

Susanne Holmström:

# The Evolution of A Reflective Paradigm: Public Relations Reconstructed As Part of Society's Evolutionary Learning Processes

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**Abstract:**

During the 20<sup>th</sup> century, the increasing strain from the processes of modernisation has led to a challenge to the business community to take on a broader social responsibility than traditional considerations of law and economics. We now see the business community involved in an increasing number of apparently extra-economic corporate considerations. This development is analysed as learning processes as part of society's self-maintaining dynamics. Society adjusts itself through evolution of changing forms of social coordination. This has led to a polycontextural form of regulation, which supplements or replaces conventional legislation. The consequence is increased intensity and complexity in the relations between organisations and their environments. Therefore, to increase insight in the social processes behind the conditions and transformations of the corporate practice of public relations, a research paradigm is suggested which focuses on the supra-individual, self-organising, evolutionary social processes. The changing understanding of the role and responsibility of business during the latter half of 20<sup>th</sup> century indicates an evolution in which three interrelated social dynamics can be identified. *First*, the conflict between independence and interdependence between society's differentiated functional fields as the mainspring of transformations. *Second*, the polycentrical and polycontextural patterns of societal adjustments. *Third*, the strain on organisations where society's turbulences strike, leading to new routines in a neo-conventional business paradigm. This evolution is analysed as a particular process split into successive stages each having their public relations practice, from a *conventional* to a *counter-active* over a *reflective* to a *good practice* and finally a *neo-conventional* phase.

At first sight, this paper deals with corporate social responsibility. This is not all wrong. My point is, however, that corporate social responsibility is about something more: about the way society endeavours to secure its own continuation. By adjusting the boundaries for right and wrong, relevant and irrelevant. By adjusting boundaries of responsibility. The subject of analysis is how these adjustments seem to change their character, and how these boundaries seem to move particularly during the latter half of the 20<sup>th</sup> century. This evolution leads to increased intensity and complexity in corporate relations, and consequently to growing importance for corporate communication, for public relations. And consequently, these evolutionary processes are essential to understanding public relations and corporate communication.

Decisive to the following analysis is the absence of the individual actor. However, I do not resort to either structuralism or determinism. I shall show how society as self-organising, supra-individual communications curcuits processes reconstructions of reality. Reality which lies there, infinite, incomprehensible, and which we can only perceive through the distinctions produced by social systems (Luhmann 1998b:10). Social systems are not rigid structures, but dynamic processes in constant change: a change which is not activated by intentional interest, but

just happens so that society maintains itself.

In this perspective, society's tools for adjustments of the mutual coordination of its processes are adjustments of social boundaries – adjustments of the patterns of social expectations. When I claim that the thematisation of corporate social responsibility towards the end of the 20<sup>th</sup> century is part of the societal system's endeavours to ensure its own continuation – in the tradition of sociology this is known as *social order* – it becomes imperative to focus on social boundaries: on the changing boundaries of expectations as to the responsibility and role of business. Let me illustrate my abstractions empirically:

At the annual meeting of the World Economic Forum 2002, CEOs from all over the world signed a statement on "Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards". The statement recommended "A framework for action that chief executives, chairmen, board directors and executive management teams can use to develop a strategy for managing their company's impact on society and its relationships with stakeholders. [...] Our aim is to emphasize the point that these issues [such as corporate citizenship, corporate responsibility, sustainable development and triple-bottom-line] are not an 'add-on' but fundamental to core business operations" (World Economic Forum 2002). We may see this statement as an observation from business which indicates that in a conventional sense extra-economic considerations are now included as fundamental to profit. The CEOs' intention is to decide upon shared directions for *sustainable development*, for the *triple bottomline* – which apart from the concern of *profit* includes the concern of the *planet* and *people*. Themes formerly seen as outside the boundaries of business are now taken to be core issues.

In late 2001, a survey of 1.161 CEOs from 33 countries shows that the former corporate distinction between economic success and environmental considerations has been transformed into new distinctions: "I think perhaps the most fascinating aspect [...] is the degree to which CEOs are looking at what were once considered competing priorities - like economic success vs. environmental practices, or old economy vs. new economy - as more of a complete, complimentary package that I think could be broadly defined as a sustainable business model" (DiPiazza 2002).

Shortly before this survey, 15 major nordic companies founded the Nordic Partnership Forum in cooperation with the NGO WWF (World Wildlife Fund for Nature) with the objective of presenting a new 'business model' at the UN summit in South Africa 2002, "i.e. a recipe for companies to take on a social and environmental global responsibility while at the same time considering their sales curves and their shareholders" (Andersen 2001). The forum refers to the concept of 'natural capitalism' (Hawken, Lovins et al. 1997) – a business model which as a 'second industrial revolution' combines economic interest with concern of the environment. The aim is to ensure the companies larger profit and society a healthier environment. This is not a question of a protest ideology or a green niche but of mainstream economy led by companies such as Novo Nordic, Procter & Gamble Nordic, Volvo, and Danisco.

In 2000, the Dow Jones Sustainability Index showed that sustainable companies – defined as companies which in their strategies integrate economic aspects with environmental, ethical and social – give a larger yield on their shares than conventionally driven companies.

A few years previously we saw a more moralising business discourse. On the agenda was ethics, and a distinction was drawn between profit and ethics as exemplified by the following comment on a survey on the Danish business community: "The survey indicates a landslide in businesses' approach to ethical values. Formerly, the common perception was that the companies ques-

tioned should concentrate on doing business – i.e. earn as much money as possible” (Mandag Morgen 1997).

20 years earlier the picture differed significantly. The boundaries of business were under attack from several positions in society – in particular protest movements, mass media, politics and partly science - to such a degree that it was seen as a threat to the existence of the business community. Management guru Peter Drucker observed: ”Lack of understanding of the business community has provoked an environment in which the companies might not survive – this applies for Europe even more than for the U.S.A.” (Drucker 1977/1979:9).

Some years earlier Nobel prize-winner in economics, Milton Friedman, described the corporate environment as “the present climate of opinion, with its widespread aversion to "capitalism," "profits," the "soulless corporation" and so on” (Friedman 1970). With his declaration that ”the social responsibility of business is to increase its profits” he identified the boundaries which were then challenged: the conventional economic understanding of the role and responsibility of business as being that of profit. An understanding with deep roots, as was identified by a business leader back in 1908: “Is the management honest and competent? [...] What is the investment? Is the property represented by that investment maintained at a high standard? What percentage of return does it show? Is that a fair return? Is it obtained by a reasonable distribution of gross charges? If these questions are answered satisfactorily, there can be no basis for conflict between the company and the public” (Vail, citeret in Bernays 1952:70).

These statements indicate a transformation of the understanding of the role and responsibility of business in society. From a distinction where the business community equates economic considerations with social responsibility, approximately 100 years later, in 2002, CEOs declare the consideration of sustainable development, planet and people as part of business’ natural social responsibility. During the 20<sup>th</sup> century we witnessed an increasing thematisation of the social and ecological consequences of modernisation. However, as Friedman’s and Drucker’s observations show, it appears as if the conventional understanding of corporate social responsibility applies until the latter half of the 20<sup>th</sup> century. Since then, starting with the early conflicts in the 1960s and –70s, the challenge on the business community in particular from the political system, social movements and mass media to take on broader social responsibility has grown into a custom not only in public discourse – but even in business discourse. From the declared intention of the business community to focus on traditional economic considerations, today we see an increasing number of apparently extra-economic corporate considerations, and companies taking the lead talk about a commitment to sustainable development, transparency and human rights performance based on “a business strategy that generates profits while contributing to the well-being of the planet and its people” (Shell 2000a:2). Where concepts such as progress, growth, technology and organisation until late 20<sup>th</sup> century were positive connotations, they are replaced by concepts such as dialogue, ethics, values, sustainability, social responsibility etc. And where the relevant corporate environment in a conventional business understanding consists on one hand of the markets for investment, manpower, raw materials and consumption and, on the other hand, the state with the legal regulation of corporate activities, then a supplementing action structuring environment appears with concepts such as ’the public sphere’ and ’stakeholders’.

	FROM CONVENTIONAL ECONOMY →	TO NEO-CONVENTIONAL ECONOMY
SOCIAL RESPONSIBILITY	Narrow focus on economy Profit →	Broader focus is the precondition of profit: "People, planet, profit"
SEMANTICS	Progress, growth, technology →	Dialogue, ethics, values, sustainability, social accountability, corporate citizenship
COPORATE ENVIRONMENT	The market; the state →	+ 'the public sphere', 'stakeholders'; polycontextural environment

Table 1: Some evolutionary changes in the sociology of economy from the conventional to the neo-conventional paradigm.

Why has this change taken place? And how did it happen?

I suggest that what we are witnessing is the evolution of a new pattern of expectations for business practice to an extent that we can talk about the stabilisation of a new business paradigm<sup>1</sup> and accordingly new standards for socially acceptable economic practice and corporate social responsibility. My point is that we cannot grasp these transformations without analysing the larger societal context and evolution which they are part of. If we understand concern for the *planet and its people* as the meaning of the problematisation of corporate social responsibility and sustainable development, I maintain that we do not see the social dynamics which are the fundamental incentive. The crucial point of departure is the way we can understand society today – in particular as distinct from perspectives seeking truth in universal or ahistorical values and previous formations of society.

