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The Socially Responsible Company as a Strategic Second-Order Observer

An Indian Case

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Abstract

The emergence of Corporate Social Responsibility (CSR) as a global component of business-society relationships has triggered many controversial debates in which CSR is either advocated as a source of virtuous business or disregarded as mere "window dressing." This paper proposes an alternative perspective on the CSR phenomenon based on N. Luhmann's social systems theory, which guides a study of CSR in India combining macroscopic observations and the case of the cement manufacturer Lafarge India. The study shows that CSR is not primarily constituted of corporate attempts to "do well by doing good," as the CSR *doxa* suggests. However, the phenomenon generates significant transformations of business-society relationships. While increasing financial expectations tend to blunt large companies' sensitivity toward competing societal expectations, other social systems react with protest movements and political interventions. Companies respond to the perceived threat of these uncertainties by introducing new CSR-related organizational structures, which improve their ability to *observe* the uncertainties as parameters of economic risks. Companies subsequently mobilize calculated CSR-related practices to shield business opportunities from the possible negative consequences of sociopolitical constraints. The analytical framework outlined in the present paper introduces new angles for studying how the CSR phenomenon proceeds from and transforms the way social systems observe and regulate the role of companies in society.

Zusammenfassung

Das Thema der gesellschaftlichen Verantwortung von Wirtschaftsunternehmen (Corporate Social Responsibility, CSR) löst seit seinem Aufkommen zahlreiche kontroverse Debatten aus. In diesen wird CSR entweder als eine Quelle vorbildlichen unternehmerischen Handelns befürwortet oder als reine Schönfärberei abgelehnt. Demgegenüber bietet dieser Aufsatz eine auf der Systemtheorie Luhmanns basierende Betrachtung des Phänomens CSR an. Eine in Indien durchgeführte Studie zeigt, dass es bei CSR nicht in erster Linie um die Versuche von Unternehmen geht, Erfolg durch gute Taten zu erzielen. Gleichwohl verwandelt CSR die Beziehungen zwischen Unternehmen und Gesellschaft erheblich. Während große Unternehmen durch steigende finanzielle Erwartungen zunehmend gegenüber den damit konkurrierenden gesellschaftlichen Erwartungen abstumpfen, reagieren andere gesellschaftliche Systeme mit Protestbewegungen und politischer Intervention. Unternehmen sehen derlei Unsicherheitsfaktoren als Bedrohung an und begegnen ihr mit der Einführung neuer CSR-orientierter Organisationsstrukturen, die es ihnen ermöglichen, diese Faktoren als Parameter ihres wirtschaftlichen Risikos besser zu überwachen. Mithilfe von CSR-Maßnahmen können Unternehmen dann ihre Geschäftschancen gegenüber etwaigen negativen Folgen soziopolitischer Beschränkungen abschirmen. Der hier dargelegte analytische Rahmen stellt neue Sichtweisen für die Untersuchung der Frage vor, wie sich CSR einerseits aus der Art, wie soziale Systeme die Rolle von Unternehmen in der Gesellschaft überwachen und regulieren, entwickelt und wie es diese wiederum transformiert.

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1 Introduction

Corporate Social Responsibility (CSR) evokes an ambiguous doctrine on business-society relationships. While business ethics' claims of moral responsibility have been overtaken by utilitarian and instrumental arguments advocating strategic stakeholder management and the "business case" for CSR (Carroll/Shabana 2010; Lee 2008), references to collective interests (social justice, biodiversity, democratic values, etc.) remain prominent. A key assumption underlies the dominant narrative of the CSR *doxa*: CSR is equated with a movement through which private companies voluntarily respond to societal expectations by increasing their contributions to collective interests, values, and aspirations in ways which are also profitable for their own business. In a global context, where the influence of large companies over the societies in which they operate seems to be outgrowing the regulatory powers of public authorities, the question about whether – or the extent to which – CSR lives up to its promises is attracting significant attention.

Notwithstanding the growing number of CSR studies, more than ever, CSR is surrounded by ongoing debate and controversy. For instance, while some empirical studies conclude that private CSR initiatives can provide an efficient alternative to failing governmental policies for improving social welfare in developing countries (Valente/Crane 2010), others suggest that CSR initiatives have only minimal impact on development (Frynas 2005; Gilberthorpe/Banks 2012), and do not compensate for the negative effects of large-scale tax avoidance (Sikka 2010). Authors describe private contract-based social and environmental regulation systems in global supply chains as effective solutions to incomplete or dysfunctional public law (Vandenbergh 2007), but other studies highlight the deficiencies and negative effects of such CSR-based regulation (Sum 2009). The ambiguity resulting from these contradictory findings is amplified by competing ideological discourses. On the one hand, CSR is promoted as a promising way of aligning global capitalism with public needs and aspirations (Porter/Kramer 2011; Ruggie 2007; Waddock/Rasche 2012), as an innovative and profitable means of alleviating poverty (Prahalad 2005), or as a way of transforming private firms into key democratic

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institutions (Moon/Crane/Matten 2011). On the other hand, CSR is rejected as a form of "window dressing," which is "as meaningful as cotton candy" (Reich 2007: 171), or "something of a farce" (Fleming/Jones 2013: 2).

Making sense of CSR and its outcomes requires a different perspective, conceiving CSR as a complex, multidimensional, and evolving social phenomenon. CSR as a social phenomenon needs to be analyzed in the light of its observable conditions of (re)production and transformation, its multiple interrelated constitutive elements, its internal dynamics and *modi operandi*, its variations, and its outcomes. As a consequence of this approach, different outcomes with regard to the "performance" of CSR vis-à-vis its stated objectives no longer appear to be contradictory. These discrepancies appear as variations produced by generative mechanisms. Moreover, the focus can be shifted from the "performance" of CSR to its observable outcomes: CSR might do little to transform private firms into effective agents of sustainable development, but may contribute to other far-reaching changes.

From this perspective, the following empirical analysis attempts to cast new light on the transformations that CSR generates within business-society relationships. First, the study shows that *CSR-related organizational structures* (departments, strategies, instruments, etc.) strengthen the capacity of companies to perform "second-order observation," i.e., to observe reflexively that they observe *and* are observed by others in their environment according to multiple perspectives. In doing so, CSR increases the ability of companies to translate the perceived threat of sociopolitical uncertainties (protests, new regulatory constraints) into parameters of economic risks, i.e., the probability of gains and of costs associated with their own behavior. Moreover, the phenomenon of CSR provides companies with an expanding repertoire of *CSR-related practices*, which they implement strategically in response to these economic risks. While institutional dynamics such as isomorphism (DiMaggio/Powell 1983), and interventions by external actors (states, NGOs, mass media, consultants, etc.) influence these practices to some extent, the CSR strategies and activities implemented by companies are nevertheless an outcome of their internal decision-making processes. In a political-economic context which exposes companies both to high expectations of financial performance and to increasing social unrest, companies strategically implement CSR activities to control the contentious sociopolitical dynamics triggered by their profit-oriented activities. The present analysis emphasizes how calculations of economic risks filter the sensitivity of finance-led companies to societal expectations, and condition their conduct toward collective interests, values, and aspirations. It also provides an insight into variations of so-called CSR performance. "Doing well by doing good" is not the primary objective of CSR, as the common CSR *doxa* suggests. Success and failure of CSR to align corporate profits with other collective interests are contingent outcomes of CSR practices designed to protect business opportunities from costly social protest and regulatory constraints.

