Between independence and interdependence:

The Interrelation between Societal Regulation and Organisational Legitimisation

This paper discusses the issues of societal and social change relevant to organisational legitimacy in the transition from totalitarian regulation to poly-contextual, democratic coordination of society, and to the ideal of corporate societal responsibility within EU. The paper analyses the differences between the conditions for a legitimising practice in present and potential EU societies, i.e. between the *transitional* and the *reflective* practice of organisational legitimisation respectively. Although in particular pinpointing the constraints and challenges for the transitional practice of organisational legitimisation, the discussion is based on a classification of different forms of societal regulation which makes it possible to compare the differences and similarities which condition organisations' legitimising practices in various societies.

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I. Intro

Present and potential EU societies are united by a shared ideal as to the democratic regulation of society. However, they are divided into two main categories by their fundamentally different historic course: the well-established democratic societies of Western Europe and the post-communist countries of Central and Eastern Europe. Correspondingly, the social activities determined by the societal form of regulation are characterised by differences which depend on the societal stage of evolution. Among these social activities are public relations and corporate communication.

These differences are captured by European research with the concepts of a *transitional* [1] and a *reflective*[2] (Holmström 2002; 2004) practice of organisational legitimisation respectively. 'Transitional organisational legitimisation' we can understand as an analytical category which describes organisational legitimisation as part of the transitional processes from a mono-centred, totalitarian regulation of society to poly-contextual, democratic regulation processes. The reflective paradigm is an analysis of the ideal of organisational legitimisation within well-established democracies. Consequently, we may conclude that the concept of 'transitional' indicates a transition to a reflective practice. Hence, it becomes relevant to analyse the differences between the two concepts, and particularly in relation to the regulating processes of society. This is in order partly to clarify the constraints for the transitional practice in approaching a reflective practice; partly to discuss how a reflective practice can learn from a transitional practice. My suggestion is that we can learn from each other – whether the transitional from the reflective or vice versa – exactly because the differences render visible the social mechanisms involved. However, the precondition of learning in a way which increases insight instead of reproduces blindness is an adequate analytical optic. In this case the optic must be sensitive not only to the changes which are the objective of the 'managed communication', but also the changes embedding communication. Changes usually identified with a transition from *totalitarian* to *democratic* regulation, *planned economy* to *market economy*, *communism* to *capitalism* – and I will add: from *control* to *trust* as the security strategy of social relations.

I suggest an analytical optic which enables an identification of the structure and dynamics of the social processes which constitute society and which condition the changes in which also organisations and their legitimising practices embedded. Legitimacy is understood as "a generalised preparedness to accept decisions within certain boundaries of tolerance; decisions which are still undecided as regards contents" (Luhmann 1969/1993:28). On the one hand, legitimacy limits social contingencies, considers mutual interdependencies, adjusts expectations and generates trust. On the other hand, legitimacy implies a certain liberty within the boundaries of the generalised preparedness to accept decisions – without having to discuss or negotiate the social acceptability of every decision[3]. To an organisation, legitimacy defines the boundaries for decisions,

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[1] In most research and practice, concepts such as public relations, public affairs, stakeholder relations, corporate communications are applied. Lawniczak introduces the concept of transitional public relations, which I parallel with organisational legitimisation: "The legacy of the former socialist system, as reflected in the ways of thinking, the structure of the economy, and the mechanism for resource allocation, creates a unique combination of constraints on the application of the universal principles of public relations. For this reason, we may speak of transition PR" (Lawniczak, R. (2001). Transition public relations - an instrument for systemic transformation in Central and Eastern Europa. Public Relations Contribution to Transition in Central and Eastern Europe - Research and Practice. R. Lawniczak. Poznan, Poznan University of Economics:17). It will follow from this paper that universal principles are questioned. As a legitimising practice, principles of public relations practice will depend on the regulating form of society.

[2] Cf also Ruler, B. v. and D. Vercic (2002). The Bled Manifesto on Public Relations. Ljubljana, Pristop Communications, which identifies reflection as a characteristic feature of European public relations, based on the EBOK survey.

[3] Luhmann points out that "only a generalisation of the approval of decisions can make allowance for the complexity of modern society. Hence, it (legitimacy, *sh*) is not as much a question of motivated convictions as far more a question of an accept which is free of

which are perceived as socially acceptable within a given time, context and perspective. Hence, legitimisation and legitimacy becomes functional equivalents to legislation and law. However, where legislation is an other-referential self-regulation which tends to weaken the different specialised societal dynamics and consequently the complexity of society, legitimacy is a self-referential contingency control with changing accompanying references, depending on the regulation form of society.

Legitimacy changes in continuous legitimising processes involving a multitude of different social mechanisms. Organisation's legitimising practices partly influence the changing perceptions of legitimacy; partly legitimise the organisation by influencing organisational decision processes[4], and by advocating organisational legitimacy within the environment. This relates organisational legitimisation closely to the coordination processes of society, and indicates how function and practice change with the way a society regulates itself.

This paper therefore *first* introduces an analytical optic focusing on different coordinating forms of modern society, in particular the characteristics of democratic society as opposed to totalitarian regulation of social contingencies. *Second,* based on this optic, it identifies crucial points of differences, from a totalitarian mono-centred to democratic, poly-contextual regulation, including the different legitimising processes. *Third,* it identifies the European ideal of organisational legitimising practice as conceptualised in the reflective paradigm. *Fourth,* it identifies crucial points of change, defining the role for organisations' legitimising practice in the transitional phase. *Fifth,* it compares the transitional and the reflective paradigms of organisational legitimisation and discusses their mutual learning potential.

The perspective of this paper is analytical, avoiding normative evaluations from moral or political perspectives. Instead, the paper analyses and discusses the social processes and structures involved, with the ambition of reducing blindness in social relations. Such insight is seen as decisive to legitimising organisational practices within late modern[5] democracies.

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motives and of individual personalities' specific character – an accept which can typically be expected without too much concrete information" (Luhmann, N. (1969/1993). Legitimisation durch Verfahren. Frankfurt am Main, Suhrkamp:32).

[4] We may perceive "the legitimisation of decisions as an institutionalised learning process, as a continuous restructuring of expectations, which accompanies decision processes" (Ibid:36).

[5] The notion of *late modern* indicates a further development of *modern*, however differs from modernity on decisive features. In this context, these features are the high degree of societal differentiation, conflict as a basic condition of society, the absence of a centre for reasoning. Exactly these distinctive features of the late modern society make a top or a centre integrating society impossible. Instead, we can observe poly-contextual coordinating forms based on the evolution of reflective capacities.

II.   Analytical optic

My construction of an analytical optic sensitive to the differences between the transitional phase and the ideals of organisations' legitimising practice within well-established democratic societies is based on the universal sociological theories of Niklas Luhmann[6]. They focus on the communicative processes which constitute society, and their self-organising, self-referential dynamics. Society is seen as consisting not of human beings, but of social systems connecting people. This implies two analytical advantages: 1) We are able to reconstruct society into a 'map' of communications circuits, to analytically uncover society's differentiated and continuously competing formations and patterns of meaning, expectations, norms, ideals, and to analyse how they change. 2) We can reconstruct the flow of the dynamic processes of a society[7], and observe how a society's energy is restricted or stimulated. By *social energy* I mean the flow of social processes constituting society (communication[8]); the easier they flow, the more social complexity is developed, and the more outer complexity (the complexity of all non-social processes, in particular the human being, nature) can be recognized and socially processed.