## SUPRA-INDIVIDUAL SELF-ORGANISING SOCIAL SYSTEMS

Science traditionally assumes that social change has to be explained in terms of, or at least with reference to, human agency. In contrast, the line of research reflected in this paper considers supra-individual, self-organising social communication processes as causes of change. It employs Niklas Luhmann's theory of social systems<sup>2</sup> - a theory about society and organisation and

<sup>1</sup> 'Paradigm' refers to Kuhn's discussion of supra-individual control from the study of socially organised cognitive activities like the sciences Kuhn, T. S. (1962/1996). The Structure of Scientific Revolutions. Chicago, The University of Chicago Press. This concept of paradigm provided the sociology of science – and other fields – with a mental model for understanding self-organising systems at the supra-individual level (Leydesdorff, L. (2001). A Sociological Theory of Communication: The Self-Organisation of the Knowledge-Based Society. USA, Universal Publishers). In the context of this paper, a paradigm organises a functional system both in terms of relevant communications and cognitions.

<sup>2</sup> Niklas Luhmann, German sociologist 1927-1998. Luhmann presents us with late modern universal sociology with a radicality, precision and clarity established amongst others on the basis of logics (Gotthard Günther), mathematics (George Spencer Brown) and biology (Maturana, Varela). The radicalism shows in the systemic perspective focusing on social systems – instead of on human consciousness. This should of course be understood as an analytical, and not a normative approach. However, in particular because of this approach he has been met with some criticism. This I will, however, locate either to a general opposition to his approach or a lack of understanding of the complex and extensive theory. Some points of criticism are 1) *conservatism*: However, Luhmann's social processes exactly are characterised by their immanent dynamics – nothing IS, but is constructed moment by moment in flows of communication: No more rigid structures. 2) *functionalism*: Luhmann's theory on the functionally differentiated society is NOT a legitimating theory which legitimates systems through function. The concept of function is only the focal object of analysis. 3) *anti-humanism*: When Luhmann focuses on social processes this is no degradation of the human being, but an analytical precision in order to increase human insight. 4) *cynism*: Such a criticism parallels with shooting the messenger: In my world it is not cynical to present precise analyses even if they may seem

an epistemology which focuses radically on the social processes constructing our perceptions of reality<sup>3</sup>. This approach implies a high level of abstraction which in my view is the only way to attempt to avoid having our insight obscured by the matters-of-course in which we are all entangled. It is a level of abstraction which forces us into constant wonder, and continuous questioning. In this way, the high level of abstraction results in a great power of interpretation as to practice<sup>4</sup>.

The point of departure is the basic question of sociology: How is social order possible? How can we trust others enough to venture communication if we have no idea as to what to expect<sup>5</sup>? It is in this context we may understand the emergence of social systems reproducing and processing themselves as structures of expectation, as patterns of meaning. A social system is an abstraction; basically meaning, which isolates itself from other meaning. All social relations are possible only via social systems. Social 'reality' is continuously created and recreated in flows of communications within social systems. As the basic operation of social processes communication is defined as a continuous threefold processing of selection, referring to the social system it is reproducing, and consisting of information, utterance and understanding of the difference between information and utterance (Luhmann 1984/1995 Ch. 4)<sup>6</sup>. The principal point is that this concept of communication captures the *selectivity* of the processes and emphasizes the *references* of the communication.

A social system emerges whenever two or more persons' actions are coordinated meaningfully, i.e. by a communication (Luhmann 1982/1971:70) – but henceforth the social system motivates and justifies itself in continuous, self-referential communication circuits; as a flow of selection which again and again relates to previous communication<sup>7</sup>. Consequently we can understand

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unpleasant. On the contrary. 5) *level of abstraction*: Yes, the level of abstraction is high. I have, however, met no social theory which to such an extent is capable of capturing complexity in empirical material, and which has a similar potency of interpretation in matters of everyday life.

<sup>3</sup> The consequence of Kuhn's discussion of paradigm (Kuhn, T. S. (1962/1996). The Structure of Scientific Revolutions. Chicago, The University of Chicago Press.) is that science no longer asks whether knowledge is true or valid. The question becomes how knowledge is created. To me, there is a direct line from Kuhn to Luhmann. Knowledge is understood as relative: as related to the perspective, the scientist (the observer) use when observing her subject matter (the observed observation), i.e. the distinction between observer and observed. Perspective as well as object is contingent. Scientific 'truth' depends on the paradigm applied by the scientist.

<sup>4</sup> Luhmann does not deal with the transformations in the formation of meaning as to business – even if one of his works is allocated an analysis of economics and business (Luhmann, N. (1999). Die Wirtschaft der Gesellschaft. Frankfurt am Main, Suhrkamp). Neither does he define the concepts of social responsibility and sustainable development – even if he has written several books on society (in particular Luhmann, N. (1997). Die Gesellschaft der Gesellschaft. Frankfurt am Main, Suhrkamp and even books on ecology; Luhmann, N. (1986/1989). Ecological Communication, University of Chicago Press, and risk; Luhmann, N. (1991/1993). Risk: A Sociological Theory. Berlin, New York, de Gruyter. However, I base my reconstructions partly on these works.

<sup>5</sup> The problem of double contingency: "If everyone acts contingently, and thus everyone could also act differently and knows this about oneself and others and takes it into account, it is, for the moment, improbable that one's own action will generally find points of connection (and with them a conferral of meaning) in the actions of others; self-commitment would presuppose that others commit themselves and vice versa" (Luhmann, N. (1984/1995). Social Systems. Stanford, California, Stanford University Press: 116).

<sup>6</sup> This tripartite division has classic roots, and Luhmann is explicitly inspired by Karl Bühler (presentation, expression, appeal) as well as by John Austin's theory of speech acts (locutionary, illocutionary, perlocutionary) Luhmann, N. (1984/1995). Social Systems. Stanford, California, Stanford University Press. 142. Cf also Holmström, S. (1996/1998). An Intersubjective and a Social Systemic Public Relations Paradigm, Roskilde University: 59 ff.

<sup>7</sup> As Leydesdorff puts it: In a self-organising system, control flip-flops: the contributors to the genesis and the maintenance of the system are no longer able to control the system's operations, although the system is a result of their interactions (Leydesdorff, L. (2001). A Sociological Theory of Communication: The Self-Organisation of the Knowledge-Based Society, USA, Universal Publishers).

social systems – and this goes for organisations as well – as consisting of communications. Not of human beings. Social systems generate meaning in continuous circular processes, which are started by human beings and depend on human beings. However, the communication processes take on their own 'life' and become supra-individual social systems used and influenced by human beings but not guided by anything but themselves. We – human beings – are nodes in the communication processes. This perspective does not imply a downgrading of human beings – but an analytical intensification. By focusing on social processes and their particular horizons of meaning and selection criteria, the analyst is enabled to constantly question these premisses – to capture the potential of meaning in society; boundary settings, conflicts, slidings, transformations through a mapping of social patterns of meaning.

As closed communication circuits the differentiated social systems are each constituted by their rules of indifference and difference – boundaries which constitute each system. The very idea of system's rationality is to establish and maintain an identity, a structure of expectation in a boundless and unpredictable world through reduction of complexity. Consequently, if you connect to communication, then the horizon of meaning is limited: We more or less know what to expect. Communicative connection is more probable when uncertainty can be reduced because you know whether you deal with for instance a family, a church, a university, a government, an NGO or a business enterprise, and correspondingly which expectations and meanings that are related to the social system in question, at the time in question, and in the situation in question.

In this perspective, we cannot analytically locate social problems, solutions or responsibility to human beings, to individuals. We cannot resort to moral ways of questioning or action-oriented theoretical understandings. Social problems and responsibilities are analytically localised in the social processes themselves. So, when I understand phenomena and concepts such as public relations, corporate communication, issues management, crisis communication, ethical programmes, symmetrical communication, values based management, stakeholder relations, social and environmental accounts, the triple bottomline and the sustainable business model as expressions of adjustment processes in society, it implies a focus on the premisses for business and organisation in the larger societal perspective. The point of departure is to understand society as a self-organising system consisting of communication, as 'the totality of all social communications that can be expected' (Luhmann 1984/1995:392). I analyse the dynamics activating and accomplishing the changes in the expectations to business' role and responsibility in society in three separate interrelated dimensions as shown in the below table:

ACTIVATING DYNAMICS	PROBLEM	FOCUS OF ANALYSIS
1: Society's principle of differentiation	The functionally differentiated principle at risk	Conflicts between independence and interdependence of the different functional communication circuits
2: The polycentered society's polycontextural, self-referential formations of meaning	Distorted resonance; socially communicative hyper-irritation	Society polycentered; evolution of social expectations subject to polycontextural conflicts and negotiations
3: The nature of social processes within organisations	Overloading of the social communication processes	Evolution of expectations from business companies; a specific pattern of corporate strategies and practices; stabilisation into new routines

Table 2: Dimensions of interrelated dynamics and fields of problems in the perspective of the functionally differentiated society.

### Conflicts between independence and interdependence

My overall analytical perspective is to understand the evolution of a new business paradigm as part of the self-organising society's perpetually evolutionary endeavours to stabilise its own dynamics of modernisation; dynamics which constantly produce new areas of conflict (Krohn 1999). I see my field of research as activated by the evolutionary stage of the modern principle of societal form, the functionally differentiated society.