The analysis is based on a multi-scalar sociological investigation of CSR in India, which combines macroscopic observations with an in-depth case study of Lafarge India Pvt. Ltd., the Indian subsidiary of the French multinational cement manufacturer Lafarge.[1] Ranked by Forbes as the world's 390th largest company by revenue in 2010, Lafarge is considered by many as a leading multinational company in the field of CSR and sustainable development (Aggeri et al. 2005). In the aftermath of the 1992 Rio Earth Summit, the CEO of the Group created a Department for Sustainable Development, while also taking up the position of President of the World Business Council for Sustainable Development – a powerful business-led think tank of which Lafarge is a founding member company. Since then, Lafarge's CSR policy has been at the vanguard of the field, as illustrated by its early participation in the United Nations Global Compact, its partnerships with major NGOs (WWF, CARE, Habitat for Humanity), its listing on FTSE4Good and the DJSI STOXX,[2] and the publication of annual CSR reports which adhere to the guidelines of the Global Reporting Initiative and are reviewed by two stakeholder committees.

Following a brief presentation of the analytical framework on CSR (Section 2), the analysis will show how CSR is mobilized by companies such as Lafarge operating under "first-order observation" in response to perceived threats to their business prospects (Section 3). The final section (Section 4) will demonstrate how CSR-related organizational structures transform those threats into risks by providing new opportunities for "second-order observation," and how CSR-related practices are employed by companies to address these risks without overloading their organization with uncertainty.

1 The study mobilizes participatory observation and 117 semi-structured interviews, which were carried out between January 2008 and January 2011 at the headquarters of Lafarge India in Mumbai and at three production sites: a cement plant project located in Tattapani (Himachal Pradesh) and two acquired cement plants located in Sonadih and Arasmeta (Chhattisgarh). These local observations are linked with a longitudinal analysis of the conditions under which CSR emerged in India. This macroscopic part of the study mobilizes secondary data (academic literature, reports, statistics, legal and political texts, newspaper articles, etc.) and 54 semi-structured interviews with individuals involved at a national level in company-society relationships: managers, employers' associations, public authorities, trade union leaders, activists, etc.

2 The FTSE4Good and the DJSI STOXX are two major indexes for socially-responsible investment. These indexes provide access to capital for companies which fulfill a set of non-financial requirements measured by environment, social, and governance indicators.

2 Corporate Social Responsibility as a social phenomenon

The narrative underlying the Corporate Social Responsibility doxa

The current rise of Corporate Social Responsibility is accompanied – and legitimized – by a widespread narrative on the new conditions of business-society relationships. In a world threatened by significant ecological imbalances, increasing socio-economic inequalities, and widening "governance gaps" resulting from the mismatch between states' national sovereignty and economic globalization, the CSR narrative suggests that companies would recognize that their business prospects are closely linked to the "well-being" of society as a whole. Consequently, it would be in the direct economic interest of the business community to genuinely care for collective interests and societal expectations by jumping on the bandwagon of sustainable development as good "corporate citizens."

This positive view of interdependencies between business organizations and the society in which they operate frames the meaning generally attributed to Corporate Social Responsibility in a very specific way.

First, CSR is understood as a means of promoting and achieving synergies between profitable business and the "well-being of society." For instance, the "triple bottom line" (Elkington 1998) combines financial, social, and environmental performance. Developing markets for the "bottom of the pyramid" (Prahalad 2005) can eradicate poverty and develop profitable business opportunities. Similarly, the idea of "shared value" is about "enhancing the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates" (Porter/Kramer 2011: 66). Though conflicting interests between "stakeholders" are acknowledged, "socially responsible" companies are depicted as being in a position to resolve these conflicts with managerial (apolitical) systems (Freeman/Martin/Parmar 2007; Freeman/Phillips 2002). In this narrative, the political dimension of business is treated as a promising contribution to democracy: thanks to CSR, private companies can act "as citizens, as governments, and as arenas of citizenship" within a deliberative form of democracy (Moon/Crane/Matten 2011: 218). In short, the CSR narrative downplays the relations of interdependence where business opportunities can be exploited at the expense of collective values and interests (see also Arora/Romijn 2012; Jacobsson/Garsten 2012; Karnani 2011; Norman/MacDonald 2004).

Second, and as a consequence, the mainstream CSR narrative suggests that "voluntary" forms of CSR engagement are likely: one cannot imagine that a decision-maker would hesitate about investing in CSR projects which are both profitable and good for society. Consequently, the notion that companies are not doing enough becomes either an issue of "awareness" and "mindset," which requires better management education and awareness-raising initiatives, or a technical, managerial implementation problem. As C. B. Bhattacharya and his colleagues suggest, "[d]espite this widespread belief that CSR can simultaneously improve societal welfare and corporate performance, most companies are largely in the dark when it comes to understanding how their stakeholders think and feel about these programs" (Bhattacharya/Sen/Korschun 2011: i). Improving stakeholder relationships becomes an obvious managerial solution to enlighten the company towards improving the financial as well as societal performance of its CSR portfolio. International organizations, governments, non-profit organizations, media outlets, business schools, and members of academia are all invited to participate and to assist in gently urging companies to make the most out of CSR. Otherwise, according to the narrative, outbursts of civil discontent and ecological crises will engulf business along with society as a whole.

An empirical and analytical approach to Corporate Social Responsibility

Understanding the constitutive properties and outcomes of the CSR phenomenon requires an alternative outlook. A key social fact about business-society relationships offers a point of departure: entrepreneurs and companies provide numerous resources on which modern societies depend to reproduce themselves and prosper (wealth, goods and services, skills, knowledge, etc.) and simultaneously threaten or destroy objects which are also values[3] (incomes, health, life chances and ways of life, democracy, nature, etc.) Acknowledging this two-sided dimension of business-society interdependencies offers a more realistic view of CSR. CSR is not conceived as a horizon of possibilities to align business interests (efficient capital accumulation) with competing or conflicting values, interests, and aspirations. CSR is conceived as a historic and singular phenomenon which is (re)produced and transformed by a vast configuration of actors in response to various problems arising from the two-sided nature of business-society relationships.

From this perspective, the common depiction of CSR as a collaborative movement toward shared objectives of "sustainable development" can be replaced by basic, realistic questions: who is involved, how and why? More precisely, the general belief reified in the mainstream narrative (CSR is about "doing well by doing good") is replaced by the study of the conditions, generative mechanisms, and processes through which the phenomenon of CSR actually emerges and expands. Various actors – mostly organizations – contribute to the production of and mobilize CSR semantics and practices in similar, overlapping, or different ways, in response to shared, overlapping, or distinct problems. Consequently, CSR can be as much about contentious interdependencies involving dominance and conflict as about interdependencies based on mutually beneficial cooperation.