The social processes and structures of modern society are characterized by functional differentiation in societal spheres. Through the latter half of the previous millennium, since the 1600s, society's communication processes gradually clustered around various specialised rationalities in *functional systems* [9] (Luhmann 1984/1995; 1997) – social communication networks oriented towards different functions in society. Among the most important are politics (Luhmann 2000b), law (Luhmann 1969/1993), science (Luhmann 1990), economics (Luhmann 1999), religion, and the news media (Luhmann 1996). Each functional rationality is based on its specific criteria of relevance; each has its specific perception of society, of its legitimacy, role and responsibility in society. Each rationality produces its own worldview, its own reality, and the differentiated rationalities are incompatible and indifferent to each other. This indifference is a protective shield to build up specific complexity.

This differentiation adjusts social expectations within the various functional areas and conditions the growth of complexity within society. In this way, the functional differentiation increases society's energy. It is, however, not without inherent problems. I will return to this aspect.

1.   As crossing of social boundaries grows illegitimate

The evolution of functional differentiation means that the specific rationalities of politics, law, religion, family, economy, science, education, news media etcetera gradually withdrew from each other and developed each their specific complexity. This autonomy of the functional dynamics seems to be a decisive source of social energy. Accordingly, since the 1600s, legitimising processes begin to orient themselves towards a stabilisation of the functional boundaries, and we can observe how crossing of boundaries gradually grows illegitimate. Today, in well-established democracies it is regarded as illegitimate for example that a religious

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[6] Niklas Luhmann (1927-1998), prominent late modern German sociologist. Luhmann did not analyse public relations, corporate communications or corporate social responsibility. The analytical optic and the findings presented in this paper are based on Luhmann's theories, however developed by the author of this paper. His comprehensive theoretical universe is chosen as the analytical foundation for several reasons: mainly because they focus on social processes, and because they offer a coherent universal theoretical framework for these processes in society at large as well as in organisations.

[7] Society means "the totality of all social communications that can be expected" Luhmann, 1984/1995:392. When I use the term society in this paper, I refer to a country as a society on the level where the communicative processes are socially enclosed in national meaning system.

[8] Communication: Social processes continuously reproducing society (as well as organisations) by selecting meaning (Luhmann, N. (1984/1995). Social Systems. Stanford, California, Stanford University Press: chapter 4).

[9] In this paper, the designation of *societal sphere* is identical with the theoretical term of *functional system*.

movement is run as a business enterprise; that journalists are bribed or editorial space in television and newspapers in other ways are bought; that scientific results are biased by their economic funding or by marketing efforts; that political government is *corrupted* by money – because this means that the boundaries of religion, news media, science and politics respectively are crossed by economy. Correspondingly, it grows illegitimate to marry for the sake of money, where the opposite was the case within the multifunctional family forms of earlier types of societal differentiation (Luhmann 1982/1994).

The above examples refer to the strains of economy on other societal systems; however, all societal spheres strain each other in various ways – strains which activate delegitimisation processes. If the family system strains other systems, the crossing is characterised as nepotism. If your scientific research is influenced by your political opinion or moral inclinations, then the boundaries of science and consequently the dynamics and specific complexity of science are weakened.

I stress this boundary-protecting function of the legitimising processes in order to 1) illustrate the importance ascribed to the respect of boundaries in contemporary society (*the functionally differentiated society*), 2) later relate the function to the communist, the transitional, and the EU-ideal forms of regulation respectively, 3) relate the function to organisational legitimisation.

In the long phase of construction and stabilisation of the functional differentiation which has taken place since the 1600s, the societal spheres apply mono-contextual perspectives which protect their development of specific complexity. This specialisation on one hand means a pronounced increase of the functional complexities – scientific knowledge, political power, the communication of news, economic transactions etcetera. This mono-functional differentiation has conditioned industrialism and the welfare society. However, on the other hand, this functional specialisation means a growing mutual interdependence[10]. An example: For the development of a healthcare industry, the economic system depends on the political system for legislation on intellectual property rights, the legal system for various contracts, the science system for a continuous generation of knowledge, the healthcare system for clinic studies and consumption, mass media for their marketing of products, to mention a few of innumerable and increasing interdependencies.

Consequently, the balancing of the independence and interdependence of functional dynamics appears to be the decisive problem of coordination of contemporary societies. We see different attempts to solve the problem in different types of regulation, which define differing contexts for organisations' legitimising practice within the balancing of independence and interdependence.

2.   Intermezzo: organisation and function

So far, the analytical optic presented has focused on the functional differentiation of society, whereas the dimension of main interest is organisations' legitimising practice. How does the level of society's differentiated functional spheres and the level of organisational activities relate?

Societal conflicts strike in organisations where society's turbulences dissolve in a multitude of minor communication circuits. Even if all organisations are polygenous, they predominantly identify themselves within

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[10] Taking the economic system as the illustration of this monofunctionality: all operations related to money refer to the economic system. When you communicate according to economic criteria, and not just communicate *about* economic criteria, communication links to the economic functional system. Science, politics, religion etcetera can thematise economy in their communicative processes – however, this does not make them part of the economic system; they retain their specific social dynamics. In return, the rest of society's functional spheres depends on the independent functioning of economy. Otherwise, these functional spheres would have to fulfil economic functions as well as their own original, and they would regress into multifunctional mechanisms and in a contemporary context grow corrupt (cf Luhmann, N. (1999). Die Wirtschaft der Gesellschaft. Frankfurt am Main, Suhrkamp:11).

a basic rationality with reference to one of society's functional spheres: a church to religion; a research institution to science; a court of justice to law; a newspaper to the specific criteria of the news media system etc. For instance: Business enterprises refer to a long series of societal spheres. A health care company will refer to the systems of science and of health; as an employer also to the family system and to law. And so on. However, what defines business is the basic economic rationality. 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. It adjusts expectations, generates confidence[11] and accelerates the communicative processes.

The processes described and analysed in this paper apply to societal spheres and organisational systems in general, however focuses on economy in particular, because economy seems particularly exposed in the legitimising processes in all forms of societal regulation, probably because of the specific efficiency of the medium of money[12], however, in particular within communism where the economic system is presented as 'ruthless capitalism' (Lawniczak 2001:15).

3.   The coordination of society

The main problem for modern societies becomes how the development of the specific dynamics of the differentiated societal spheres *as well as* mutual coordination can be considered. The forms of regulation can be categorised ideal-typically according to certain variables (Table 1). They make it possible to compare the differences and similarities which condition the legitimising practice of organisations. In particular, we can compare the degree of independence and interdependence; of high complexity *within* and *between* the societal spheres respectively; of the idea of central versus decentralised regulation[13]; of exterior regulation compared to self-regulation[14] – i.e. if the societal spheres refer to other dynamics (other-reference) or to their own dynamics (self-reference).

3.1.   Decentralised self-regulation (a)

In the liberal model, regulation is mono-contextually decentralised within the differentiated functional spheres with a minimum of 'centralised' (cf. food note 13) involvement. As a regulating authority, the state is involved only through the establishment of a general legal base. This facilitates high complexity and social energy in each of the differentiated societal spheres. Conversely, the model reduces complexity between the spheres and tends to generate destructive conflicts of a character which may impair the traversing trust and interaction and weaken the total energy of society.

As an analytical category, the liberal model can be observed in particular in the phase of construction and early stabilisation of the functionally differentiated society where the specific complexities of the independent societal spheres are formed and developed.

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[11] Confidence is seen as blind, monocontextual, non-reflective, whereas trust implies reflection, poly-contextuality.

[12] The communicative processes of all societal spheres (functional systems) are mediated by each their specific symbolic medium. For instance: Science by truth, insight; news media by information, news; politics by power; religion by faith; family by love, intimacy. Money is mediating the communicative processes of the economic system and this medium is characterised by a high level of abstraction and requires a minimum of information. This is one explanation of the extension of the economic system seen as communicative processes.

[13] To be correct: the modern society is poly-centred, and a centre of society exists only as an idea.

[14] To be correct: in a functionally differentiated society we can speak of self-regulation only. A societal (functional) dynamic can be regulated only by itself. If economy ceases to be regulated by economic criteria, it can no longer be characterised as economy. However, we can differ between various degrees of other-reference or self-reference.