To make communication 'sustainable' it is led where the connective potential is the largest. In modern society this has led to a differentiation in fields of logics where communication is mediated by specific guiding differences; functional codes. Metaphorically I see this as communicative express roads enabling traffic to race along via various symbolic media such as truth, law, power, money, and belief, each having their criteria of relevance.

Functional system	Function	Medium	Code	Example: Perspectives on Brent Spar
Economy	Reduction of scarcity	Money	+/- own, pay	Shell saw a failing reputation threaten profit: Business saw new conditions for the economic code.
Politics <sup>8</sup>	Enabling collectively binding decisions	Power	Government/ opposition	Politicians who had sanctioned the dumping, grieved at their own lack of feeling with public opinion – and consequently a potential loss of votes.
Science	Production of knowledge	Truth	True/false	Science saw a new object of analysis.
Law	Regulation of conflicts	Law	Right/wrong	Acted on the prescriptions of law: Green light.
Mass media (news media in particular)	Diffusion of information; collective reality	Information	+/- information	Alliances with protest moral – Greenpeace which ensured visual and sensational material based on feelings and conflict; connecting to the selection criteria of news media.

Table 3: Function, medium and code of some functional systems according to Luhmann – and exemplification of perspectives illustrated with the Brent Spar case. (The Brent Spar is applied because of its status as probably the most widespread case in corporate communication and public relations literature in Europe, and therefore a central contributor to the evolution of a new business paradigm.)

In modern time – i.e. since the 1600s – these functional codes have gradually stabilised and differentiated society's communicative processes. Society is *polycentered*<sup>9</sup> into incompatible functional subsystems – communication circuits, patterns of social expectations – such as for

<sup>8</sup> The state is analytically described as “the giant organisation within the political system called state” (Luhmann, N. (1997). *Die Gesellschaft der Gesellschaft*. Frankfurt am Main, Suhrkamp: 841).

<sup>9</sup> Luhmann introduces the notion of 'polycentered' in the introduction of *Social Systems* Luhmann, N. (1984/1995). Social Systems. Stanford, California, Stanford University Press).

instance politics (Luhmann 2000a), economics<sup>10</sup> (Luhmann 1999), science (Luhmann 1990a), law, and mass media (Luhmann 1996) where the communication processes are guided by specific functional criteria and codes (Luhmann 1984/1995; Luhmann 1997) (cf table 3).

Every functional system has its specific perspective, and social systems with different functional codes are intransparent to each other. A system can be causally effected by events in the environment, but how the impact is received and reacted upon depends on the internal structures of the system (Thyssen 1995). This indifference functions as a protective shield in order that the system can build up its own complexity (Luhmann 1998a:35) with the incentive of furthering the communicative processes. In the economic functional system, the motive is the dynamics of payment. Motivation cannot be ensured from *outside* the system, but only be generated from *within* the system by means of the system specific conditions of payment processes. All states, events, and conditions in the environment are translated into the language of money. From this, however, it also follows that the economic system – as is the case for other functional systems – is defenseless when connections are made to the code specific conditions (Luhmann 1986:222).

In late modernity we can observe that these communicative codes have stabilised into a very extensive specialisation and fragmentation in society – and correspondingly a greater interdependence between the functional systems than ever. This is illustrated by the notion of 'network society'. There is a long way from traditional society's multifunctional arrangements – such as family holdings and feudal estates – to today's business enterprises professing to a long and growing series of stakeholders. This functional differentiation has conditioned modern welfare societies – but is not without immanent problems to its own continuation. The more specialised and independent the functional systems stabilise – the more interdependent they grow. I localise the transformations in my analytical focus, social observations on the role and responsibility of business in society, as caused by this growing interdependence between the differentiated, independent functional systems.

For it is probably in this light that we - as late modernity arrives in the latter half of the 1900s - may observe the increasing conflict between independence and interdependence as expressed in a growing striking of turbulence in organisations – and with my economic focus: Business enterprises.

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<sup>10</sup> "By economy is understood the totality of operations guided by payments of money. Always when, directly or indirectly, money is involved, economy is involved, no matter through whom the payment is made and no matter which needs are involved: i.e. also in taxation or public expenses, but not in the pumping process deriving oil from the ground, only in the economic process in regard to a contribution which can be expressed in money" (Luhmann, N. (1999). *Die Wirtschaft der Gesellschaft*. Frankfurt am Main, Suhrkamp: 101).

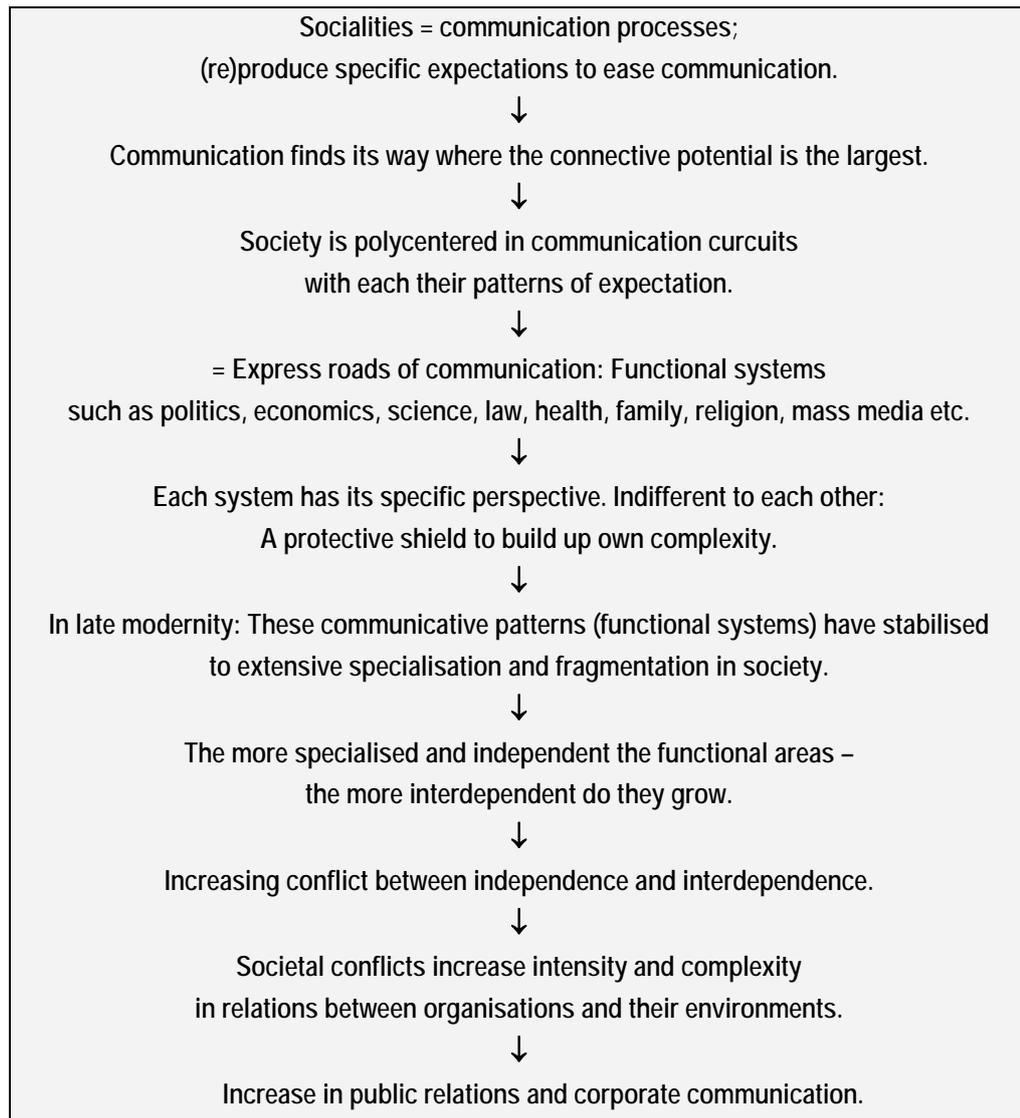


Table 4: Conflicts between the independence and interdependence of the differentiated functional areas of society leading to increased intensity and complexity between organisations and their environments.

### The polycontextural distortion of resonance

The 2<sup>nd</sup> analytical perspective is the complex pattern of interrelated formations of meaning. With a reverse microscope we would observe society as myriads of communication circuits like cells, breaking out, pushing or even devouring each other, dividing, dissolving. In each cell we would correspondingly observe incessant dynamic processes, communication which digests the world complexity and processes new complexity, new reality from each their specific selection criteria. It is contingent<sup>11</sup> – but not random. Every perspective digests the world with its specific distinctions. This is why highly stringent analyses can be made in this hypercomplex<sup>12</sup> interac-

<sup>11</sup> "Something is contingent insofar as it is neither necessary nor impossible; it is just what it is (or was or will be), though it could also be otherwise" Luhmann, N. (1984/1995). *Social Systems*. Stanford, California, Stanford University Press: 106.