3 The concept of value is used here to refer to the outcome of processes of valuation through which social actors situate objects, behaviors, and options on a given scale, which comprises a positive and a negative side: more money/less money, beautiful/ugly, morally righteous/despicable, etc. (see Aspers/Beckert 2011).

Moreover, the way the actors involved observe these interdependencies is crucial. Each business organization, international organization, public administration, civil-society organization, etc. operates on the basis of a distinct organizational structure. Depending on these structures, organizations are particularly sensitive to given events (e.g., price fluctuations) and blind to others (e.g., disruption of ecosystems; Fuchs 2010; Luhmann 2000; Seidl/Becker 2006).[4] Consequently, the organizations involved in the production of CSR do not behave directly on the basis of specific business-society relationships. Their conduct is based on how they distinguish and make sense of these relationships. Understanding these processes of observation is equally important as examining the visible business-society interdependencies considered by the CSR doxa.

In addition, standard definitions of CSR can be replaced by the analysis of its actual constitutive properties. There are various definitions referred to in the mainstream CSR discourse. For instance, the European Commission stated in 2001 that CSR is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of the European Communities 2001: 6). Ten years later, the European Commission redefined CSR as "the responsibility of enterprises for their impacts on society," without questioning the idea that CSR is *by definition* beneficial for both business and society as a whole (Commission of the European Communities 2011). Despite their tendency to appear in scientific discourse,[5] such definitions are more the outcome of political negotiations than the result of analytical thinking. In framing CSR as a social phenomenon, there is no need to reduce the phenomenon to any doctrinal or common-sense definition. CSR can be described through the analysis of its various forms, its evolutions in time and space, its constitutive properties, and its outcomes.

Therefore, assessing the outcomes of CSR is no longer restricted to the question of whether – or the extent to which – CSR resolves contradictions and promotes synergies between private capital accumulation and the "well-being of society." Nor is it primarily about the financial gains which companies make through CSR activities. The outcomes

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4 To avoid any misunderstanding, the difference between organizational observation and observations performed by the human members of these organizations must be stressed here. Organizations are self-referential social systems which consist of – and operate through – a network of decisions (see also Bakken/Hernes 2003; Brandhoff 2009; Nassehi 2005). Of course, members' thoughts and emotions can affect the decisions which organizations produce, and decisions can, in turn, affect those flows of thoughts and emotions. However, thoughts and emotions of human members and organizational decisions are both environments for one another. Consequently, observations made by organizations are not the same as observations made by their members. Organizations do not observe their environment (and themselves) through thoughts and emotions, but through distinctions which flow in the form of references (e.g., "stock markets have gone down") in communicative decision-making processes.

5 Even scientific contributions which reject the normative overtone of mainstream CSR literature, and which explicitly aim to formulate methodologies for studying CSR, constrain the object of their investigation with contingent a priori definitions which closely resemble popular discourse (e.g., Crouch 2006).

of CSR can be assessed in the light of any difference that the phenomenon generates in society. Evidence suggesting that CSR does not always perform well against its stated objectives should not automatically prompt the conclusion that CSR outcomes are insubstantial, irrelevant, or just talk.[6] As the following sections demonstrate, the CSR phenomenon can make significant differences in business-society relationships outside the narrow scope of objectives presented by international organizations, policy-makers, and PR departments of "socially responsible" companies.

3 The emergence of CSR in India: Pro-business policies, financialization, and the increasing contentiousness of large corporations

In spring 2007, following almost a decade of operations with little or no CSR activities beyond a few scattered projects, the Indian subsidiary of Lafarge suddenly decided to equip its organization with an ambitious CSR program. Lafarge being a multinational group which closely resembles C. Bartlett and S. Ghoshal's (1998) "multi-domestic" type, i.e., a group of loosely integrated national business units, this decision was not primarily about complying with the group's global CSR policies. It was a direct response from Lafarge India to perceived opportunities and threats pertaining to its local environment. As a few indicators suggest, other organizations operating in India behaved similarly in the same period: while the preexisting philanthropic model of corporate engagement in society has increasingly been considered obsolete, a growing number of companies have been mobilizing the global CSR discourse and its related organizational structures and practices (Chakrabarty 2011; Krichewsky 2012; Sundar 2013). What lies behind this rapid rise of CSR in India?

India's new political economy: A challenge to preexisting social compromises between business and society

Lafarge's entry onto the Indian cement market in 1999 and its subsequent expansion[7] are part of a much broader transformation of India's political economy, which is directly connected to the rise of CSR. After several decades characterized by Jawaharlal

6 Not to mention that "talk," or rather the practice of discourse, is itself a major driver of social (including material) change (Foucault 1981).

7 Lafarge had already invested in India in the mid-1990s with a transborder cement plant project involving a limestone mine located in the Indian state of Meghalaya and a cement plant located in Bangladesh. However, this project was accomplished only in 2006. Lafarge's actual establishment in India started with the incorporation of Lafarge India Pvt. Ltd., and the beginning of its production activities following the acquisition of two factories owned by Tata Steel: Sonadih Cement Plant (Chhattisgarh) and Jojobera Cement Plant (Jharkhand). In 2001, Lafarge India

Nehru and Indira Gandhi's interventionist development strategies, the 1980s witnessed the beginning of a gradual but decisive shift towards a new development paradigm based on private sector-led economic growth and the integration of the Indian economy into global capitalism. This shift corroded preexisting forms of social compromise,[8] and confronted large companies with new challenges that CSR promises to address. While providing a comprehensive picture of this paradigmatic shift and its impact on business-society relationships in India goes well beyond the scope of the present paper, a number of relevant aspects can be mentioned.

During the course of several phases of economic reform, certain key institutional structures of the state-led model of development were dismantled. The system of production licenses, permits, and quotas was eliminated, and price controls on products such as cement and metals were lifted. While public sector enterprises had become dominant in numerous key economic sectors as a result of state-led industrialization, policies were adopted from 1980 onwards to encourage private investment in most of the industries which had previously been reserved for public investment (defense, steel, mining, power, telecommunications, etc.). With regard to India's integration into the global economy in addition to the end of its import substitution policy, the government liberalized India's financial markets to a great extent and lifted the majority of restrictions on foreign institutional investors. While caps on foreign ownership and control were removed with only a few exceptions, measures were adopted to encourage incoming foreign direct investment (FDI). In a context of rapid economic growth (8.3 percent annual GDP growth in 2003–2010), incoming and outgoing FDI skyrocketed from 3.5 and 0.5 billion USD in 2000 to 42.5 and 19.3 billion USD in 2008, respectively.