Complexity	external: low	external: high
internal: low	(premodern) repressive regulation	**b) Communism, totalitarism, central regulation** Central regulation: The functional dynamics of the different societal spheres are centrally regulated (other-referential regulation) and partially decompose. Social processes: Mono-centred, mono-contextual. Legitimisation: Rests within one societal sphere, a political ideology Public: Non existing (instead propaganda target groups for the ruling system) Force: Integration, interdependence. Problem: Weak boundaries, weak independencies. One societal sphere strains other functional dynamics. Impedes social energy. Organisations' legitimising practice: Not existing; no legitimising processes – instead control.
internal: high	**a) Liberalism, self-regulation (early modern)** Self-referential regulation (classical liberalism – first order self-regulation): Construction and stabilisation of the functional independencies of the different societal spheres. Minimum state involvement. Social processes: Poly-centred, mono-contextual. Legitimisation: Poly-centred, self-referential. Public: Reference of legitimacy to the political sphere, legislation (to secure legitimate legislation). Force: Strong boundaries, strong independencies. Problems: Conflicts; all societal spheres strain each other. Organisations' legitimising practice: Lobbyism + systems internal legitimisation in self-referential environment (the market)	**c) Democratic welfare society (1), mixed regulation (modern)** Mixed regulation: Self-referential self-regulation of societal spheres supplemented by legislation (other-referential self-regulation). Social processes: Poly-centred, mono-contextual. Legitimisation: Political legitimisation rests with the political systematics – free formation of political parties, elections, and public opinion as the legitimising reference. With other societal spheres, legitimacy rests with law abidance and functional self-reference. Force: Stabilised independencies, interdependence regulated by politics, law. Problem: As society's complexity evolves, legislation increasingly grows insufficient coordination. Public:: Reference of legitimacy to the political sphere, legislation (to secure legitimate legislation). Based in the counter-factual ideal of a centre for society's reasoning. Organisations' legitimising practice: Lobbyism, self-legitimisation (e.g. 'asymmetrical communication' – attempts to make other social systems understand you from your self-referential perspective).
		d) Reflective society, poly-contextual regulation (late modern) Poly-contextual regulation: Reflective self-regulation (2nd order) + political other-regulation of the different societal spheres. (Further development of democratic societies since 1960es.) Social processes: Poly-centred, poly-contextual. Legitimisation: Polycontext-referential self-legitimisation. Force: Strong independencies, strong interdependencies. Public: Legitimator to all societal spheres. Differentiated, however reproducing a contingency controlling idea of common matters. Organisations' legitimising practice: More important than in any other type of societal regulation. Continuous sensibility to a poly-contextual environment. Corporate (organisational) *societal* responsibility.

Table 1: Relation between the functional differentiation and societal form of regulation. The models are ideal-typologies, and we may find various cross-combinations and transitional models.

Within the liberal regulation of society, self-referential regulation prevails with society's differentiated spheres. Organisations' legitimising activities are few and concentrated on systems internal legitimisation in self-referential environment (the markets for investment, employment, raw materials, consumption), and to lobbyism to ensure that legislation considers and supports the differentiated independencies.

3.2. Central regulation (b)

The centrally regulated model attempts to secure societal integration by placing the regulation of all societal spheres within one sphere: within socialism and communism, the political system and a uniform political ideology respectively. Any other sphere of society is subject to political premises. The political reference dominates the communicative processes. This reduces the specific complexity and dynamics within societal spheres such as family, business, art, science, religion, news media which are subordinated to political criteria. The functional dynamics and their ability of innovation are oppressed. The central regulation counteracts the processing of high complexity, tends to excessive integration and to a regressive de-differentiation (cf (Willke 1993):270-271. Within totalitarian communism, legitimising processes are substituted by control.

3.3. Mixed regulation (c)

The mixed regulation model characterises the democratic welfare society. It combines political other-regulation and poly-centred self-regulation. Within pluralist democracies, the election result legitimates political power. Instead of a uniform controlling ideology, the challenge for political power is the coordination of many differing perspectives and objectives (Luhmann 1971:43). The task of societal regulation is to organise relations between the differentiated societal spheres without weakening their dynamics. The welfare society is characterised by high internal complexity within the differentiated spheres and concurrently high complexity between the differentiated spheres of society.

Organisations' legitimising activities are lobbyism, self-referential legitimisation (e.g. 'asymmetrical communication': organisational attempts to make other societal spheres understand the organisation - instead of attempts to understand itself in the societal context, as in the next, poly-contextual model).

The mixed model has been the typical form of regulation of European welfare societies until the late 20th century. However, also in the mixed regulation model one societal sphere is dominating – the political system and its giant organisational system, *the state*. Analytically, this is a weakening of the optimum capacity of complexity processing within (late) modern societies, because it restricts the other differentiated societal spheres. Empirically, during the latter half of the 1900s, we see how 'the crisis of the welfare state' is thematised, and the state is described as "over-extended in providing a diverse range of services and seeking to regulate an ever-widening range of contingencies. As such it is too overloaded to act as an effective democratic overseer and too enmeshed in trying to rationalise its own activities to offer a check to the growth of private and public managerial power" (Hirst 1997:10). The mixed model seems insufficiently flexible in containing the accelerating societal complexity's innovative dynamics. If one system – political power – endeavours to coordinate the accelerating complexity of the differentiated societal spheres, it will grow extensive, restrictive and rigid, and the increase in other-referential regulation will weaken society's energy. On the other hand, the differentiated mono-contextual self-regulation within the societal spheres is too self-centred to consider the interdependencies within society.

3.4. Poly-contextual self-regulation (d)

The mixed model has been the typical form of regulation of European welfare societies until the late 20th century. However, also in the mixed regulation model one societal sphere is dominating – the political system and its giant organisational system, *the state*. Analytically, this is a weakening of the optimum capacity of complexity processing within (late) modern societies, because it restricts the other differentiated societal spheres. Empirically, during the latter half of the 1900s, we see how 'the crisis of the welfare state' is thematised, and the state is described as "over-extended in providing a diverse range of services and seeking to regulate an ever-widening range of contingencies. As such it is too overloaded to act as an effective democratic overseer and too enmeshed in trying to rationalise its own activities to offer a check to the growth of private and public managerial power" (Hirst 1997:10). The mixed model seems insufficiently flexible in containing the accelerating societal complexity's innovative dynamics. If one system – political power – endeavours to coordinate the accelerating complexity of the differentiated societal spheres, it will grow extensive, restrictive and rigid, and the increase in other-referential regulation will weaken society's energy. On the other hand, the differentiated mono-contextual self-regulation within the societal spheres is too self-centred to consider the interdependencies within society.

In the latter half of the 1900s' Western Europe, the increasing complexity and the increasing interdependence activate the need for increasing societal coordination (Holmström 2004). Obligatory other-regulation by law is increasingly supplemented by a new form of decentralised self-regulation within the societal spheres[15]. As opposed to the former mono-contextual self-regulation in the liberal model as well as in the mixed model, this self-regulation is characterised by a poly-contextual reference. The differentiated societal spheres voluntarily assume co-responsibility for the larger societal context from each their specific perspective.

Within the business community, this is expressed in notions such as *corporate social responsibility*, *corporate citizenship*, *triple bottom line*, *stakeholder dialogue*. Within the institutions of the European Union (EU), this broader social and societal responsibility is regarded as a supplement to conventional law. In 2001, the EU Commission publishes a Green Paper on corporate social responsibility as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (European-Commission 2001), and in 2002 sets up a *Multi-Stakeholder Forum on CSR* (CSR Europe) to define a European framework to promote environmentally and socially sound business practices.