<sup>12</sup> I define hyper-complexity as a social state which releases the particular evolution where my analytical focus is business. Society is hyper-complex when its complexity becomes a problem for society to be dealt with. New complexity is produced to deal with complexity – and so on. In this perspective we may understand public relations as a child of the hypercomplex society.

tion. When we at the analytical level understand society as consisting not of human beings, but of social systems connecting people, we are analytically able to reconstruct society into a 'map' of communications circuits, continually reproducing each their specific 'reality'. Society has no top, no bottom, not *one* reality, nor *one* truth. Society is increasingly differentiated into incompatible logics in social systems, which are blind - and therefore indifferent - to other logics (Luhmann 1998b).

Taking the polycentered society as the point of departure makes it clear that no claim can be made as to a center in society – as for instance politics or a public sphere – which constitutes expectations from business. Conflicts and boundary fights between the many different conceptions of reality of the differentiated social systems is a basic condition of the polycentered society. They are symptoms of a supra-individual process mutually balancing the differentiated systems in a hyper-complex interaction. It is in this greater societal context we can understand the expectations to business in society being transformed in a polycontextural interplay of communication which thematise the understanding of the role and responsibility of business in society. The theme may appear almost everywhere – for instance in the educational-, art-, family- or religious systems: on the functional level I will, however, focus on economics, politics, science and mass media, and correspondingly on organisations which primarily subscribe to one of those functions (cf. table 3).

Furthermore, analytically we can observe two universal perspectives of major importance to the communicative thematisation of the boundaries of business: the so-called *protest communication* and *the public perspective* as a formula of observation. The decisive difference between these two optics is to understand protest communication as a 1<sup>st</sup> order observation embedded in an illusion of unconditional values<sup>13</sup>, and the public perspective as a 2<sup>nd</sup> order observation which continuously raise doubts, questions and opens the debate without making decisions<sup>14</sup>.

My reconstruction of the problems of strains is based exactly on the hypothesis that it is "most likely that a system's turbulences move from one system to another, also when – and exact because – everyone sets about it according to their own code. [...] No superior authority sees to moderation and proportionality. Even small changes in one system can through resonance release huge changes in another. [...] No overall rationality prevails: any system can produce resonance only by its own code, however does so almost defenselessly when information releases code-specific operations" (Luhmann 1986:221-222). Consequently, in the case of Brent Spar we could observe how Greenpeace connected to the selection criteria of news media which via its coverage won resonance in the sentiments of protest moral, which in turn connected to the market via consumer boycotts, which influenced the political system by risking votes so that the

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<sup>13</sup> Protest communication is mediated by moral which claims a privileged position conflicting with today's polycentered society and therefore encourages conflicts. (Luhmann, N. (1997). Die Gesellschaft der Gesellschaft. Frankfurt am Main, Suhrkamp.:853ff, Krohn, W. (1999). "Funktionen der Moralkommunikation." Soziale Systeme 5(2): 313-338.

<sup>14</sup> The descriptive analysis of the public perspective of today's society is as a reflective medium, a specific type of communication which focuses on the observation of boundaries. I understand the public perspective as the universal self-irritation mechanism of today's society and a prime mover of evolution. However, the public perspective works by stimulating mutual stimuli between the various functional system, not by having immediate effect. My reconstruction of the public perspective is based in particular in Dirk Baecker (Baecker, D. (1996). Oszillierende Öffentlichkeit. Medien und Öffentlichkeit. R. Maresch, Klaus Boer Verlag., Luhmann, N. (1990). Soziologische Aufklärung 5; Konstruktivistische Perspektiven. Opladen, Westdeutscher Verlag., chap. 7, Luhmann, N. (1996). Die Realität der Massenmedien. Opladen, Westdeutscher Verlag., Luhmann, N. (1997). Die Gesellschaft der Gesellschaft. Frankfurt am Main, Suhrkamp., Luhmann, N. (2000). Organisation und Entscheidung. Opladen/Wiesbaden, Westdeutscher Verlag., Luhmann, N. (2000). Die Politik der Gesellschaft, Frankfurt am Main, Suhrkamp).

economic system, on this front too, observed itself as threatened by restrictive legislation – and so on.

Luhmann points out that "such a building-up of resonance in an evolutionary highly improbable societal system more likely have destructive consequences" (ibid.:226), but that they "are harder to distinguish and for the moment are mainly ignored. But we may see *too much resonance*, and the system can, without being disturbed from without, burst from internal strain" (ibid:220). To me this is a crux of the analysis: that society simply can lose control with no exterior reason. I will pursue this perspective, and it is this mainly ignored and in the societal perspective major part of the complex of problems: the problem of too much resonance leading to a hyper-irritated society which I include in my focus. Correspondingly, a reconstruction of the problems will be the consequence in my perspective; the problem with inadequate social resonance in society for strains on nature and human beings is turned upside down and identified as a question of how to avoid exaggerated or distorted resonance with the growing strains of the functional systems on each other, strains which has put society in a state of hyper-irritation.

**The relief of social processes: Organisational turbulence**

The 3<sup>rd</sup> analytical perspective is the organisational dimension. As organisations business enterprises are in the eye of the hurricane. For we may understand organisational systems as a supplementing principle of system formation with the function of absorbing society’s turbulences. The principle of organisation has no objective status inherent in nature. It is a social construct which does not evolve as a specific form of system until society has reached a certain level of complexity (Luhmann 2000b:396).

Organisations ensure local capacity to absorb irritation<sup>15</sup>. To society it is risky to set the whole economic system going; however, an organisation based in the economic rationale can be criticised for letting the planet and people suffer in the name of profit. Instead of setting the whole construction of society at stake the focus of social observations is directed towards the organisational flows of communication as premisses for decision.

SYSTEM	DESCRIPTION	FOCUS OF ANALYSIS
SOCIETAL	The totality of all social systems; communication as opposed to nature, human beings, machines etc.	Principle of differentiation; functionally differentiated society
FUNCTIONAL	A subsystem of society; differentiated by specific functional communicative selection criteria.	Boundaries for difference/indifference; selective criteria for communicative processes (code, medium)
ORGANISATIONAL	Supplementing principle of system formation to absorb society's turbulences. Communicates over decision.	Influence of functional codes on decision premisses; order of self-observation

Table 5: Categories of social systems. The guiding difference is ‘ system/environment’; a social system is communication which sets its boundaries of meaning in difference to an environment and continuously processes its specific identity and horizon. In this way, certain patterns of expectation are stabilised.

<sup>15</sup> "Irritation indicates the form with which a system can produce resonance as to events in the environment even if its own operations circulate only within the system and have no contact with the environment" (Luhmann, N. (1996). Die Realität der Massenmedien. Opladen, Westdeutscher Verlag.:47. English version: Luhmann, N. (1996/2000). The Reality of the Mass Media, Polity Press).

When a company is observed as a social system it means that the identity is defined and limited neither by employees, offices, factory building, products or services – but by communicative processes<sup>16</sup> in the form of decisions. These decisions are guided by decision premises instead of the binary code of the functional systems. Most and all major organisations, however, primarily follow one functional code. Business companies are defined as organisations which primarily follows the economic code. However, while my focus is on business and business enterprises, one of my points is that the transformations are a general evolutionary trait as part of the learning dynamics of society.

### **Evolution of a reflective business paradigm**

When observing the empirical data – i.e. social observations on corporate social responsibility during the latter half of the 20<sup>th</sup> century's Western Europe in particular – at first sight it may seem confusing, primarily due to the very different arguments and different perceptions of reality reflected in the field in a synchronous (cross section of time) as well as a diachronous (longitudinal section over time). However, with Luhmann's theory on social systemic dynamics as the analytical optic a picture appears not only of a complex, polycontextural interplay between the differentiated social dynamics, but also of a particularly evolutionary dynamic. Related to an observation of phenomena and concepts not as ontological identities, but as analytical concepts reflecting perspectives, structures, elements and processes, we distinguish a pattern of the dynamics of modernisation.

These dynamics lead to understanding the transformations which lead to new expectations to business as an evolutionary process which can be analytically split into successive stages, each having their specific corporate practice. The process starts with defensive *counter-action*, gradually provoking a resource-demanding and risky *reflective* corporate practice which over time relieves itself in *good practice* and finally stabilises in a *new convention*, in new structures of expectation which generate the amount of trust (Luhmann 1968) necessary to maintain social order.

I shall illustrate how the three dynamics interplay over successive evolutionary stages.

### **COUNTER-ACTIVE PHASE: CONFLICTS AND CHALLENGE OF CONVENTIONS**

In the late 1960es, from a more or less unproblematised boundary where social responsibility parallels economic responsibility, the optic of the public perspective was activated: Focus is on the contingency of the boundaries of business: *The boundary might be set differently. It cannot be acceptable that economy strains the rest of society – directly or indirectly. Why is it not within the boundaries of the economic system to take social and environmental considerations?* The boundaries of business are made the subject of debate.

We see a counter-organisation of the protest moral in various groupings, focusing in particular on strains on nature. Semantic changes as the concept of *grassroots* grows into *environmental activists*, *protest movements* and *pressure groups* reflect a growing impact on societal communication. In particular during the 1980s, the protest movements learn how to connect to the selection criteria of news media with spectacular stagings. Positions in the field are intensi-

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<sup>16</sup> Also Weick (Weick, K. E. (1995). Sensemaking in Organisations. Thousand Oaks, California, Sage.) concludes that organisations consist of communication and only of communications. Weick and Luhmann have several observations in common. Weick does, however, not as Luhmann take the full analytical leap by constructing the human being as environment to communication.

fied in conflict, in foe images and in a moralising discourse based in sentiments. Surveys show a gap of confidence between business on one side and citizens and news media on the other.