Apart from dismantling public controls over market transactions, India's new political economy also significantly restructured state-business relationships. During the interventionist era, the state had been using a whole arsenal of policy instruments to subsume companies under politically defined development objectives. Though companies could influence this framework in several ways (Kochanek 1974), they were forced to constantly take instructions from the state into account – either by complying with these instructions, by circumventing the rules, or by neutralizing them with the help of illicit transactions. Since the 1980s, the state has shifted to a pro-business development strategy, i.e., to policies which focus on raising the profitability and business prospects of established companies by creating an "investor-friendly" institutional and sociopo-

strengthened its position with the acquisition of the Arasmeta cement plant from Raymond Cement, also located in Chhattisgarh. Over the course of the 2000s, in addition to the installation of a second production line in Sonadih, Lafarge India invested in several new cement plants: Mejia (West-Bengal) and Jaintia Hills (Meghalaya) in 2002, Tattapani (Himachal Pradesh) in 2006, Nimbahera (Rajasthan) in 2007, and Ravoor (Karnataka) in 2009.

8 Developed by the French Regulation School, the idea of a social compromise can be defined as a more or less formal, more or less stable, more or less institutionalized system which balances conflicting social interests and aspirations within a given capitalist regime, and which holds as long as it is deemed legitimate by the participants.

litical environment (Kohli 2009; Rodrik/Subramanian 2005). In the name of "development," public authorities at the national level and with increasing importance at the regional state level (Kennedy/Robin/Zamuner 2013; Sinha 2004) strive to promote the interests of private business organizations. The Special Economic Zone policy of 2005 is a case in point, with the state providing optimal conditions for business ventures (Jenkins/Kennedy/Mukhopadhyay 2014). More generally, to the extent that it is politically feasible, the national and regional governments are busy removing investment bottlenecks related for instance to industrial relations, land acquisition, infrastructure and utilities, or environmental protection, in order to support autonomous dynamics of private capital accumulation in the framework of a dominant "state-business alliance" for economic growth (Gupta/Sivaramakrishnan 2011; Kennedy 2014; Kohli 2012; Krichewsky 2012; Sud 2009).

Overall, India's new political economy has yielded impressive results in terms of GDP growth, and despite a recent economic slowdown, millions of households have been lifted out of poverty. According to the World Bank's figures, the share of India's population living on less than 1.25 USD per day (in purchasing power parity) fell from 60 percent in 1981 to 33 percent in 2010. However, such a figure does not substantiate *per se* the depiction of large private companies as efficient engines of social (sustainable) development. While relationships between the business activities of large companies and socio-economic as well as environmental dynamics are highly complex, a few indicators suggest a mixed picture. In terms of employment in the manufacturing sector, jobs created by investment in new production capacity have barely compensated for the effects of downsizing – hence the qualification "jobless growth" (Sen/Dasgupta 2009). Highly qualified employees such as engineers and managers do benefit from the country's economic rise, as firms increase wages in order to retain sparse talent. Conversely, despite a rise in productivity, real wages in the manufacturing sector have almost stagnated since the economic reforms (Banerjee 2005), and the pursuit for flexibility has resulted in a significant increase in the use of contract workers (Roy 2008; Sen/Dasgupta 2009). In short, against the backdrop of a weakening of independent trade unions and *de facto* flexibilization of labor regulation (Krichewsky 2012; Thakur 2008), the productivity gains underlying India's economic growth have, to a significant extent, been achieved at the expense of labor. This has contributed to the sharp post-reform increase in income inequality (Sarkar/Mehta 2010). With regard to the environment, policy-makers' focus on business expansion tends to push ecological concerns into the background. Despite the use of more environmentally-friendly technologies and some improvements with regard to basic environmental regulation, the growth of economic activities exerts increasing pressure on ecosystems and natural resources, while, at the same time, exacerbating problems such as toxic waste or greenhouse gas emissions (Krichewsky 2012).

As a result, large companies have emerged as a prominent target for new protest movements. The Bhopal gas leak of 1984 was a wake-up call in this regard (Eckerman 2005). Since then, networks of civil society organizations opposing large companies and advocating for stringent business regulation have gathered steam. International media coverage turned some protest cases into symbols of the clashes between "India Inc." and protest movements: the enduring protest against Dow Chemical with regard to the Bhopal gas leak, Tata Motors' exit from Singur (West Bengal) in 2008 after violent protests related to land acquisition, and opposition to Vedanta's mining project in the Niyamgiri hills are some of these high-profile cases. However, the scope of the phenomenon is much larger (Nigam 2010). Beside the local impact, for instance in the form of delays and the high cost of adjustments incurred by investors as a result of public interest litigations,[9] social mobilizations fuel a counter-narrative to the pro-business development paradigm: India's policies and the expansion of its business activities are denounced as a predatory form of capitalism increasing the wealth of the country's elite at the expense of low-skilled workers, expropriated farmers, tribal communities, and nature conservation (Drèze/Sen 2013; Krichewsky 2011).

The rapid expansion of CSR in India has emerged as a logical consequence of these dynamics. As the balance between the public benefits and costs of private industrial operations is increasingly being contested, companies have an obvious interest in convincing the public that their business is about doing good just as much as it is about doing well. Recent policies adopted by the Indian government to encourage – and latterly to oblige – private companies to engage in CSR follow this trend. In a democratic regime characterized by the political upsurge of socio-economically disadvantaged social groups (Jaffrelot 2003), the architects and advocates of India's pro-business development policies have a direct interest in increasing the social acceptability of companies, since the legitimacy of their policies becomes tied to the legitimacy of business expansion. The widespread skepticism expressed by many Indian activists and civil society organizations regarding the virtues of CSR is another indication that CSR emanates primarily not from the actors who wish to contain profit-oriented activities in the name of various collective interests, but from those who, in one way or another, depend on the success of business expansion. While Indian NGOs promoting CSR such as the TERI-Business Council for Sustainable Development, Partners in Change, or Business & Community Foundation draw resources from the provision of training and consultancy services for corporate "partners" (clients), civil society organizations which denounce the "social irresponsibility" of large businesses are highly critical of CSR. To quote a member of the Centre for Science and Environment in New Delhi:

> Frankly speaking, if you ask me, I am very skeptical about the entire CSR agenda. I see it as a publicity gimmick to make the company acceptable to the public eye, to improve the public image. And therefore, only very little serious CSR work happens. They will have glossy reports, press conferences, and press releases. Small things … But I think the biggest CSR would be that they pay their taxes very honestly.

9 Public Interest Litigations are a legal vehicle which allows third parties to file cases in the name of a public interest in a State High Court or directly in the Supreme Court. This procedure is often used by activists to oppose industrial projects on the ground of their foreseeable social and/or environmental impacts.

Examining these general dynamics helps to situate the emergence of CSR in India in relation to recent transformations of the country's political economy and business-society relationships. However, more detailed analysis is required to account for the decision of companies such as Lafarge India to introduce CSR components into their organizational structures and operations.

From financialization to first-order observation

On the surface, Lafarge India might be considered a foreign company operating in India. However, the company is, in fact, an integral part of India's increasingly globalized corporate capitalism, and it makes a direct contribution to the transformation of India's business-society relationships. More precisely, Lafarge India contributes to a global movement of financialization, whereby companies are increasingly focused on financial performance objectives.[10] In the case of Lafarge India, part of this financialization process is played out in the group's Parisian headquarters. While small shareholding dropped from 40 percent of capital in 1989 to 10.2 percent at the end of 2008, 89.6 percent of Lafarge was in the hands of institutional investors at the end of 2008. This dominant position enables institutional investors to exert significant influence over Lafarge's governance (Collomb/Soupre 2003; Djelic/Zarlowski 2005). As illustrated by the strategic plan "Excellence 2008,"[11] financial targets have become Lafarge's guiding star, and all business units have been mobilized to contribute to the achievement of these targets – including, of course, Lafarge India.