First, the role of CSR as a societal and not just a social issue is underlined (European-Parliament 2003), and the fact that it is regarded as supplementing conventional regulation, not supplanting it[16] (as would be the case with a return to liberalism). The 2002 UN World Summit on Sustainable Development in Johannesburg stimulated this development, confirming in particular the increased role foreseen for private enterprise in the delivery of public policy (ibid.).

Second, this broader societal responsibility is seen as 1) voluntary and 2) differentiated according to the functional dynamics of the societal spheres, *in casu* the economic premises. CSR is explicitly linked to strategic

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[15] This can be observed as a general trend within EU-countries, although divergences are found. In Italy for instance, we can relate the apparently low degree of organisational self-regulating corporate societal responsibility to weak functional boundaries (Rønne Larsen 2003).

[16] "Whereas companies cannot act in substitution of public authorities where the latter fail to undertake due monitoring of compliance with social and environmental standards; CSR should not be seen as supplanting legal obligations but as supplementing them" European-Parliament (2003). Report on the Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development, Committee on Employment and Social Affairs.

business management by the EU Commission (Liikanen 2003), and the EU Commission stresses that "although the prime responsibility of a company is generating profits, companies can at the same time contribute to social and environmental objectives, through integrating corporate social responsibility as a strategic investment into their core business strategy, their management instruments and their operations. Where corporate social responsibility is a process by which companies manage their relationships with a variety of stakeholders who can have a real influence on their licence to operate, the business case becomes apparent. Thus, it should be treated as an investment, not a cost" (European-Commission 2001:5). Accordingly, the EU Parliament "accepts the need for CSR to be business driven, and that the development of business tools could facilitate the process; that transparency, accountability and verifiability should be accepted by business as in the strategic interests of business, and therefore why business has to own the promotion and development of CSR" (European-Parliament 2003). Moreover, the EU Parliament stresses that "the purpose of CSR should be to add value to an enterprise, and to its sustainability, and that the work of the Forum (EU Multi-stakeholder Forum, *sh*) must respect this purpose; emphasises the business case for CSR, that socially responsible business can protect and promote the long-term profitability of the enterprise" (ibid.).

Third, that this corporate social and societal responsibility is seen as an expression of continuous polycontext-referential self-legitimising processes. It is based on the independent dynamics exactly in regard of the interdependencies. The voluntary, legitimising character is stressed: "Corporate Social Responsibility is not an issue for regulation, Corporate Social Responsibility can not be imposed against the will of enterprises, but can only be promoted together with them under involvement of their stakeholders" (Liikanen 2003). Moreover, the poly-contextual character of this legitimisation is emphasized with the attempt to strengthen the interaction between business and its stakeholders: "Partnerships or co-operation can help businesses improve their performance and reduce risks. The benefit for stakeholders is that businesses become part of the solution and not the problem" (ibid.). And furthermore: "Businesses should drive this debate as it deals with their responsibilities. But Corporate Social Responsibility is not a unilateral matter. It can be formulated successfully only if all relevant actors are involved and make their contributions" (ibid.).

Analytically, polycontext-referential self-legitimisation is based on the ability of *reflection* of social systems[17] (Luhmann 1984/1995; 2000a; Holmström 1996/1998, 2000, 2004) Reflection means: For the social system to be able to relate to itself and its perspective, its worldview, instead of being guided by it blindly. In reflection, the perspective rises from a *mono-contextual first-order perspective* to a *poly-contextual second-order perspective.* Instead of seeing the world mono-contextually, self-centred, from a perspective enclosed within the system – then the social system observes its own and others' behaviour based on an understanding *partly* of itself as a specific, independent dynamic which is part of a larger poly-contextual, interdependent network, and *partly* of the socio-diversity's function in the processing of complexity of modern societies. So, reflection implies that the social system, on one hand, understands its specific identity as part of the socio-diversity, and retains and develops its *independence*; and, on the other hand, learns to understand its *interdependence* in the larger societal context and develops restrictions and coordinating mechanisms to other societal spheres.

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[17] As well as psychical systems, social systems can relate to themselves, because both types of systems constitute meaning.

1. Mono-contextual perspective

(reflexivity)
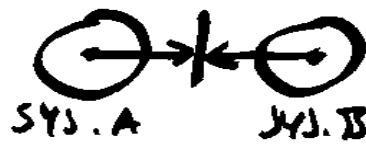
2. Poly-contextual perspective
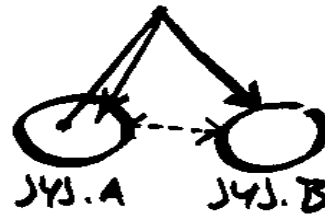
(reflection)

Table 2: Left drawing (1) illustrates the mono-contextual worldview: The system (A) sees only its own worldview (the truth, the reality) and conflicts blindly with other worldviews (in casu B) – even though (or exactly because) the ideal of consensus prevails: the differences in the larger context are not seen. Right drawing (2) indicates how the perspective rises so that the system can see how it sees itself and the world. The drawing is misleading in the sense that observation cannot take place from outside the system; it is a result of a re-entry of the boundary between system and environment within the system. The intention, however, is to illustrate how 1) the perspective changes from mono-contextual blindness to poly-contextual blindness, and how 2) poly-contextuality continues to rest within mono-contextuality, 3) however, how reflection is the capacity which makes it possible to maintain own identity and complexity and at the same time to take into consideration the environment.

The emergence and growth of reflection describes an evolutionary pattern in society's forms of co-ordination towards increasingly polycontext-referential self-regulation. It does not emerge over night, but after several decades of legitimacy conflicts during the latter half of the 1900s in particular in the USA and in the countries which today are EU-members[18]. Gradually, self-regulation reflectively refers to a complex legitimising interplay between the poly-centred systems of society: polycontext-referential self-legitimisation. Interdependence considered in order to strengthening independencies. This means proportionally less other-regulation by politics and law and more self-regulation from a poly-contextual sensitivity.

This new form of regulation first and foremost requires the specific ability of reflection in society, leading to a broader sense of responsibility and general commitment – not out of altruism, but in 'enlightened self-interest'[19], as opposed to blind self-interest.

As a general feature of social relations, we can observe 1) how this new form of regulation penetrates the whole economic system as an evolutionary trend, including the markets for consumption, investment, employment, supply – expressed in notions such as the ethical investor, employee and consumer, 2) that it is a common trend of functional systems, not just economy.

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[18] The author of this paper analytically uncovered this evolution in a particular process in specific stages with each their corporate approach and public relations practice, from a conventional over a counter-active to a reflective practice, gradually being routinised into good practice and finally stabilised in a neo-conventional reflective business paradigm (Holmström, S. (2002). Public Relations Reconstructed as Part of Society's Evolutionary Learning Processes. 9th International Public Relations Research Symposium, Lake Bled, Slovenien). This is a general trend within legitimising processes – however, does not imply that it penetrates everywhere.

[19] General Secretary of UN, Kofi Annan, in 2001 presented UNs Global Compact not as "a substitute for effective action by governments, but an opportunity for firms to exercise leadership in their enlightened self-interest" (UN-Global-Compact (2001). www.unglobalcompact.org).

III. Analysis

1. Reflective destination

The notion of transition indicates a destination, and considering the ambition of the transitional societies to join the EU, we may parallel EU ideals and practices related to the coordination of society with this objective. This coordination is analytically captured with the conceptualisation of the reflective paradigm. This paradigm embeds reflective organisational legitimising practice[20] in the poly-contextual self-regulation form which has evolved since the 1960es. This form of regulation depends on sensitive poly-contextual legitimising practices within organisations, and has decisive qualitative as well as quantitative consequences to public relations and corporate communications practice.

