here could be said to have provided an additional conduit through which citizens could engage in the process of participation.

Second, corporations become active in the citizenship arena where government has not as yet assumed the task of governing. Historically, this was the situation that gave rise to paternalistic employee welfare programmes by wealthy industrialists in the nineteenth century. More recently, exposure to this situation for multinationals is particularly a result of globalization, where lack of local governance in developing countries presents corporations with a choice as to whether to step in as 'surrogate' governments. Corporations such as Nike, Levi Strauss and others which have ensured employees a living wage, and finance the schooling of child laborers have entered into relationships concerning *entitlements* with citizens of developing countries. This possibility may be extended by TRIPPS agreement in which large pharmaceutical companies undertake obligations to provide free or discounted drugs where governments are unable to provide them.

In the case of *citizenship status*, there is evidence that corporations can encourage or discourage oppressive regimes by extending citizenship status as under the apartheid period of South Africa and more recently in Burma, Tchad, Uganda and Sudan. More widely, a new range of civil rights and other status issues are emerging, in particular, issues of privacy and protections of basic freedoms, surrounding new IT and biotechnology industries. These responsibilities often emerge because governments have not worked out their preferred regulatory regime but nevertheless, can have massive implications on life choices of citizens. Similarly, in *processes* of citizen participation, corporations can act as a default option in the absence of government responsibility as in Burma where citizens dispossessed of rights to vote might turn to lobby corporations.

Third, corporations become involved where the governing of citizenship is beyond the reach of the nation state. These situations are a result of the globalization of business activities, an increasing liberalization and deregulation of global economic processes, and escalations in trans-border activity by corporations in which citizen status, entitlements and processes are associated with supranational or *detrterritorialized* entities such as global markets or the ozone layer.

Corporations can impact on *entitlements* through their leverage for "favorable" conditions for foreign direct investment which can translate into low social standards, depressed wages, and limited regulation of working conditions. Accordingly, it can become incumbent upon the actions of MNCs to protect (or not protect) social rights, such as through the introduction of global codes of conduct. Due to the globalization of certain financial markets nation states have only limited ability to protect certain aspects of *citizenship status*, particularly property rights over pensions and insurance.

Current changes in global governance have given impetus to corporations' role in governing *processes of citizenship* particularly with self-regulation through

programs such as the Chemical Industry's Responsible Care or the Apparel Industry Partnership. Also corporations are playing an increasingly prominent role in such global regulatory bodies as the WTO, GATT or the OECD that have significant impacts on the way governments all over the world govern their relations with their citizens.

Stakeholders as Citizens

Our third conception of citizenship introduces a rather different perspective upon corporations as it envisages circumstances whereby corporate activity itself can shape opportunities for corporations' stakeholders to act as if they were citizens in relation to the corporation. In this conception, corporations are aligned in vertical relations with a variety of stakeholders in the context not of governing the political community (as in our first and second conceptions) but of the corporation (or, of corporate governance). The focus here, then, is on how corporations constitute an arena in which people can engage in citizenship processes, which may include engagement concerning the definitions of their status and entitlements.

Clearly the ways in which stakeholders' citizenship status, entitlements and processes relate to corporations varies enormously among individual stakeholder types such as investors (or owners), employees, customers and societal groups, and among national business systems, but generally the issue of rights has been central to stakeholder relations both in the normative (Donaldson and Preston, 1995) and strategic variants (Freeman, 1984).

Although the ownership relationship of investors to corporations is at one level a simple economic one, it does also raise issues of power and accountability which are not unlike certain citizenship issues. This political dimension is most evident in the notion of *shareholder democracy*, which presumes that a shareholder is entitled to have a say in corporate *processes* rather than simply accepting blindly managers' decisions (e.g. over executive pay, board membership). Socially responsible investment funds now increasingly engage in extended dialogue with corporate leaders over issues such as human rights, diversity and labour standards.

Employees are the stakeholders that are most frequently conceptualised in citizenship terms (Organ, 1988) even though the usage has tended to emphasise solidarity rather than rights and duties. Even the *Harvard Business Review* countenanced the idea of 'building a company of citizens' through the Athenian model of citizenship as a new democratic model of management (Manville and Ober, 2003). However, employees also enact processes of participation through engagement with financial (through shareholding) and operational engagement, ranging from the most explicit in cases of negotiations about downsizing to the, usually, more humdrum in the

implementation of regulation and self-regulation. These *processes* clearly vary among national business systems but, again depending on those systems, these can also go to the heart of employee *status* and *entitlements*. In some cases, we have seen evidence that corporations encourage some aspects of employee citizenship (e.g. solidarity with the firm) but at the same time discourage other aspects (e.g. *status* of unions).

The idea of consumer sovereignty, central to justifications for markets, literally embraces the language of citizenship, reflecting freedom and authority. Although this is conventionally associated with the quality, price, and availability of product offerings, 'ethical' or 'political' values of consumers have also featured not only in purchasing decisions but also in the mobilisation of these values through NGOs which engage in more direct citizenship *processes* with corporations. In the cases of some aspirational goods, consumers can also acquire some citizenship-like status of certain branded corporations through their solidarity with the product / brand (e.g. Harley-Davidson). Clearly, the relationships between 'consumer' and 'citizen' role are difficult to disentangle, especially when citizens are increasingly being encouraged by governments to behave like consumers!

The combination of corporate global power and expectations of responsibility have brought the supply chain into new sharp relief as part of the arena of corporate governance. The power to purchase brings responsibilities to suppliers especially where purchasers are moving away from short-term, adversarial relationships. This can afford some suppliers, most obviously in the Japanese model, greater 'insider' status and with it the informal, partial, and voluntaristic nature of partnerships which may enable protection of *status* even though this might inhibit wider *processes* of supplier 'democracy'.

Finally, civil society organisations have often been corporations' greatest critics in purporting to represent the interests of sections of society, society in the round and even the environment. Thus, they may sometimes resemble human citizens at their most disgruntled. More broadly, they have been welcomed as an adjunct to formal modes of political citizenship because they offer avenues for self-development, active involvement in the community, as well as a form of collective representation to, or resistance to, government and other powerful actors through associations. On the other hand, they are the least formally engaged of the stakeholders we have considered, which inhibits the clarification of their *status*, *process* and *entitlement* relations with corporations.

CONCLUSIONS

Through consideration of the different citizenship relations of corporations we have attempted to signal how a host of powers and responsibilities which corporations

have acquired or are attributed contribute to a full understanding of the social and political underpinnings of their market operations. Rather than see corporate social responsibility, corporate power and corporate stakeholders as entirely distinct topics, as they are often treated in the literature, we have seen them as reflecting different aspects of these power and responsibility relations. Moreover, all three perspectives have illustrated how roles of corporations do not reflect only their economic operations but also their social and political context. Changes in systems of societal governance and in social demands and expectations have clearly informed the development of corporate roles, for better or for worse. These roles can bring different citizen status, process and entitlements for corporations, citizens, and business stakeholders.

Our contribution is thus far mainly conceptual and suggestive of a research agenda which would, first, encourage greater focus on the political aspects of business – society relations alongside the economic. Secondly, it would encourage analysis which considers both power and responsibilities which attend any particular business – society relationship. Thirdly, our distinction of the ways in which business – society relations structure and reflect different citizenship status, processes and entitlements offers a ready framework for research. Fourthly, our approach brings with it normative considerations, particularly concerning the appropriate balances of powers and responsibilities for corporations and other economic, social and political actors.

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