This process of financialization had direct consequences on the way Lafarge India observed its environment. By focusing the organization's decision-making processes on financial performance objectives, for instance by setting strategic priorities, introducing incentive systems, or promoting a performance-oriented corporate culture, financialization limited the sensitivity of Lafarge India towards its environment. To paraphrase G. Bateson's definition of information,[12] while differences which made an obvious dif-

10 Financialization broadly refers to "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies" (Epstein 2005: 3). The tightening of the coupling between corporate behaviors and financial performance targets is an integral part of this phenomenon.

11 In 2006, crippled by heavy debts resulting from its expansionist strategy, Lafarge presented its plan "Excellence 2008." Key elements of this plan were the commitment to a business culture centered on results, a program that aimed to reduce production costs by 400 million euros between 2006 and 2008, an increase in the cash flow by 1.5 billion euros over the same period, and a target of 10 percent average growth of the share values in 2008, against 8.5 percent in 2005. Lafarge's results over the period outperformed these targets, and a similar plan was adopted for the period 2009–2011.

12 As opposed to noise, which consists of differences (variations) that do not make any sense for the observer, information is defined as "differences that make a difference" for the observing system (Bateson 1979: 99).

ference for the achievement of financial targets were observed, i.e., distinguished as information and factored into Lafarge India's decision-making processes, the organization was somewhat indifferent to differences which seemed to make no difference in terms of financial results. The Sonadih and the Arasmeta cement plants, which Lafarge India acquired from Tata Steel in 1999 and from Raymond Cement in 2001, respectively, provide good opportunities to observe this high degree of selectivity.

In Sonadih, for instance, Tata Steel previously maintained rather peaceful relationships with its workers by providing above average employment conditions for its permanent employees, while allowing a progressive integration of contract workers into the permanent workforce. Thanks to the implementation of numerous community development projects by a local team of the Tata Steel Rural Development Society (TSRDS), which comprised 14 social workers and had comfortable budgetary means,[13] the company also maintained good relationships with neighboring villagers and local political authorities. As for Arasmeta, Raymond Cement provided technical training and employment to hundreds of villagers whose families had lost land to enable the factory to be set up. It also provided several benefits to neighboring villagers such as cattle and a dairy farm, or a mobile dispensary. A 90-day strike in 1993 which was supported by the villagers demonstrates that Raymond Cement's relationships with its workforce and neighbors were not always peaceful. However, this event led to the renegotiation of a local "social compromise" in favor of the workers and the villagers.

In the years following the acquisition of the two plants, Lafarge India made considerable effort to improve their productivity. Non-replacement of workers and the use of voluntary retirement schemes often described as "forceful" by their beneficiaries enabled Lafarge India to reduce its permanent workforce from about 1,500 to about 400 employees in Arasmeta, and from about 800 to about 380 in Sonadih. Conversely, the share of contract workers increased as Lafarge India outsourced non-strategic tasks to subcontractors and replaced some of the retrenched permanent workers with more flexible contract workers. Notwithstanding the *de facto* increase in job insecurity and productivity requirements, permanent workers have benefited from the new strategy in terms of wages and working conditions – particularly safety. On the other hand, relations between Lafarge India and their contract workers have deteriorated. The company has refused to negotiate with the union leaders representing contract workers and, according to several workers and union representatives, collective protests have sometimes led to the termination of employment relations. In the labor court, Lafarge India refuses to acknowledge any liability for contract staff working in its plants and designates "middle men" who supply this flexible workforce as the sole liable employers.

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13 "In Tata Steel, there was no boundary to spend money. For everything, money was there. TSRDS was raising money from outside, like NGOs, international funding agencies, government, foundations … like the Ford Foundation, DFID [Department for International Development], etc." (former member of the local team of TSRDS).

From the point of view of relationships with neighboring village communities, before Lafarge India introduced its new CSR strategy in 2007–2008, it had drastically cut-back on its social welfare activities after acquiring the two plants. In Sonadih, the local co-ordinator of TSRDS kept his job but lost his team and most of his budgetary resources. In Arasmeta, Lafarge discontinued almost all social initiatives. Demonstrations and letters of complaint sent by the village leaders to public authorities were either ignored or quashed. For instance, Lafarge India filed a First Information Report at the local police station to complain about villagers who were disrupting the flow of trucks in and out of the factory by demonstrating on the access road.

While weak stakeholders were in the company's blind spot (in the sense of von Foerster 1984), those with enough leverage to affect the company's business prospects were acknowledged and taken into account. For instance, a local manager explained that Lafarge India planted trees along the edges of a 25-km stretch of road as a contribution to the initiative "Green Chhattisgarh," not out of concern for the environment, but because it was a request emanating directly from the Chief Minister of Chhattisgarh. Similarly, Lafarge India provided employment or supplier contracts to local political leaders or their family members and funded a new building for the police station located 30 km away in the district capital Janjgir.[14]

The case of Lafarge India shows how financialization tends to reduce an organization's capacity of observation to a mode characterized as first-order observation. In short, as a first-order observer, the organization distinguishes and processes information by taking its own point of view as a given, as a universal point of reference. It barely acknowledges that it is observed by other observers who see the world from a different perspective. In the specific case of Lafarge India, a cost-benefit calculation was taken as the universal point of reference and the expectations of other observers (e.g., political parties, civil society organizations, trade unions, etc.) were ignored as long they did not appear to be directly relevant in terms of additional gains or costs.

First-order observation and reactive CSR: A deficient response to dangers

Lafarge India's tendency to operate through first-order observation exposed the company to unexpected conflicts. Because the organization operated with little sensitivity to the interests and aspirations of weak stakeholders, frustration and discontent accumulated. Unlike Lafarge India, other social systems observing business-society relationships from different perspectives proved sensitive to such local resentment. For instance, for *Chhatisgarh Mukti Morcha,*[15] a radical political and trade-union organization which

14 Such practices are not specific to Lafarge India but widespread and quasi-institutionalized – in the sense of being stable shared expectations – in the Indian context.

15 In English: Chhattisgarh Liberation Front.

is described as "dangerous" by Lafarge India's local managers, the contract workers' discontent was observed as a good opportunity to gain new members and fight against corporate "imperialism" (e.g. Bharadwaj 2009). As a result, *Chhattisgarh Mukti Morcha* started employing various strategies to mobilize Lafarge India's workers along with the farmers affected by its operations. Similarly, a new political actor running for the 2008 State Legislative Assembly elections in the constituency where the Arasmeta cement plant is located recognized the villagers' unhappiness as a political opportunity. While the sitting Member of the Legislative Assembly was described by villagers and local political actors as close to Lafarge India, his challenger decided to target the company in his electoral campaign. In collaboration with Tribal Welfare Society, a civil-society organization connected to international activist networks, the candidate organized a large public meeting and conducted several field visits to agitate the villagers against Lafarge India. At the same time, the Tribal Welfare Society's local leader sent several official letters to public authorities to denounce Lafarge's "dictatorial attitude," and supported attempts to launch an international campaign against the cement manufacturer.