On the level of organisational systems, reflection implies a poly-contextual perception of the environment, and consequently the self-restriction of organisations out of consideration for their stakeholders in order to secure the organisation's own existence and development in the long term – their 'license to operate'. The continuous legitimising practice assumes a crucial importance, and a significantly more important role than is the case within other forms of regulation. Moreover, the demands on the legitimising practice differ decisively from the case within other forms of societal regulation. The below table (Table 3) illustrates essential differences.

Again, taking business as the example of a general trend: corporate legitimacy is no longer secured by economic sustainability and legality alone. Reflection integrates corporate societal responsibility into core business processes and implies (as formulated by the EU-Parliament) "that companies go beyond aspirational commitments and provided that they do not just use it as a mere public relations exercise"[21] (European-Parliament 2003). From a legitimising reference primarily in law (lobbyism) and in a self-referential environment (market) to an increased sensitivity to a growing range of stakeholders, within the reflective paradigm corporate legitimacy is generated in a poly-contextual interplay. Analytically we can uncover concepts and practices such as *multi-stakeholder dialogue*, *ethical programmes*, a broader value orientation, *triple bottom line*, *symmetrical communication*, *PPP partnerships* (public-private-political) as being expressions of polycontext-referential reflective self-regulation. In this way, we see an evolution in business from a narrow economic rationale – towards a broader perspective which takes into consideration more values than the economic, however from a basic economic value. *Co-operation* between business and other of society's specialised functional spheres is increased, and the *autonomy* and dynamics of business and other of society's specialised functional spheres are maintained. However, the continuous navigation in society implies a significant increase in complexity between organisation and environment, and consequently a significant increase in communicative activities.

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[20] CF Holmström, S. (2004).The Reflective Paradigm, in Public Relations in Europe, a nation-by-nation introduction of public relations theory and practice. B. v. Ruler and D. Vercic. Berlin, New York, de Gruyter. In print.

21 The Parliament actually uses the expression 'a mere public relations exercise'. I have discussed this perception of public relations as manipulative window dressing as an expression of a specific stage in the evolution towards poly-contextual regulation (in i.a. Holmström, S. (2000). The Reflective Paradigm Turning into Ceremony? Public Relations, Public Affairs and Corporate Communications in the New Millennium. D. Vercic, J. White and D. Moss. Ljubljana, Pristop Communications: 41-63; Holmström, S. (2002). Public Relations Reconstructed as Part of Society's Evolutionary Learning Processes. The Status of Public Relations Knowledge in Europe and Around the World, Bled, Slovenia, Pristop Communications); the so-called counter active stage where public relations practice differs from the reflective ideal of today.

Conventional self-regulation in the mixed model (c)		Reflective self-regulation in the poly-contextual model (d)
Regulation based in monocontext-referential self-legitimisation and law	1	Regulation based in polycontext-referential self-legitimisation and law
Mono-contextual worldview	2	Poly-contextual worldview
Narrow, unambiguous perspective	3	Broad, open perspective
Self-centred worldview	4	'Sees itself from without' – inquires to the worldview of other systems
Responsibility for itself only	5	A broader responsibility (out of consideration for itself in the larger context)
Prejudices, locked positions, fundamentalism	6	Attempts of understanding, respect of diversity, tolerance
Conflict on consensus	7	Consensus on conflict
Asymmetrical communication	8	Symmetrical communication
Business environment: Law; mono-contextual market	9	Business environment: Stakeholders; poly-contextual market
Focus for economy: 'profit'	10	Focus for economy: 'profit' – but in regard of 'people, planet'
Mainstream understanding of social (societal) responsibility: Marketing sponsorship	11	Social (societal) responsibility as core issue of organisational decision processes
Blind self-interest	12	Enlightened self-interest

Table 3: Differences between organisations' legitimising practice as conventional self-regulation in the mixed model and as reflective self-regulation in the poly-contextual model.

The poly-contextual, reflective legitimisation is an evolutionary trend in late modern society. Consequently, if an organisation does not meet with these new norms of legitimacy, delegitimisation processes are activated. If the organisation does not establish this sensitivity and continuously integrates these poly-contextual legitimising considerations within its decision processes, it will risk being seen as illegitimate. Sanctions follow, such as restrictive legislation, lack of political support, consumer boycotts, mass mediated crises, lack of motivated and of well-educated employees, decreasing investments. The independence cannot be maintained without considering the interdependence.

2.   Transitional phase

As opposed to the reflective paradigm which has gradually evolved over decades, the transitional concept of organisational legitimisation captures a specific turbulent phase in the evolution towards polycontext-regulated democracy. The phase is characterised by fundamental changes in social and societal relations at all levels of society, involving new overall coordinating structures – from central regulation to poly-contextual legitimisation; as well as new interactive security strategies – from control to responsibility and trust. These are changes implying an evolution almost from one opposite to the other, and this transition poses particular constraints and challenges for public relations as organisations' legitimising practice.

To generate an analytical sensitivity to these conditions I will uncover the differences between the starting point: the centrally regulated model – and the destination: the EU ideal, as analysed in the reflective para-

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digm. A comparison renders visible not only the changes which are the objective of 'strategic', or 'managed' legitimising activities characterising the transitional practice, but also the changes embedding these legitimising activities. This means that I do not take empirical findings and case studies as my point of departure. My perspective is that we need an analytical optic to become sensitive to the social processes and structures as presented by empirical observations. I will use empirical observations from Poland (Lawniczak 2001), Estonia (Tampere 2002a; 2002b) and Lithuania (Januleviciute and Kancerevyciene 2003) to substantiate my analytical observations.

The below table (Table 4) indicates differences we can analytically deduce within the period of transition from central regulation to poly-contextual regulation.

2.1. Changes in form of legitimisation

Central regulation controls social contingencies and therefore deactivates organisations' legitimising practice. However, when central political regulation is weakened or even dissolved, we can observe various changes within the social processes which activate organisational legitimising processes. The transition from mono-centred (communist) to poly-contextual (EU-ideal) regulation basically involves two interrelated social processes, which can be seen also as successive transitional stages: Stage 1) the reconstruction of the functional independencies of the societal spheres; Stage 2) new ways of coordinating these independencies to consider the interdependencies of society.

	Totalitarian period	Transitional phase	Late modern democracy (EU ideal)
Category of regulation	Communism	Establishing mixed regulation	Poly-contextual regulation
Characteristic of rationality	Mono-centred power, hierarchy, uniform political ideology	Poly-centring being established	Poly-contextuality
Reference of regulation	Central other-referential regulation	Establishing self-reference and other-reference in uncertain and shifting combinations	Poly-contextual self-regulation + poly-contextually legitimated political other-regulation
Security strategies for interaction	Central regulation; coercion, illegitimate law, control therefore necessary	Establishing pluralistically based law, and confidence with societal spheres	Legitimate law + trust
Stabilising structure	Centralised control	Generation of confidence as stabilising structure	Decentralised consensus on socio-diversity Reflection, responsibility, commitment
Economy	Planned economy (other-referential economy)	Mono-contextual market economy (self-referential economy)	Reflective market economy (polycontext-referential economy)
Problems to society	Low dynamics, low organisational complexity	How establish new patterns of expectation and strong independent dynamics without boundary crossing?	How maintain high complexity within the independent differentiated logics and at the same time co-ordinate mutual consideration?
Problems to organisation	Low internal complexity, low energy	How generate complexity and dynamics? ('Self-centredness' as transitional sign)	How generate own specific complexity, and at the same time take adequate consideration to stakeholders?
Organisational legitimisation			
Legitimising organisational environment	(Government relations; controlling groups; not legitimisation, but control)	Generation of self-referential environment (for economy: market) towards a poly-contextual environment; + legislation – a pluralist political system	Poly-contextual environment (markets, local and global community, public reference, news media; other societal spheres)
Organisational legitimising relations	(Control, not legitimisation - government, political party, controlling groups)	From self-referential environment (to business: mono-contextual market) to gradual sensitivity to larger interdependent environment	Public relations, stakeholder relations
Public relations paradigm	(None – if any: political propaganda)	Transitional	Reflective
Org. perspective	(Blind – 'in blinkers')	Blind (mono-contextual) towards enlightened	Enlightened (poly-contextual)
Function for org. legitimising practice	(None)	Establish legitimate independencies	Enhance the reflective sensitivity of the organisation in regard of interdependence
Legitimacy	(None – control)	Self-referential legitimacy	Polycontext-referential legitimacy

Table 4: Analytical differences in the transition of post-communist countries from central to poly-contextual regulation.