Where authorities were, until that point in time, believed and respected more or less uncritically based on the premisses of the functional systems, you may describe the *students' rebellion* of '68 as a symbol of the increasing observation of society's continuous production of risk based in contingent decisions<sup>17</sup>. The problematising of boundaries in this period applies not only to business: we see a reaction "against the authorities that dominate society" (Kristensen in Poulsen 1983). When the understanding in society is based on perceptions of consensus, whereas we can empirically observe a society split in differentiated conflicting perspectives, the result is clashes of conflict, blind spots and at first strengthened systems closures as a defence to secure the boundaries of the social systems. The self-description is caught in the ideals of former societal formations. Consequently, we may understand what was then described as 'a crisis of society' as a stage in the evolution of the functionally differentiated society where the functional boundaries *in general* are put to a test. From my social systemic perspective the process is activated by the societal system's self-observation of the increasing conflict between independence and interdependence of the functional systems. However, my analytical focus is on business.

### **Business in defensive position**

As part of the immanent dynamics of the social processes the business community first ignores the attack on conventional economics and organisational rationality: "The business man feels that every 'liberal' or enlightened opinion is against him and the very best he can do is to avoid publicity. His case is lost without a fight, and he has been convicted without being heard" (Parkinson and Rowe 1977/1979):13.

Gradually a change takes place. As the attacks do not stop of their own account; and as they are experienced as influencing matters of market and legislation negatively, the critical environment gains resonance. In the leading parts of the business community it gradually becomes good practice to influence development and achieve 'understanding for the company and its societal importance' (DPRF 1997/1963). The approach of the business community to the challenge of boundaries grows counter-active, and the argument that "we have to", to secure the reputation and trust that ensure the company resources, autonomy and freedom of action: a defence of the conventional paradigm. It continues to be unproblematised in the self-observation that compliance with conventional economic criteria of success *is* ethical; *is* socially responsible: the very principle of form in the functionally differentiated society manifests itself. Every functional system is 'born' socially responsible. Correspondingly, in 1970 Friedman writes in an often quoted article that "The Social Responsibility of Business Is to Increase Its Profits" (Friedman 1970).

In the counter-active period the boundaries of business move. The environment is constructed as something more and different than in a conventional self-understanding: the innate environment, the market (marketing) and environmental systems with strong structural couplings – primarily politics and legislation (lobbyism). The new environmental complexity is understood predominantly as hostile and reduced and reconstructed as *anti-commercial forces* (Dolleris 1988), *pressure groups* (White 1991:8), *a hostile press* (Christensen, Dalum et al. 1982:11-12) and *restrictive legislation*: "The political and social currents in Europe during the past ten years

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<sup>17</sup> I refer to the theory of risk society (Luhmann, N. (1991/1993). *Risk: A Sociological Theory*. Berlin, New York, de Gruyter), where Luhmann suggests a change of distinction from risk/security to risk/danger to indicate that danger is no longer seen as inherent in nature, but as a result of contingent decisions – a risk endangering *others*.

have driven business back into a defensive position, delivered into the hands of public opinion and chased by restrictive legislation” (Dr. John Nicholls, Director of European Management Forum in Parkinson and Rowe 1977/1979:33).

Approaches will include buffering strategies and 'asymmetrical communication'. Concepts such as crisis communication and issues management are spreading, the latter as "a method to systematise this area so that the business community can work with it within familiar structures" (Dolleris 1988). We see the new environmental complexity adapted into models – 'familiar structures'. The decision processes are relieved and the connective potential furthered. The unfamiliar themes are made familiar, the environment made 'manageable'.

I understand public relations communication as part of society's defensive immunisation to its own public perspective. The public perspective may irritate the social systems to reflective observation of own boundaries. This endangers boundaries. A fundamental part of system's dynamics is to defend its own boundaries – also against risky experience of contingency. Public relations practice applies various functionally equivalent defensive mechanisms during the evolution of a new business paradigm. However, the public perspective's thematisation of the boundaries of business does not gain relevance in business' communication until the theme catches on in the functional systems of the field. Gradually, we see how the business community directs its attention towards these functional systems and their organisations. The environment is reconstructed as 'publics' and stakeholder models. After a period where the public perspective is seen as an irritating, intangible environment, the environment is reconstructed in what is perceived as a more manageable environment in stakeholder models including for instance "investors, employees, suppliers, mass media, pressure groups, interest organisations, dealers, consumers, local council, parliament, authorities" (Christensen, Dalum et al. 1982).

The 1980s, in particular, see an increase in organisational information to the environment and in lobbyism. Correspondingly, the business community imitates the selection criteria of mass media with pseudo events<sup>18</sup>, employment of journalists, courses in media training, and establishes routines to monitor and manage changes in environmental complexity.

In a 2<sup>nd</sup> order retrospective, the blind spot of business becomes evident. The perspective of business focuses on the narrow economic code. The conventional identity is defended. However, the changing environmental complexity has gained resonance, and a change is on its way.

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<sup>18</sup> "Events which from the start are produced for publicity and would not at all take place if the mass media did not exist" (Luhmann, N. (1997). Die Gesellschaft der Gesellschaft. Frankfurt am Main, Suhrkamp:862).

DIMENSION	1. EVOLUTIONARY, COUNTER-ACTIVE PHASE: CONFLICTS AND CHALLENGE OF CONVENTIONS
INDEPENDENCE CHALLENGED	<ul style="list-style-type: none"> <li>- Increasing functional independence necessitates increasing interdependence.</li> <li>- Conflict between independence and interdependence.</li> <li>- Social boundaries challenged.</li> <li>- Strengthened systems closures in defence of boundaries.</li> </ul>
POLYCONTEXTURAL CONFLICTS	<ul style="list-style-type: none"> <li>- A reaction "against the authorities that dominate society".</li> <li>- Counter-organisation of the protest moral.</li> <li>- Conflict, moralising discourse based in sentiments.</li> <li>- "Gap of confidence between business and citizens".</li> </ul>
BUSINESS IN DEFENSIVE POSITION	<ul style="list-style-type: none"> <li>- Counter-action in defense of conventional economics.</li> <li>- Environment: "anti-commercial forces, pressure groups, a hostile press, restrictive legislation".</li> <li>- Issues management, crisis communication, 'asymmetrical communication', buffering strategies.</li> </ul>

Table 6: Characteristics of the counter-active phase.

## REFLECTIVE PHASE: FROM PREJUDICE TO PARTNERSHIPS

The counter-active phase is gradually succeeded by the reflective phase. We see a 'cease-fire' where the contending parties conduct peace negotiations. The boundaries are made the subject of negotiation. In my view, this negotiating communication implies the type of self-observation which is theoretically described as *reflection*. Communication which fails time and again – which has been the case in the conflict ridden counter-active phase -, leads to reflection (Luhmann 1984/1995:144); communication on communication. In reflection, observation rises to a 2<sup>nd</sup> order position and takes a broader perspective. In this way reflection implies that a social system on the one hand finds its own identity and acts *independently*: and on the other hand, in recognition of the *interdependence* between social systems learns to understand itself as environment to other social systems. It develops restrictions and coordinating mechanisms in its decision processes in relation to other systems (Luhmann 1984/1995 Ch. 5, 11; Holmström 1996/1998:68). Correspondingly, the perspective on the environment changes from prejudice to attempts of understanding: "At the level of first-order observation, participants observe one another as objects, and draw conclusions about the nature of partners or opponents on the basis of prejudices or perceptions. [...] In second-order observation the primary question is which distinctions the observed observer uses to make indications, and how he does so" (Luhmann 1991/1993:226).

Orden of observation	Self-observation	Characteristics
1 <sup>st</sup> order	Observation of self-observation = reflexivity	Self-observation supplemented with self-reflection. The system reflects various own properties. The system reacts upon itself as inner environment for its own operations.
2 <sup>nd</sup> order	Observation of the premisses of self-observation	Reflection = production of self- understanding in relation to the environment. The system thematises its own identity in society.

Table 7: Degrees of self-observation. Reflection as 'broader self-interest'.

Where the self-regulating other-reference in social systems so far has predominantly related to the political-administrative system's legislation, it now increasingly takes place in a continuous process of adjustment between the social systems<sup>19</sup>. In my view, the political rationality of negotiation is based precisely on reflection. It spreads from the political functional system to the other functional systems.

In my analysis, society's self-description catches up with society in this phase. Through reflection, a social system increases its sensibility by understanding that it operates in a network of structural couplings with other systems. This leads to an observation of interdependence and socially acceptable differences in the field; of the particular interest as part of the common interest so to speak (Holmström 1996/1998). Gradually, a new back cloth evolves; a new societal self-description based on a dawning polycentric understanding; you may say that consensus grows on the fundamental conflict as the basis of modern welfare societies. This leads to partnerships and negotiation fora across the functional systems – between NGOs and politics and science and mass media and business. The point is that "Effective partnerships are not about sameness of views or interests or values. Tomorrow's partnership powerhouses will include those who are struggling against each other today" (Zadek 1997).