Notwithstanding variations related to local contingencies, comparable dynamics can be observed elsewhere. For instance, during the same period, Lafarge India faced growing protest movements in Meghalaya, where its plant and mining projects created resentment among affected tribal communities. Networks of activists and civil society organizations held local protests and filed several Public Interest Litigations at the High Court. Consequently, the environmental clearance for Lafarge India's project in the East Khasi Hills was challenged up to the Supreme Court, resulting in costly delays and adjustments for the company, as well as embarrassing media reports.[16] There are numerous other examples of mobilization and protests across and outside India's cement industry, with immediate consequences ranging from local demonstrations and legal proceedings to violent conflict including beatings, falsified criminal cases, and in extreme cases, the murder of protesters, activists, and managers (e.g. Dash/Samal 2008; Miklian 2009).

Once social discontent becomes actual protest, companies operating through first-order observation are no longer insensitive to the actual and potential costs involved. Beyond the direct consequences of being targeted by social and political movements, these mobilizations also constitute a threat to the pro-business political climate. More precisely, in democratic regimes, mobilization against one company or the other is likely to be reported by mass media, which policy-makers consider a reflection of public opinion and to which they react (Luhmann 2002). Despite the pro-business ideological orientation of India's policy-makers (Chopra 2003; Kohli 2012) and the clout of business lobbies (Kochanek 1996; Mazumdar 2008), mobilization against the "social irresponsibility" of large companies that is covered by the media increases the likelihood of new binding, and possibly also costly, regulation being introduced. Moreover, the deterioration of relationships between companies and their local stakeholders provides civil society organizations with increasing opportunities to oppose companies by filing Public Interest

16 See for instance Mitra (2007) and Caramel (2007).

Litigations. Since India operates under a system of common law, decisions made by the Supreme Court can strengthen the legal constraints that apply to business operations (Bon 2009; Sahu 2008; Verma 2004).

Because first-order observation makes organizations see their environment as a given, it does not provide them with a clear understanding of the relationship between the rising contentiousness of their activities and their own internal operations (see also: Holmström 2010). Social protests and political regulations with cost implications are perceived as a *danger*, i.e., the possibility of future losses which is attributed by the observing system to events originating in its environment for which it is not responsible (Luhmann 1993). The greater this danger appears to be, the more companies become worried and are likely to react, i.e., by investing resources in identifying the root of the problem and developing possible solutions. The Lafarge case suggests that this mechanism led, or at least significantly contributed to, the rapid rise of CSR in India over the past decade.

In 2007, at a time when its two cement plant projects in Meghalaya were facing stiff opposition, when there were increasing tensions in Chhattisgarh, and when the violent conflicts around Tata Motor's plant project in Singur were in the public eye, Lafarge India's growing investments seemed increasingly exposed, and the way in which Lafarge India had responded to this threat seemed increasingly inadequate. Against this backdrop, Lafarge India's top management in Mumbai decided to recruit a new Senior Vice-President for Corporate Affairs, charged with assessing the problem and finding better ways of addressing it. The new manager quickly confirmed the diagnosis: existing CSR initiatives such as the restoration of a few hand pumps in villages neighboring the plants were inappropriate responses, which were mainly reactive concessions to pressures from local political actors. The decision was taken to revamp and significantly upgrade Lafarge India's CSR policies, programs, and activities.

4 From first-order to second-order observation: Corporate Social Responsibility and the transformation of dangers into manageable risks

Second-order observation and the transformation of dangers into risks

Toward the fall of 2007, the Senior VP in charge of Corporate Affairs organized meetings with different CSR experts such as the CSR branch of the Federation of Indian Chambers of Commerce and Industries (FICCI) and Partners in Change (PiC). Beside the fact that promoting CSR is at the heart of their mandate, these CSR experts depend on collaboration with companies to gain access to the financial and reputational resources they need in order to operate and grow. During a first meeting with executives from Lafarge India, PiC promoted the strategic virtues of CSR using many common arguments of the CSR *doxa*: CSR facilitates the acquisition of certifications such as ISO 14001, it preserves the reputational value of the company, it reinforces the commitment of employees to their employer, it helps the company preserve the "social license to operate" by improving relationships with "stakeholders," etc. Convinced by these arguments, Lafarge India decided to collaborate with PiC in designing a comprehensive national CSR policy. In contrast to the previous scattered projects, this policy was expected to be systematic, effective, and efficient. The cement plant project in Tattapani (Himachal Pradesh) was selected as a "laboratory" to design and test the local features of the new CSR policy before scaling it up to the national level.[17]

In close collaboration with the CSR manager of the plant project, who had been appointed in 2007, a PiC team carried out a stakeholder mapping as well as a needs assessment survey to gather data on the socio-economic conditions in the village communities affected by the project. These studies enabled Lafarge India to gather valuable information about the chances of social and political opposition against the plant project. For instance, in 2007, the councils of ten villages located on or at the periphery of the mining concession created the *Paryavaran Bachao Sangharsh Samiti* (PBSS)[18] to jointly oppose Lafarge's plant project. Their first step was to send a letter of complaint to the Prime Minister in New Delhi whose office responded by asking the Public Complaints Redressal Department of Himachal Pradesh to investigate the matter. Meanwhile, the oracle of the temple of *Deo Badeyogi*, which was located within the mining concession and had to be relocated, declared that the cement plant project should not be allowed in the area. The protest movement gathered strength: nine local associations (youth clubs, women's clubs, etc.) joined the PBSS to form a Joint Action Committee, which developed ties with national anti-corporate activists and helped to challenge the legal validity of the project's environmental clearance. The studies carried out by PiC enabled Lafarge India to identify some key underlying dynamics of the movement: those communities which had mobilized against the project were also those which earned the most revenue from the cultivation of the land to be acquired for the project and which had least chance of benefitting from potential employment opportunities provided by the plant due to the distance separating their villages from the plant.

Once the findings of these studies were presented to the Senior VP in charge of Corporate Affairs and the team of the Tattapani plant project, the local CSR manager used the information to further develop the project's CSR components. His mission was not to get the organization to adhere to principles of "sustainable development" and "social responsibility." The CSR manager, for example, had little influence over the technical choices made in the project despite the possible environmental impact of these choices on neighboring communities. His mission was almost exclusively centered on the man-

17 This cement plant project, which was launched in 2006, involved an estimated investment of around 300 million euros. It comprises a large cement plant connected by an 8 km long conveyor belt to a limestone mining concession of about 800 ha.