(1)   Stage 1: Re-establish the *independencies* of societal spheres

The independent dynamics of the differentiated societal spheres are demolished within totalitarian societies. In the post-communist countries of Europe we can observe how the transitional social processes often still fight with weak boundaries; corruption, bribery[22], nepotism. So, first of all, the transitional period is characterised by the functional independencies of the societal spheres being released and their particular dynamics re-established – within politics, law, science, family, economy, religion, art, news media etcetera. This implies: a) no more general oppression of the functional dynamics by one societal sphere, *in casu*: the political system; b) no more crossing of the functional boundaries of the societal spheres.

Generation of confidence in these different dynamics of the societal spheres apparently is the basic premise of highly complex societies. You are confident that economy is guided by economic dynamics – not by violence or threats; that politics is guided by the political dynamic – and neither by economy nor the enforcement of one particular ideology; that the administrative infrastructure of society is guided by legislation – and not by corruption; that the courts of law are guided by the legal dynamics – which can neither be threatened nor bought to deviate from law; that news media insist on the integrity of their specific selection criteria – and can neither be bribed by money nor threatened politically; etcetera. Without this general confidence in the communicative processes of society, society loses its energy (and the same social mechanisms can be observed on an organisational level). Whereas, *with* this confidence, the communication processes which constitute the societal spheres as well as the individual organisation are stimulated.

The challenges of organisations' legitimising practice: With the transition from the central, other-referential regulation and weak functional dynamics towards the (re)construction of self-referential societal spheres, the defence and strengthening of the functional boundaries will for a period present the largest challenge for the processes of legitimisation. This is where we can isolate primary functions for organisations' legitimising practice: to define and defend the integrity of the societal spheres.

For a business enterprise this means

➢ to clarify and stimulate the organisation's legitimate identity, based within the legitimacy of the societal sphere which the organisation basically refers to. In casu: to establish legitimate self-referential structures within the economic system. Correspondingly, Lawniczak defines as one of the first tasks of transitional organisational legitimisation practice: To facilitate effective functioning of the market economy (Lawniczak 2001:15)[23].

➢ to communicate the function of economy and thereby its legitimacy within the organisation as well as within its environment. With a collective memory of economy ('capitalism') as the villain this is a pivotal challenge within post-communist countries in particular[24].

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[22] A survey by the Confederation of Danish Industries (DI) in 2001 shows that 52% of Danish companies operating in the Baltic countries (Sct. Petersburg, Estonia, Latvia, Lithuania, Kaliningrad, Poland) perceive corruption and bribery as one of the most important problems (DI (2001). Barriers in the Baltic Region. Copenhagen, The Confederation of Danish Industries).

[23] Tampere observes:"The organisation became self-centred" (Tampere, K. (2002). Developing Corporate Social Responsibility in Post-Communist Society. University of Tartu, Tartu**:**13). However, this seems to be a natural stage in the transition from central regulation in order to protect the boundaries and regenerate the specialised complexity of the societal spheres.

[24] Correspondingly, Lawniczak stresses as one of the main tasks of public relations during the first stage of systemic transformation: "To reverse the fears of and prejudices towards 'ruthless capitalism' instilled during the socialist era. (…)The average Polish citizen (…) associates capitalism with: unemployment, the negative consequences of substantial social inequalities, the negative social consequences of monopolistic practices, a fear of foreign capital, which is believed to be part of a plan to 'take over the country' "(Lawniczak, R.

> ➤ to respect the boundaries of other societal spheres in order that economy with its newly gained freedom does not violate the boundaries of for example politics or news media. Exactly boundary crossings may pose immediate temptations within a society in transition from strong regulation with customary violation of boundaries. Consequently, one of the important challenges for the legitimising activities of public relations is to combat illegitimate social processes involving crossing of functional boundaries, such as corruption, abuse of political power, and of the integrity of the news media.

The restoration of the self-referential legitimacy within the individual societal spheres, the legitimisation of the function of the integrity of the differentiated societal spheres within society, and the prevention of boundary crossings become three cornerstones of transitional organisational legitimisation. This reconstruction of legitimising structures which re-establishes the differentiated societal structure seems a basic precondition for regenerating confidence in society and liberating the social energies of the societal spheres.

(2)   Stage 2: Establish poly-contextual coordination of functional *interdependencies*

Along with the reconstruction of the functional independencies, new democratic ways of coordinating the contingencies of these independencies are evolving, to consider the interdependencies. During the transitional period, we may observe several variations. We may assume, however, that for potential EU-members the ideal of EU is the standard pursued – a standard captured analytically by *polycontextual regulation* (cf II.3.4). This means a combination of pluralist democratic legislation on the one hand[25], and a differentiated polycontext-referential self-regulation on the other hand. So, the regulation processes undergo a transition on three interrelated levels – legislation, legitimisation and general interaction:

> ➤ **Legislation:** *From* central political regulation of social contingencies *towards* polycontext-referential legislation characterised by a type of legislation which within a democratic context balances the independent dynamics. The independent rationalities are coordinated by means of traditional obligatory legislation as well as by the stimulation of voluntary differentiated self-regulation where legitimisation is regulator.

> ➤ **Legitimisation:** *From* mono-centred *over* poly-centred (differentiation of independencies) *towards* poly-contextual (coordination of independencies) legitimising processes. From weakened dynamics to the construction of strong independent dynamics which understand how to maintain their boundaries and at the same time to respect (boundaries within) their environment. This implies polycontext-referential self-legitimisation as analysed within the reflective paradigm for public relations. As such legitimising regulators (and expressions of corporate *societal* responsibility) we find *corporate social responsibility* and *triple bottom line reporting*.

> ➤ **General interaction:** *From* control as security strategy of general social interaction, *over* confidence in the differentiated societal dynamics *towards* trust with the poly-contextual legitimisation of the differentiated dynamics as the base of social energy.

(2001). Transition public relations - an instrument for systemic transformation in Central and Eastern Europa. <u>Public Relations Contribution to Transition in Central and Eastern Europe - Research and Practice</u>. R. Lawniczak. Poznan, Poznan University of Economics:14-15).

[25] Legislation on one hand might be accepted easily, because central regulation is the original custom – on the other hand will be fought against because the strong central regulation is the starting point opposed by the transitional forces. This may impede the establishment of a legislation respecting 1) the legitimate self-references of the political system (plurality, election etc) and 2) the balancing of the functionally differentiated dynamics.

The challenges of organisations' legitimising practice: In the context of coordination of the independencies, the challenges of organisations' legitimising practice in the immediate perspective are 1) to generate sufficient self-regulation to avoid provoking restrictive legislation, and 2) lobbyism to generate knowledge about the functional logics within the political and legislative processes in order that they are able to consider and respect the diversity of society, this knowledge being part of the legitimising base of these processes. However, a more visionary perspective will learn from the reflective EU-ideal on the premises of the specific situation in transitional countries, and see the main task as increasing the reflective sensitivity of organisations:

➢ Create a reflective sensitivity to the interdependencies as a precondition of organisational 'license to operate', involving an understanding of stakeholder dialogue, corporate social responsibility, sustainability reporting etcetera not as a question of choosing between selfishness and altruism – but between *blind* self-interest and *enlightened* self-interest.