### Enlightened self-interest

The idea of society as a unity, of 'the common good' is increasingly constructed in the social systems as an efficient systems-internal contingency control. We meet this argumentation again and again, of a common fate in the differentiated society, the concern of the environment because of concern for oneself. The Shell Report 2000 expresses this idea: "We recognise that Shell is part of society. We share the same agenda. - Our success as an organisation is intimately linked to that of society." (Shell 2000a:6). In my analysis, this trend reflects the recognition of interdependence as the prerequisite of independence.

Correspondingly the political system – as much as oriented towards legislation – orients towards governance structures and towards creating the illusion of an overall perspective and a 'common fate' (Pedersen 1990:107). As opposed to conventional legislation which functions obligatory, other-referential, this new type of political regulation is characterised by being 'voluntary' to

<sup>19</sup> In a social systemic theoretical frame this pattern is described as context regulation which implies high complexity with a large connective potential within as well as between the systems. (Willke, H. (1993). Systemteorie: eine Einführung in die Grundprobleme der Theorie sozialer Systeme. Stuttgart, G. Fischer, Willke, H. (1994). Staat und Gesellschaft. Die Verwaltung des politischen Systems. K. Dammann, D. Grunow and K. P. Japp. Opladen: 13-26. Holmström, S. (1996/1998). An Intersubjective and a Social Systemic Public Relations Paradigm, Roskilde University, Holmström, S. (1997). "An Intersubjective and a Social Systemic Public Relations Paradigm." Journal of Communications Management 2(1): 24-39.).

business, i.e. self-referential. It has more strings. Partly the construction of the market as a mirror reflecting the socially responsible company as the most competitive, and the idea of the political consumer, -employee, -investor. Partly initiatives for various fora<sup>20</sup> for negotiations of the boundaries of business, for instance The Copenhagen Centre 1998, UN's Global Compact 1999 og OECD Forum 2001. "Support and dialogue is becoming more important than control" is the ending remark by the Danish Minister of Social Affairs chairing a European conference in 1997 (Jespersen, 1997). Demands are no longer seen as coming from a central position, through legislation and conventions, but are formulated through continuous negotiations in the field.

With the reflective 2<sup>nd</sup> order perspective politics uses economic arguments to motivate the business community to take on more social responsibility. The UN argues in its Global Compact that "It makes good business sense" and is "an opportunity for firms to exercise leadership in their enlightened self-interest" (UN-Global-Compact 2001). "Enlightened self-interest" I parallel with *reflection*.

While the structural couplings of protest moral to mass media is continuously strengthened, another development is more unnoticed. From being based in sentiments and moral and attempts of negating positions *outside* society, the protest communication assumes functional features (Krohn 1999) as *NGOs* - non-governmental organisations. Their role evolves "progressively from primarily awareness-raising to implementation, participation in decision-making, and monitoring activities" (OECD 2001). Most remarkable is the alliances between previously declared enemies: NGOs for supporting the environment and human rights on one hand and business on the other (PR-Watch 2001; Harrison 1993).

### **Business: Counter-moralisation**

Gradually a change takes place in business' approach. Companies attach increasing importance to broader social responsibility as they experience a relationship between economic success and social and environmental considerations. When one crisis, confrontation and boycott after the other causes irritation<sup>21</sup>, learning processes are initiated in the exposed parts of the business community. This leads to reflection.

The business community now proactively enters the moral discourse; not in adaptation to demands from social movements and the environment as such, but rather as a counter-moralisation which gradually absorbs moral protests (Krohn 1999). A social system will automatically attempt to absorb criticism from without - to the extent criticism does at all catch on in the social system in question. We now see the absorption of protests via an increase in the specific functional repertoire with ethical accounts, Codes of Conduct, values management, stakeholder models and a new semantics: Corporate citizenship, symmetrical communication, dialogue. Bridging strategies succeed buffering.

Again: It is from business' own criteria that the necessity of a broader social responsibility is evaluated. The business community does not obtain tools to evaluate the necessity of concern for environment, human rights, the environment as such until the concern can be thematised in economic language, from economic selection criteria, in economic communication. Not until

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<sup>20</sup> "First and foremost in the periphery of the political system multiple 'negotiation systems' have arisen. In the form of regular interactions they lead together organisations which represents interests from various functional systems" (Luhmann, N. (1997). *Die Gesellschaft der Gesellschaft*. Frankfurt am Main, Suhrkamp:788).

<sup>21</sup> "Irritation is a systems state which prompts to the continuation of a system's autopoietic operations, but at first leaves open if structures are to be changed or not; i.e. if learning processes are to be begun if further irritations occur or whether the system relies on the irritations to eventually disappear on their own account" (ibid.:790).

then can issues gain resonance and be dealt with by the business community. Arguments reflect how the distinction between profit and broader social responsibility is dissolved so that broader social responsibility and economic success are now seen as mutual prerequisites: “We believe that being socially responsible and taking part in social initiatives in local communities in the long run makes sound business sense. (...) Those businesses which are pressing ahead now will benefit in the future from the leadership positions they have established” (Frederiksen 1997:5).

Where the environment has been seen as hostile and intervention as untimely and unreasonable, this approach apparently changes as is reflected in Shell’s address to ‘stakeholders and society’: “We really do want to hear your views [...] Help us learn what we do well and what we can do better.[...] Our aim is to give you the necessary information to form a view” (Shell 2000a:3, 51; Shell 2000b).

Reflection means that organisations thematise their own unity, own identity, role and responsibility in society. This is why we see that the themes of corporate social responsibility gradually become part of top management’s responsibility and integrated in core decision processes.

The evolution in the business approach is reflected in a dissociation with the counter-active practice: “Although it is legitimate to examine the spectrum of a company’s activities to identify where there exists a genuine good story to tell, the days in which the PR adviser puts forward a superficial ‘gloss’ for a position statement or annual report are passed. The senior communications professional’s role must be the effective communications of developments and activities of genuine substance, reflecting a company’s actions, not just its intentions” (Langford 2002).

### **Strengthening of boundaries**

The reflective phase is practiced only in organisations which for various reasons<sup>22</sup> have felt challenged by this ‘risky and resource demanding form of communication’ (Luhmann 1984/1995: 114). Reflection means that a system risks its boundaries. This is why I see this crucial period as relatively short<sup>23</sup>, and as negotiations in elites more than in the broader field.

The ethical wave seems to culminate in the mid-90s. However, when we look at the arguments behind this self-restriction in business, the argument behind the sacrifices on the short term increasingly becomes economic profit in the long term – after a relatively brief period apparently challenging the economic rationale. The argument behind ethical, social and environmental considerations becomes that of “it makes good business sense” (Shell 2000a:6). Orientation towards other values than the economic is not excluded from business practice: however, they function economically mediated. The broader value orientation, for instance in the formula ‘people, planet, profit’ and ‘the triple bottomline’ is mediated by economy<sup>24</sup>.

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<sup>22</sup> Reflection is a demanding manoeuvre which presupposes specific motivation; and this apparently goes only for companies and trades which are specifically exposed (like in particular the energy -, medical -, textile -, food -, tobacco- and weapons industry) or for instance regard themselves as pioneers. A Danish master’s thesis in public relations identifies five different motives for corporate social responsibility in five analysed companies: from having the state as the largest customer to ensuring good community relations for recruitment reasons and to maintain an image of being a pioneering company (Brandis, P. and M. Falbe (2001). *Social Ansvarlighed som Selvreferance (Social Responsibility as Self-Reference)*. Roskilde, Roskilde University).

<sup>23</sup> In this respect, I agree with Bob Jessop, who is “sensitive to the possibility of greater continuities in economic and social politics, institutions, and welfare regimes than might be suggested if one paid attention only to the discursive field” (Jessop, B. (1997). *Re-structuring the Welfare State, Re-orienting Welfare Strategies, Re-visioning the Welfare Society*. What constitutes a good society?, Roskilde University, Denmark.:4).

<sup>24</sup> This is a pattern we may explain with the distinction between code and programme. By introducing other criteria than the functional code the programme compensates for the strict binarity of the code – which otherwise only allows the economic

As I see it we are in a period of transformation where boundaries are clarified, and where it for business gradually becomes acceptable to be socially responsible based on economic criteria. For instance, I see it as an expression of clarification of the boundary settings when the CEO of a Danish company pioneering the field, the medical company Novo Nordic, in 2001 "instead of explaining away and trying to turn attention away from the issue went directly into the accusations. *Yes, we make money on ill people. No, we are not a humanitarian organisation*" (Flyvholm 2001).

Also, we see how the business community now takes the lead: Nordic Partnership is an example, established by 15 major nordic companies in 2001. Their aim is to present a new 'business model'. Arguments are "that the companies have a self-interest in contributing to a sustainable global economy, because it ensures a stable market economy and consequently a basis for more customers. Novo and Volvo have not entered the project out of pure concern for the way of the world. *Our customers are intelligent people who will not buy cars from irresponsible companies. This is not theory, but a fact according to surveys. That is why it serves our business to aim at social and environmental responsibility, says Volvo's CEO, Hans-Olov Olsson*" (Andersen 2001).

To conclude, the period describes an evolution from counter-moralisation and uncertainty as to the rationale of the business community towards a clarification and a moral neutralisation.