18 In English: Committee to Save the Environment.

agement of Lafarge India's contributions to local development and the use of these contributions to establish good relationships with villagers and local political authorities. As Lafarge India had already experienced in its projects in Meghalaya and was starting to experience in the Tattapani project, the quality of these relationships was a significant risk factor. Consequently, the challenge for Lafarge India was to identify such risks so as to be able to address them proactively with dedicated resources.

The daily presence of a CSR manager in the Tattapani team was a key feature in this regard. Thanks to his training as a social worker and his previous experience in community development, the CSR manager had the relevant skills to develop good relations with members of the village communities and the local elected representatives. Meetings with these actors provided opportunities for him to collect valuable information about their perspectives and mindsets, their apprehensions and expectations towards the project. Lafarge India then incorporated this information in its organizational decision-making processes so that relevant differences could be observed (distinguished) and taken into account. This activity involved more than just the conveyance of information. To be meaningful for the organization, differences about the (e.g. enthusiastic, passive, worried, agitated) state of "stakeholders" needed to be translated into managerial issues, i.e., into strategic information which make a difference to the organization and its decisions. Here the utility, and consequently the internal legitimacy, of CSR within the organization was at stake:

> If I develop a project, the first and most important challenge is to convince the people above me that it is rational, that it is need-based. So first, as an in-charge of CSR here, I must be able to think rationally, positively, so I should not end up in an embarrassment, that I have not been able to convince the people. … If everybody is oriented towards CSR, half of my job is done.
> (A plant-level CSR manager)

To facilitate this process of translation, the CSR manager used formalized management tools such as the "balanced scorecard."[19] Thanks to a systematic process, these tools enabled the production of strategic information which highlighted the expectations of "stakeholders," the implications of these expectations for Lafarge India (problems, opportunities), the methods and practices which could be employed to address the related managerial issues (goals, strategies, planning, monitoring), as well as the insights which could be gained from past experience (organizational learning).

Ultimately, incorporating CSR into the organizational structures and operations of Lafarge India transformed the organization's relationship with its environment: an improved CSR structure provided Lafarge India with new capacities of second-order observation. Unlike first-order observation, second-order observation consists of the

19 Balanced scorecards are a target-based performance assessment tool combining financial and non-financial indicators. Popularized in the early 1990s by Robert S. Kaplan and David P. Norton, balanced scorecards are used to forecast or assess the economic, social, and environmental performances of operations such as new projects.

observation of observing systems – including the observer itself – by a given observer. Through the observation of observation, the observer (e.g., the company) realizes that other observing systems (the political system, mass media, civil-society organizations, etc.) have different outlooks, that its own viewpoint is contingent, and that it is observed by other systems from different perspectives. Consequently, second-order observation increases the ability of the organization to grasp the way its own operations are observed by other systems located in its environment. Using N. Luhmann's categories, this can be described as a shift from reflexivity (first-order observation) to reflection (second-order observation). The transformation it entails is summed up by S. Holmström as follows:

> the organizational system sees itself as if from outside and re-enters the distinction between system and environment within the system. … So, where the reflexive organization is inattentive to the broader context and consequently to the unintended, however often far reaching side-effects involved in its decisions, reflection enables the organization to understand itself in a larger interdependent societal context and to develop self-restrictions out of consideration for its environment in order to secure its own independence and self-referential development (autopoiesis) in the long term. (Holmström 2010: 138)

Finance-focused organizational structures and processes led Lafarge India to perceive itself as being confronted by growing external dangers. By reintroducing second-order observation, the new CSR-related organizational structures transformed these dangers into risks. The distinction is important: while an observer locates the sources of a danger in its environment, it attributes risks to its own operations (Luhmann 1993). More precisely, one decides to expose oneself to risks, i.e., to the perceived relationship between probable gains and losses linked to alternative courses of (in)action (e.g., investing or not in Himachal Pradesh). Once a course of action has been selected, opportunities to control risks emerge, which aim the development of anticipated gains and the reduction of possible damages (Padioleau 2000). Once CSR-related organizational structures are in place enabling the company to observe how its operations are observed by other actors and systems, the company can factor these insights into its risk calculations and respond in a way it deems appropriate. This organizational transformation constitutes a first outcome of CSR as a phenomenon of second-order observation.

Second-order CSR in practice: A strategic response to risks

A second CSR outcome consists of the activities conducted by companies to address these risks, and the (un)intended consequences of these activities both for business and society. As a result of second-order observation, CSR activities are transformed from reactive responses to external pressures to proactive strategic responses to risks.

The first consequence for the company is that it requires more control over its CSR activities. In Himachal Pradesh, for instance, a policy obliges industrial investors to pay the equivalent of 1.5 percent of their capital expenditure to the Local Area Development Authority which uses these funds to finance local development projects. To retain control over the allocation of its contribution to local development, Lafarge India asked the Government of Himachal Pradesh to consider its future CSR activities as a substitute for this mandatory contribution. Lafarge India also used the needs assessment survey carried out by PiC to prevent political actors from dictating how its CSR budget should be spent by citing "scientific" allocation criteria. Thanks to this autonomy, CSR activities could be conducted primarily according to calculated risks. In Tattapani, for instance, 14 medical camps were organized between May and December 2008 in sensitive areas affected by the plant project. Such camps were visible, easy to organize, and quite cheap (about 120 euros per camp). Lafarge India expected these projects to facilitate the tedious and risky process of land acquisition by convincing the villagers that it does not only care about its own business, but also about their well-being. Similar changes were observed in Sonadih and Arasmeta, for instance with the creation of internal CSR committees to appraise the demands made by external stakeholders and make decisions regarding the allocation of funds. As in other plants or plant projects, CSR activities became increasingly important. The new CSR strategy led to a progressive increase in the financial resources allocated to CSR activities each year, from 2 million rupees (about 30,000 euros) per plant in 2009 to double that in 2011.[20] CSR activities also became more strategic: "We have to look after the economic costs of CSR for Laf arge, and the social performance and benefits of our activities for Lafarge" (An executive addressing the plant-level CSR managers).

A second consequence is that companies performing second-order observation have to deal with higher complexity, and consequently also more risks. From a system-theoretical perspective, complexity refers to the possibilities of variation of a given system, i.e., the possibilities of selectively connecting different elements of the system to one another (Luhmann 1989, 1995). By developing CSR structures in order to absorb the uncertainty of their environment in an attempt to transform threatening uncertainties into controllable risks, companies increase their internal complexity. For instance, Lafarge India developed new CSR components for the Tattapani project. By introducing new distinctions in the organization about its environment, these components increased the type and scope of decisions to be taken. Once the company had observed that some villagers might create trouble by convincing resourceful activists to mobilize against the project, the company was faced by various options that required decisions: Should something be done? If yes, what are the options to be considered? Are the existing CSR structures adequate to identify and address risks, or should they be further developed to prevent oversight of important differences by the organization? For a company, pos-

20 According to a CSR manager, such budgets are enough to fund small projects such as medical camps, or the construction of minor infrastructures, but they are not enough to have structural effects on the living conditions of the surrounding village communities.

sibilities of identifying risks related to business-society interdependencies are limited by the observer's own capacity of observation. Consequently, the more a company increases its capacity to manage risks, the more it generates observed risks to be managed. As a consequence, to avoid overburdening the organization's processing abilities with too much relevant information, CSR-related structures have to somehow reduce this self-generated uncertainty.[21]

Implementing established forms of CSR is one of the strategies employed by Lafarge India to reduce uncertainty. In addition to benchmarking, which enabled Lafarge India to emulate forms of CSR considered legitimate in its organizational field (DiMaggio/Powell 1983), the company benefited from the previous experience of its CSR staff accumulated in other Indian cement manufacturers, as well as from standard advice provided by CSR experts.