➢ Reflect sensitivity within internal learning and decision processes; stimulate reflective processes within own organisation.

➢ Stimulate reflective processes within organisational environment (stakeholder dialogue, transparency, informed public debate).

➢ Refrain from short term manipulative processes which will oppress the social energy.

➢ Contribute to social and societal learning processes within society, based on insight generated by a reflective perspective – in order that the function of socio-diversity to the energy of society as a whole as well as of the individual organisation is understood.

This reflective sensitivity has two objectives. The main objective is to generate trust within the local national society, the energy of which is still to a large extent impeded by distrust. Trust is a main source of social energy in late modern democracies, and for the late modern organisation the precondition of employee commitment, consumer demand, political support, investments and other stakeholder interdependencies.

The second objective is to approach the EU-standards, this being a necessity within international networks where the supply and sales chain is increasingly made subject to certain standards of legitimacy, involving various aspects of corporate societal responsibility. It is required from sub-contractors by business companies, from suppliers by schools, hospitals and other public institutions, by consumers from any producer, by investors, by well-educated, informed employees, within business-to-business relations, in short: as an integral part of economic legitimacy[26]. Corporate social responsibility is not a question of altruism – but a question of 'enlightened self-interest', as put by UN General Secretary Kofi Annan (UN-Global-Compact 2001).

2.2. Particular challenges to transitional organisational legitimisation

This does not mean for the transitional practice to immediately try to blindly adopt the ideals of the reflective paradigm on the premises of the well-established democracies. The transition implies a development from one opposite to another within the coordinating processes of society (as well as within the coordinating processes of organisations), and this poses specific and often interrelated constraints and problems which affect

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[26] Within the international business community, formerly extra-economic considerations have grown core issues. For instance, World Economic Forum 2002 in a declaration emphasizes that issues such as corporate citizenship, corporate social responsibility and sustainability "are not an 'add-on' but fundamental to core business operations" (WorldEconomicForum (2002). www.worldeconomicforum.com).

the conditions as well as the objectives of organisations' transitional legitimising practice. However, exactly by observing the specific constraints of the transitional societies; by understanding the function of the organisations' legitimising practice in the larger societal perspective, transitional organisational legitimisation may help to overcome the specific constraints of the communist legacy.

Comparing the point of departure, the central regulation of communism, with the destination, the reflective ideals as we find them in particular in EU-member countries, some constraints analytically become visible:

(1) Weak boundaries

Boundary crossings constitute an urgent problem within a society in transition from strong regulation where violation of boundaries was custom. Also, a vacuum of regulative structures may be temporarily replaced by criminal structures. This impedes the generation of independent functional dynamics and of social confidence.

(2) Political system discredited

A totalitarian regime demolishes the fundamental legitimising structures of democracy. Therefore, the totalitarian caricature of the political system may lie as a collective memory and impede the confidence in the political dynamics and its basic democratic principles. In particular, it may impede the regeneration of the main legitimising cornerstone of democracy, public commitment.

(3) Weak public commitment

A pivotal legitimising reference within modern democracy is the social dynamics designated 'public sphere'. When this specific perspective is guiding communicative processes, they thematise an issue as being of common interest and therefore ideally subject to an informed, free public debate which produces 'public opinion'. Traditionally, this perspective is the legitimising reference of the political system (Habermas 1962/1991). In the poly-contextual regulation, where a large part of the coordinating processes of society are differentiated within the various societal spheres and their organisations, the public perspective has increasingly widened to include these areas as well, and has activated particular organisational public relations activities. This is a general feature of the evolution of societal coordination with present EU-members during the latter half of the 20th century. An active public perspective is a fundamental legitimising function of late modern society. We can, however, observe how the public perspective is weak in post-communist countries[27]. During the communist period, the social and societal structures supporting the public communication processes were oppressed, and public opinion was constructed via propaganda – and not via continuous free, committed and active communicative processes thematising issues of common interest. This apparently impedes the generation of public commitment.

(4) News media discredited

As a platform of public debate and a source of continuous information, the integrity of news media is a basic function of any democratic society, however assumes a pivotal function in a poly-contextually regulated society, in particular as a provider of continuous legitimacy checks. News media 'keep society awake', as Luhmanns observes (Luhmann 1996:47-48). This function is constrained by the communist legacy, partly because the collective memory remembers news media as a tool of propaganda (Tampere 2002a:3-4), partly

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[27] A survey of Lithuanian companies in 2001-2002 shows that 'society' plays a minor role as 'a target audience': "It can be assumed that Lithuanian organizations are making a mistake not paying a sufficient attention to a public opinion or its formation" (Januleviciute, B. and E. Kancerevyciene (2003). Corporate Image Making in Lithuania: Possibilities and Trends in the Context of the World's Practice. Kaunas:22).

because the functional boundaries are weak and news media therefore may be victim to boundary crossings in particular by the economic system.

(5)   Economic system discredited

The business community is confronted with specific problems in post-communist countries. Due to communism's presentation of economy ('capitalism') as a prime source of social problems, hostility towards business and a tendency to locate social and societal problems with business remain (Lawniczak 2001:14-15). The opposite reaction sees economy as saviour. These two influences put heavy legitimising pressures on business to 1) prove its social and societal function in modern societies, and 2) prove the potential of the independent economic dynamic.

(6)   Control opposes commitment, responsibility

Control and bureaucracy tend to deactivate commitment and responsibility – qualities of social processes which are keystones within late modern democracies. As Tampere puts it: "For example, if the public control found some ideological mistakes in a company, they informed KGB or party functionaries and asked them to conduct more intense control tours in the company. It is characteristic of the relations system in the communist period that this system was built up in a total control system" (Tampere 2002b:8). A change to commitment and responsibility from total control as the foundation of social relations is a transition from one opposite to the other. This poses a severe challenge not only to the ideal of *corporate social responsibility*, but to the transitional efforts on all dimensions of society[28].

(7)   Mono-centred past opposes polycontext-referential coordination

The key aspect of the EU-ideal of poly-contextual coordination is the reflective perspective. This perspective makes the differentiated units of society see themselves as part of a large interdependent network, and consequently implies stakeholder relations and mutual considerations. This transition is impeded by the communist, mono-centred heritage. During the communist regime, all important stakeholders were in the controlling role, and organisations had no motive to reflect upon their role and responsibility within society. "The only responsibility communist organisations had, was responsibility to communist ideology and communist party, Social responsibility in communist society worked like ideological control mechanism of communist loyalty" (Tampere 2002b:1-2).

This changes completely when regulation is decentralised and predominantly rests within legitimising processes. From a mono-centred reference to the communist party, the regulating reference of society swiftly turns poly-centred, and we can observe a sharp increase of stakeholders. However, organisations have not yet developed the necessary complexity to engage in stakeholder relations. This may partly be due to the communist heritage. The lack of recollection within the social systems of voluntary responsibility to the organisational environment may probably enhance the immediate blindness of the societal spheres as well as of the individual organisations. However, the pattern presumably is due also to the establishing of independent or-

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[28] In transitional societies, the concept of social responsibility is understood mainly in terms of sponsorship (Tampere, K. (2002). Developing Corporate Social Responsibility in Post-Communist Society. University of Tartu, Tartu:2); i.e. not as core issues of business processes. This, however, may be seen in two perspectives, perhaps as two successive stages in the early transitional period: 1) That an understanding of social responsibility is constrained by the lack of such structures within the communist period; 2) that an understanding of social responsibility in the reconstruction stage of the societal spheres is self-referential; a fulfilment of the function itself is at this stage perceived as social responsibility, cf for instance the often quoted observation by Nobel laureate Milton Friedman in defence of functional boundaries in earlier stages of the functionally differentiated society in Western societies: "The Social Responsibility of Business is to Increase Its Profits" (Friedman, M. (1970). New York Times Magazine).

ganisational complexity, which in the early stages of the transitional period will make organisations turn inward and self-centred[29].