DIMENSIONS	2. EVOLUTIONARY, REFLECTIVE STAGE: "CEASE-FIRE AND NEGOTIATIONS"
INTERDEPENDENCE ACKNOWLEDGED	- Negotiations from a growing perception of a polycentered society; - Interdependence as a prerequisite for independence as the basis of modern welfare society.
POLYCONTEXTURAL NE- GOTIATIONS	- Reflection: A broader, 2nd order perspective - implies that a social system 'sees itself from outside': learns to understand itself as environment to other social system. - Polycontextural partnerships, negotiation fora across former enemy lines. - The social boundaries subject of negotiation.
BUSINESS IN REFLECTIVE POSITION	- Stakeholder dialogue, 'symmetrical communication', ethical accounts, values management, bridging strategies.

Table 8: Characteristics of the the reflective phase.

## GOOD PRACTICE PHASE: RESTABILISATION IN NEW ROUTINES

The field is characterised by a stabilisation of the new understanding of the boundaries of business. Routine is relieving the reflective processes. There are decisive differences between the social processes we describe as 'reflective' and those we describe as 'good practice'. Reflection is risky for a social system. It means exposures and sacrifices on the short term in return for existence on the longer term. Ultimately boundaries are not only in play – they are at stake. Social systemic processes will strive to secure their boundaries. This means to relieve the reflec-

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system to consider two values, the positive and the negative of the money code. In this way, the economic programme can take into consideration as well the democratic criteria of the political system, the selection criteria of mass media, the family system's code of intimacy, the health systems criteria of health, science's truth etcetera – even if systems operations ultimately are guided fundamentally only by the distinction +/- pay, own. Systems external criteria do not guide profit, but still they can influence profit and therefore the implementation of programmes.

tive self-observation in the basic self-referential reflexivity (cf table 7). Boundaries are restabilised.

The question no longer is: *Where does business practice set its boundaries? Does the business community regard social and environmental considerations as part of its responsibility? But: Does the organisation have an ethical account? A stakeholder model? A social account? A set of values?* Gradually, as clarification as to the boundary of business has been reached; gradually processes and methods as how to organise, measure, control and signal corporate social responsibility is thematised. Negotiations now deal with models, accounts, audits, certification, verification and standards. From outside the economic system these measures are observed as alternative instruments of regulation. Within the economic system they enable routinisation, relieve the information processes and are communicated self-referentially. They are structures which translate the corporate social responsibility into economic language, and which attune expectations and reduce uncertainty.

I will stress again that according to my analysis we do not see the evolution as activated by actors' strategic interests in a power play. The interest is embedded in the social communication processes, and it is simple. The 'nature' of the social processes is like waterways to run where they find their way, i.e. where connection is most probable. Only where connection fails again and again do the social processes spend resources on communication on communication, reflection: with the only 'objective' of revising the connective potential. When communicative success is restored, communication on communication ceases. This we observe during the phases of evolution of a new business paradigm. While the business community in the reflective phase enters into negotiations with other observers in the field, then the theme of corporate social responsibility is again canalised into daily routines as the roads of communication are cleared and the boundary settings (i.e. patterns of expectation) are clarified.

### **Business: Imitations**

It spreads as good practice to follow the role models within the business community from the reflective phase. Gradually, as the broader social responsibility is repeatedly thematised in the field, and as elite companies appear with stakeholder models and social accounts and with comments which make social and environmental considerations natural preconditions for profit; gradually, as these matters are thematised in mass media, at conferences, in professional literature etc, the majority of the business community follows suit, and the processes evolve into the principle of form I have chosen to name 'the good practice' stage. From having been communicated other-referentially (regulatory), corporate social responsibility is now communicated self-referentially (voluntary) within the business community. However, the reflective practice originally provoked in some companies will by most other companies be translated into routine activities and formal structures. They relieve the risky and resource-demanding 2<sup>nd</sup> order reflection into the basic 1<sup>st</sup> order self-reference (cf. table 7) of 'good practice'. Not only does reflection endanger boundaries: it is also resource-demanding: it multiplies communication processes and is for special cases only. Instead, the redefined role and responsibility of business is fixed in new structures; models, accounts, routines, standards, certification become good practice. The moral protest communication in the field has been absorbed by counter-moralisation in the reflective phase; the good practice phase is morally neutralised. The argument for a broader corporate social responsibility has in business practice become: "Because that is the way you do."

The good practice stage is characterised by routinisation and imitation. If the uncertainty of decision-making can be reduced via the experiences of role models, organisations will have an

immanent urge to relieve decision processes by doing likewise: "Often the problem with the obscurity of the future is relieved because similar reforms are already realized in other organisations so that you can stick to a pattern and make use of similar experiences. Your own future is presence in other organisations. It eases decision-making and may explain why certain kinds of reforms spread like fashion through diffusion" (Luhmann 2000b:339)<sup>25</sup>. However, the reflective practice originally provoked in some companies will be integrated as routine activities and formalised structures by most others. The complexity of the experience of contingency which the public perspective has made visible in most social systems is reduced to stakeholder models and 'extra-economic' accounts such as 'green', social and ethical accounts as a way in which business companies can observe the increasingly more complex environment, and which makes it 'manageable' through quantitative data, relieve the risky reflection and function as signals of new patterns of expectations.

The strategic part of the professional activities previously differentiated in public relations or corporate communication departments will be integrated in top-managerial decision processes. The finance director who takes into consideration social and environmental audits and ethical investors; the personnel director who aims to recruit high quality, socially conscious candidates (Langford 2002). The logistics director who checks foreign suppliers' approach to child labour; or the production director who secures that the production is living up to sustainability certification. The explicit communicative practice will focus on symbolic or ceremonial activities which signal the necessary images of expectation in a hyper-complex society. Structures and activities – such as interactive internet sites, stakeholder accounts, CSR departments, a professional discourse with concepts such as 'dialogue with society' may not necessarily increase the immediate social responsibility of business practice, but may be necessary as part of the ceremony which supports the structures of expectations – and accordingly further the social communication processes<sup>26</sup>.

DIMENSIONS	3. EVOLUTIONARY, GOOD PRACTICE STAGE: NEW SOCIAL BOUNDARIES BEING SET
INDEPENDENCE ACKNOWLEDGED WITH INTERDEPENDENCE AS PRE-REQUISITE	<ul style="list-style-type: none"> <li>- New understanding of society catches on broadly and unreflected.</li> <li>- Hyper-irritable state is relieved by routines.</li> <li>- Secures independence by taking interdependence into consideration.</li> </ul>
POLYCONTEXTURAL IMPLEMENTATION	<ul style="list-style-type: none"> <li>- Diffusion of implementation.</li> <li>- New polycontextural regulation: Audits, certification, verification.</li> </ul>
BUSINESS – DIFFUSION OF 'GOOD PRACTICE'	Imitations, models, routines, accounts, audits, verifications, certifications.

Table 9: Characteristics of the good practice phase.

<sup>25</sup> In my view, in every phase of the evolutionary process we can observe an isomorphical process. Each of the evolutionary phases is in itself an evolution.

<sup>26</sup> I acknowledge inspiration in neo-institutionalism which, however, does not live up to my demands of analytical precision, and neither the radical basis in contemporary societal structures.

## RESTABILISATION: THE NEO-CONVENTIONAL PHASE

When the synchronous analysis is supplemented with a diachronous analysis we see a pattern which parallels the evolutionary process: Variation – selection – retention. The empirical observations lead to my suggestion that the understanding of the role and responsibility of business in society is gradually changing: a new business paradigm is evolving to relieve the pressure produced by the processes of modernisation in today’s polycentered, hypercomplex society. The basic activity of business, to produce and function as the economic foundation of society, does not change. The societal conditions do however – leading to transformations in the sociology of the economic rationale based on increasing corporate self-restriction. The argument behind the notion of paradigm in this context is that economics, business, organisation and corporate social responsibility are social constructions: they evolve over time and regulate our understanding of socially acceptable and expectable business conduct.

3 Dimensions 4 Phases	Independence/interdependence	Polycontextural interrelation	Business organisations
0. Conventional	Independence unproblematised	Routine relations	Conventional economy
1. Counter-active	Independence challenged with a weighting of interdependence	Conflict; distortions of resonance; foe images	Defence, counter-action
2. Reflective	Interdependence acknowledged as necessary for independence	Partnerships; negotiating fora (multistakeholder dialogues); hyper-irritation	Reflection, negotiation; communication on communication
3. Good practice	Independence weighted with interdependence as a prerequisite	New routines diffuse; routinisation of structural couplings – trust checks	Good practice implementation; ‘soft’ accounting, certifications, new routines
4. Neo-conventional	Independence prerequisite to interdependence	Routine relations	Stabilisation in new conventions

Table 10: Evolution summarised.

The evolution of a new business paradigm is a long process, the stages of which are parallelly displaced in different trades and regions. An evolution is finalized with the stabilisation of a new pattern of expectation, and will by itself cause the new self-control. Boundaries will again have stabilised and constitute the paradigm for the right and reasonable business practice. Neither sanctions, nor moral or role models will be required any longer: the new paradigm is simply taken for granted as the natural way of doing business. A new social reality has been constructed as the boundaries of good business practice have again grown into matters-of-course and practice grown into cognitive, taken-for-granted routines. New conventions for socially acceptable business practice have been established. From having been experienced as a strategic necessity to secure resources and autonomy the redefined business paradigm grows into unreflected norms of good business practice and in unreflected routines which is no longer questioned, based on cognitive scripts and schemata which are perceived as objective and exterior structures representing social reality. The societal system has guarded against hyper-irritation

and a resonance which might have brought society out of balance, i.e. risk social order.