Another strategy for absorbing uncertainty is to contain risk-relevant external expectations in dedicated structures within the organization, rather than letting these expectations flow freely into the entire organization. The fact that the CSR manager in Tattapani had little say over technological choices is not a coincidence. While the organization needed to be kept informed about the mindset of relevant "stakeholders" with regard to pollution, these considerations were not supposed to drive core business strategies. Similarly, high expectations of neighboring villagers regarding job creation also had to be taken into consideration, but they were not supposed to drive the company's human resources policy. Instead, they could be addressed and contained by a dedicated structure: a newly created Lafarge India foundation called NIDHEE,[22] established to coordinate Lafarge India's new CSR policies and programs, launched a training program dedicated to young people living near the cement plants.

Finally, in the field of corporate communication, using the semantics of "social responsibility" and "corporate citizenship" can help companies address a vast, fuzzy, and uncertain array of expectations with localized and specific activities. Which social expectations should be addressed to ensure efficient risk management? Where do these expectations start, and where do they end? How can they be hierarchized or prioritized? While second-order observation helps companies reflect on these open-ended questions, executives and managers can easily feel overwhelmed by the scale and complexity of the issues that potentially need to be addressed. The semantics of "social responsibility" and "corporate citizenship" offer a practical solution to this concern. By using CSR activities to substantiate claims related to essential qualities (*being* a responsible

21 A similar idea is developed by J. Beckert (2010). However, Beckert emphasizes the risks of overload and "effect-explosion" in society, which appear when society expects its business organizations to behave responsibly by integrating non-economic parameters into their operations. The present analysis emphasizes the risks of overload and "effect explosion" in business organizations.

22 National Initiative for Dwellings, Health, Education and Employability. In Hindi, *nidhee* means "community wealth."

corporation, *being* a good citizen, etc.) these semantics transform localized and specific activities into all-encompassing symbols describing the company's overall relationship with society:

> Lafarge India through its foundation NIDHEE has been able to give back to the communities in which we operate. Quoting from Lafarge's Principles of Action: "Wherever present we operate with the utmost respect for the common interest of present and future generations; we act as responsible members of our communities by contributing to the development of people, their health, rights and well-being by generating economic growth and supporting social, educational and cultural advancement." (Lafarge India CSR Report 2010: 2–4)

5 Conclusion

The multi-scalar empirical analysis of the CSR phenomenon in India as a source of second-order observation contributes to three areas of inquiry.

First, the analysis underlines the relationship between the expansion of the CSR phenomenon and the neoliberal trend of national and international political economies. Various authors argue that CSR is being produced by networks of business organizations, governments, international organizations, and NGOs to legitimize rather than to counterbalance neoliberalism (Fleming/Jones 2013; Hanlon 2011; Kinderman 2012; Vallentin/Murillo 2012). The case of Lafarge India further develops this line of argumentation, which often focuses on the ideological and discursive relationship between CSR and neoliberalism, by identifying a powerful underlying generative mechanism. We show how the softening of policies and institutions which regulate private business and the increasing focus of corporate governance on pure financial performance reduce the organizational sensitivity of large companies towards the non-economic dimensions of their relationship with their environment. The case of Lafarge India shows how this conjuncture of operational autonomy and first-order observation is prone to conflict, which in India takes the form of a growing anti-corporate protest movement and legal actions. As a result of companies acknowledging the actual and potential costs of these emerging sociopolitical constraints, they identify a problem that requires a managerial response. CSR, which is actively promoted by business associations, governments, international organizations, and an entire "CSR industry" (Acquier/Aggeri 2007), becomes a visible opportunity and resource for addressing such risks.

Secondly, rather than debating the (lack of) "performances" of CSR vis-à-vis its stated objectives, the analysis explores how the introduction of CSR-related structures and activities in business organizations contributes to a change in business-society relationships. CSR is not a movement involving business organizations which simply reintroduces concerns for collective interests in their operations. Nor can CSR be reduced to the discursive production of "window dressing." As the case of Lafarge India shows, CSR develops the ability of companies to translate threatening sociopolitical uncertainties into parameters of economic risks. While risks are often equated with dangers, the probability of which can be calculated, N. Luhmann's concept of risks as the relationship between probable gains and probable losses linked to alternative courses of action provides a useful analytical distinction. In short, CSR-related structures increase a company's ability to observe how it is observed by its environment and to consider the probable economic implications of these mutual observations in the strategic management of its profit-oriented conduct. CSR-related activities are proactively implemented by companies in response to these risks. In other words, the primacy of profit-oriented calculations filters how companies observe and respond to expectations of "social responsibility." Further, an in-built mechanism contributes to the expansion of the CSR phenomenon. While the development of CSR-related structures and activities within large companies is often depicted as a consequence of increasing societal expectations (e.g. Soule 2009), the case of Lafarge India shows that these organizational structures generate increasing expectations to be taken into account in the form of managerial issues of social responsibility.

Thirdly, the study of CSR in India highlights the relevance of a system-theoretical framework for analyzing the CSR phenomenon. Additional detailed empirical studies could develop this line of research. For instance, studying how CSR-enabled second-order observation and risk management enhances the political agility of large companies may contribute to a new understanding of their involvement as profit-oriented political actors in the design and implementation of national and global governance settings (Scherer/Palazzo 2011; Utting/Marques 2010; Wilks 2013). In addition, studying how CSR influences the way political systems observe and regulate business organizations might provide new insights into the increasing number of national and supranational CSR-related public policies (Albareda/Lozano/Tencati/Midttun/Perrini 2008; Kinderman 2013; Vallentin/Murillo 2012). Along with other CSR-related institutions (standards, compacts, codes of conduct, labels, etc.) these policies contribute to "post-political" systems of business regulation, which tend to obfuscate conflicts and alternatives with an ideology of consensual "win-win" partnerships (Jacobsson/Garsten 2012). These post-political regulatory systems, which usually involve a large number of public and private actors, can be conceived and studied as concrete "schemas of observation" which "structure the mutual observations of the actors involved" (Seidl 2007: 707), and in so doing, modify the conditions of production of business regulation while simultaneously being an integral part of these regulations. Beyond regulation and governance, the global diffusion of the semantic fields of "social responsibility" and "corporate citizenship" in social systems deserves further attention. Effects of such semantics could be far-reaching, as, according to D. Rajak, the discourse of CSR and its claims to moral purpose "serve to authenticate and extend the authority of corporations, not only over the economic but over the social and political order, as transnational corporations are elevated as both agents and architects of development" (Rajak 2011: 231).

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