Phases of evolution	0. Conventional->	1. Counter-active->	2. Reflective->	3. 'Good practice' ->	4. Neo-conventional
Approx time		1968 ->	1995->	2000 ->	2010 ->
Stage of evolution	Retention from previous evolution	Retention -> variation	Variation -> selection	Selection -> retention	Retention
Business paradigm	Paradigm stabilised as 'reality'	Business paradigm being challenged	Business paradigm being negotiated	New paradigm accepted as 'good practice'	New paradigm stabilised as 'reality'
Discourse	Non-moralised	Moralised	Counter-moralised	Morally neutralised	Non-moralised
Corporate approach to new expectations	Enclosed in expectations stabilised from previous evolution	Must do – to ensure resources	Ought to do – as a responsible part of society	Should do – to live up to norms of 'good practice'	Taken for granted – the natural way
Character of boundary conflicts	Rare and situational	Frequent; situational as well as principal	Frequent and mainly principal	Less frequently principal, increasingly ceremonial	Frequent and ceremonial: 'trust checks'
Constructed environment	Market and state	Market and state + public sphere	Public sphere + stakeholders (partnerships)	Stakeholders	Stakeholders
Methods	Publicity (market relations); lobbyism (political relations)	Asymmetrical communication; buffering strategy; issues management; crisis communication	'Dialogue'; 'symmetrical communication'; bridging strategy; ethical programmes; values management	Social, environmental, ethical accounts; elaborate models for efficient practice; 'branding'	Ceremony; symbolic activities; standards; certification; verified accounts
Semantics	Economic growth – productivity – efficiency	Issues, publics, credibility crises	Ethics – corporate social responsibility – partnerships – values – dialogue - legitimacy	Triple bottomline, social accountability, benchmarking, best practice, scores <sup>27</sup>	(Cf footnote 27)
Distinction of observation as to new demands of social responsibility	Profit = conventional social responsibility	Profit/new social responsibility	Profit and new social responsibility	PPP/ no profit	Profit = neo-conventional social responsibility

Table 11: Functional equivalents during the evolution of a reflective paradigm.

<sup>27</sup> Semantics from the reflective phase will be retained in the good practice and probably in the neo-conventional phase, however in an unreflected way. Values, ethics, corporate social responsibility will be buzzwords more than covering reflective considerations.

The reflective business paradigm is based on another understanding of society than the previous, conventional: the back cloth is comprehended with concepts such as hyper-complexity, globalisation, risk society, mass mediated reality, fragmentation, network society. We see how the interdependencies are brought into society's communication processes while at the same time independencies are preserved. We see how regulation via the other-referential (obligatory) legislation no longer ensures an adequately stable pattern of expectation and is supplemented with the self-referential (voluntary) contingency control. We also see how this self-control, which is a result of selections of variation in the reflective phase – representing a demanding and risky form of communication – is relieved in routines, standards, certifications, models, bench-marking, accounts, audits (Holmström 2000). In this way, society canalises its polycontextural regulation from hyper-irritable conditions into more stable and secure patterns of expectation.

Phases	App. time	Evolution	Description
0. Conventional		Stabilised from previous evolution	Stabilisation of the functionally differentiated society – of functional independencies.
1. Counter-active	1968-1995 <sup>28</sup>	Challenges to variation; defence to retain conventional position	The increasing functional independencies necessitate an increasing interdependence. A conflict between independence and interdependence becomes visible: Boundaries are problematised, however in the old, consense--oriented understanding of society; clashes of conflict, blind spots, strengthened systems closures in defence of boundaries.
2. Reflective	1995-	New variations being negotiated and selected	Boundary negotiations from a growing perception of a polycentered society; 'consense' on fundamental conflict (differentiation) as the basis of modern welfare society.
3. Good practice	2000-	Selected variations being implemented	The new understanding of society catches on broadly and unreflected; the hyper-irritable condition is relieved by routines, which secures independence by taking interdependence into consideration.
4. Neo-conventional	2010-	Stabilisation of new expectations	A polycentered perception of society has grown into reality.

Table 12: Stages of evolution in the perspective of the functionally differentiated society, following the processual stages of evolution: 1) Retention of stabilised expectations from previous evolution, 2) challenges to variation, 3) selection of variations, 4) retention of variations and 5) stabilisation of new social expectations.

Correspondingly, we see a parallel development of the changing functional equivalents on points of analysis during the evolution (table 11); on the character of moral discourse and of boundary conflicts; the approach, practice and methods of the business community in relation to the new environmental complexity, the semantics, and the distinctions of observation as to the new expectations as to social responsibility. And through it all, we analyse the governing evolution of the societal structure, from 1) the firmly closed stabilised functional systems in the con-

<sup>28</sup> The years refer to the student's rebellion in 1968 and the Brent Spar case in 1995. They are symbolic more than precise. We talked about 'grassroots' even before 1968, and the counter-active stage does not end in 1995: There are large overlaps between the stages in relation to individual companies as well as trades and regions, but Brent Spar has a strong symbolic influence on the diffusion of new business ideals.

ventional phase to 2) the pressure from the increasing interdependence of the functional systems in the counter-active phase, and further to 3) an increasing acknowledgment of the interdependence between society's differentiated functional areas in the reflective phase, 4) which stabilises as back cloth in the 'good practice' stage, and finally 5) a new stabilised pattern which can be described as polycontext-referential self-regulation in the neo-conventional phase.

To conclude, I see the activating dynamics as the cross field of independence and interdependence between the differentiated functional areas. Activated by a need for increased interdependence, society reacts against this independence in the late 1960s. At first, this leads to conflicts and foe images from 1<sup>st</sup> order observations. A phase succeeds where interdependence is stressed and negotiated, leading to a clarification where interdependence is acknowledged as a prerequisite for independence – and vice versa. As I see it this is where we are in Europa now, a situation reflected in concepts such as multi-stakeholder-dialogue and 'soft' types of accounts where concern of profit implies concern of 'people, planet'.

The dynamics of modernisation relating to corporate social responsibility can be localised to society's very principle of differentiation. The social processes involved will aim at maintaining the functional boundaries - in casu: the economic boundaries. We can understand evolution as based in the social systemic communication processes – not in actors' intentional and more or less strategic interests. The processes have no particular objective apart from maintaining the functionally differentiated society; i.e. to continue and further the communication processes. The classic rationality model's division of objectives and means dissolves. Instead, objectives and means overlap and become simultaneous. The communicative processes are objectives as well as means. My analytical understanding of the concepts of *social responsibility* and *sustainable development* contrasts with the common understanding of those concepts as means to a goal, for instance a better life for human beings or preservation of global biodiversity. In my analysis, social responsibility is reconstructed as responsibility for a development which makes communication sustainable – which means: it is directed to where the connective potential is most probable. Consequently, social responsibility becomes a function changing over time in functional equivalents (cf table 1). We may understand the function as contributing to securing the continuation of society: social order. With this approach we may understand why corporate social responsibility at certain stages in society's evolution fulfils its function by focusing narrowly on the economy – and at other stages fulfils its function by including broader considerations, where previously extra-economic considerations become core issues of business.

I suggest we understand the evolution of a new business paradigm exactly as part of the functionally differentiated society's self-maintaining dynamics. When we analyse the arguments behind the new self-restriction of business practice, the declared argument behind the sacrifices on the short term increasingly becomes profit on the long term – after a relatively brief period in the early reflective phase of a more moral-normative character which apparently challenges the economic rationale of business practice. My analysis indicates a far greater continuity of the social structures than may appear from the semantic field only. We see no fundamental transformation of society's functionally differentiated structure. On the contrary, the selection of variation resulting from evolution seems to have strengthened the functional codes. We even see that protest communication from an attempt to a position 'outside' society assumes functional traits.

FROM	TO
Firm independence	Independence based in interdependence = more complex interrelations in society
Conventional legislation as regulatory mechanism secures social trust	Polycontext-referential self-regulation.

Table 13: A general trend: the independent functional paradigms evolve towards polycontextural, interdependent considerations.

In the reflective business paradigm rationality will be completely embedded in the new economic programme. What has changed is not the basic economic rationale: rather the conditions for following it, i.e. a reprogramming of the economic code. With its continued anchoring in the economic rationale the new business paradigm serves exactly its function: to secure the boundaries of the economic functional system, the whole idea of this evolutionary manoeuvre being to secure the sustainability of the functionally differentiated society – a problem traditionelle captured with the notion of ‘social order’.

The theoretical reconstruction of the evolution of a reflective paradigm is based on the hypothesis that the sustainability of the functionally differentiated society depends on the dynamic – also historically dynamic – adjustment of the functional systems in relation to each other in continuous learning processes (Luhmann 1997:604). I will stress, however, that evolution does not necessarily lead to a relief of social order <sup>29</sup> (ibid.:449). Evolution is not value-laden, and my analysis intends no normative evaluation. Rather, evolution permits increased complexity (ibid.:505ff). However, precisely this perspective renders visible the problem as to *if* - and if so *how* - learning is achieved of a character so that the societal system does not undermine its own conditions.

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