Again, the opposites between a mono-centred and a poly-centred environment; between responsibility to a communist ideology only and complex poly-contextual social processes, emphasize the challenges for a transition from a totalitarian regime towards the ideal of poly-contextual coordination.

(8) Mono-centred past opposes interdependence and integration

We may also understand the mono-centred perception of society as presented by communism as a constraint to the understanding of the contemporary, functionally differentiated society, since this is a society which is constituted by many different societal spheres, which are all representing society equally. In the case of business, this mono-centred perception of society will constrain the potential of a 'business friendly climate' – and within business will constrain an understanding of societal responsibility.

(9) Conflicts between reality and ideal – different stages of societal learning processes

The transitional phase first and foremost will be characterised by conflicts between reality and ideals, partly due to the extreme opposites between the point of departure (communism) to the ideal destination, partly due to the compressed space of time for this transition to take place. For instance, the 'self-centredness' characterising the re-establishing of the independent societal spheres in the early stages of transition will collide partly with the mono-centred communist legacy, partly with the ideals of democracy and overall societal responsibility. Accordingly, Tampere describes post-communist organisations: "They practised only a very narrow special technical aspect in these times, and accomplished the biggest revolutionary changes in their history" (Tampere 2002b:10). "This kind of an organisation's birth processes make organisations egoistic after such revolutionary changes: (…) This enhanced influences from the past and organisations still did not think about their role and relations with society" (ibid:11) .

IV. Conclusions

So, what can we learn from comparing the transitional and reflective paradigms, using the proposed analytical optic focusing on the social processes and structures related to the legitimising processes of various types of society?

(1) Differences uncover blindness

If we take a comparative analysis of relevant social structures as our point of departure – i.e. premises for form of legitimisation and construction of legitimacy – in Europe's post-totalitarian and EU societies respectively, then we can learn mutually in relation to risk as well as potential for organisational legitimisation. Taken-for-granted socialities in the respective societal formations, to which we may otherwise be blind, become visible through mutual observations – as for instance the observation of the function and character of

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[29] Tampere observes: "The life-cycle of a transition period can be characterised by the sharp increase in the activity of the so-called stakeholder community. End of the totalitarian society gave rise to a certain illusion of possibilities in democracy and community members started to realise these immediately" (Tampere, K. (2002). Developing Corporate Social Responsibility in Post-Communist Society. University of Tartu, Tartu**:**5). However, "Organisations were much more 'clumsy' and the community stakeholders intentions did not receive any response" (ibid), and today, "their past influences are quite dominant and their behaviour is still ignoring the public voice and society in general" (ibid:11).

the public, and of the changing construction of societal responsibility in relation to the societal form of regulation and to the stage of construction of the functional differentiation.

(2)   Universal function – contextual principles

By clarifying the universal function of organisational legitimisation, we can identify the differing principles which vary with society's form of regulation. In this way, we do not indiscriminately set up ideals for organisational legitimisation (corporate societal responsibility, public relations, corporate communications etcetera) – without relating them to the situation of the society at large in which the activity is practiced. However, exactly by seeing the differences of the principles of organisational legitimisation within various types of societies do we see the unity of legitimising organisational practice[30].

(3)   Different conditions for organisational legitimisation according to form of societal regulation

By using the suggested analytical optic we see, that 1) if organisational legitimacy is self-referential only, on one hand strong restrictive legislation is activated, on the other hand interdependent relations with stakeholders suffer; 2) if organisational legitimacy is other-referential only – whether to the political system, to various stakeholders, or to the idea of a public opinion, then the independent dynamics will suffer; 3) in the case of polycontext-referential legitimisation processes, the legitimacy is continuously considering the interdependency, and at the same time the independent dynamics remain intact.

(4)   Potential insight for transitional organisational legitimisation

From the reflective paradigm, transitional practice may learn

➢   to facilitate organisations' view of themselves as part of society, and to regard stakeholder interdependencies as a precondition to maintain independent dynamics – to understand the difference between blind self-interest to enlightened self-interest. *Blind* means un-informed, mono-contextual perspectives unable to see the poly-contextuality of today's late modern democracies. *Enlightened* means a reflective approach, which enables the legitimising activities within the transition period to understand the ideals of the reflective paradigm as "enlightened self-interest" (UN-Global-Compact 2001) and "in the strategic interests of business" (European-Parliament 2003) as one of the specialised dynamics of late modern, polycentered and poly-contextual democracies.

➢   that organisations' legitimising practice is conditioned by the stage of societal evolution, and that the reflective ideal cannot be expected to be accomplished quickly; transition takes place in stages, requiring a reconstruction of the independent dynamics of the differentiated societal spheres, and the construction of new coordinating forms. Moreover, transition is constrained by communist heritage. Also, a certain self-centredness of organisations seems to be a basic phase of this transition, and moralizing from mono-contextual perspectives will enhance the risk of destructive conflicts.

➢   to reduce destructive conflicts. In Western Europe, the sensitivity of today's reflective organisations was provoked by decades of conflicts during the latter half of the 20th century, provoking a counter-active, 'asymmetrical' (Grunig and Hunt 1984) legitimising practice (Holmström 2002), consuming much so-

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[30] Accordingly, various sociological theoretical frames seem a trend of European research within organisational legitimisation: apart from the research based in Niklas Luhmann's late modern sociology as presented in this paper for example Jensen, I. (2001). "Public Relations and The Public Sphere." Journal of Communications Management (Jürgen Habermas); Falkheimer, J. (2002). Framväxten av public relations i det senmoderna samhället. PR på svenska. (The development of public relations within late modern society; in *PR in Swedish,* L. Larsson. Lund, Studentlitteratur (Anthony Giddens); Ihlen, Ø. (2002). Rhetoric and resources: Notes for a new approach to public relations and issues management. Journal of Public Relations Affairs **(2):4:259-269** (Pierre Bourdieu).

cial energy. By gaining an insight into the larger context of conflicts of legitimacy within which the principles of reflective organisational legitimisation have evolved, transitional practice may learn to reduce destructive conflicts.

➢ to understand the ideals of expectations of partners and stakeholders within Western societies.

(5)   Potential insight for the reflective practice: Doubles reflective potential

From the transitional paradigm, reflective public relations may learn to increase its reflective competencies. By seeing the differences between itself and transitional experiences, taken for granted social structures and processes become visible, including the crucial role of the poly-contextual legitimising practice.

The potential of reflection is doubled. The reflective organisation obtains the possibility of seeing itself not just as a part of a well-functioning democracy, but also of seeing the social and societal mechanisms that enable it as opposed to the weaker societal mechanisms of transitional societies. The 'laboratories of change' constituted by the post-communist countries give the reflective practice of well-established democracies the opportunity to see itself as part of a complex socio-diverse interplay, and to understand the social mechanisms regulating organisations within society in the larger context.

(6)   Sociological insight decisive to research, education and practice within organisational legitimisation

In particular for organisations' legitimising practice it seems crucial to be based in an insight in the social structures and processes conditioning the legitimacy of the organisation, and to understand the part organisational legitimacy and legitimising activities play in the larger societal picture within the society in which you operate. Using non-reflective Western methodologies and cases based on other societal structures and processes – without seeing the differences – may do transitional practice more harm than good: i.e. *delegitimise* instead of *legitimise*[31].

(7)   Tension, turbulence and temporal speed

Within present EU-countries, the social learning processes behind the poly-contextual ideal of reflective legitimisation have taken several decades, and some – as for instance the idea of a public sphere, the integrity of the societal spheres – even centuries. The qualifications, the knowledge, the history of today's social systems of the EU-countries are results of an evolution which has gradually changed and added to collective memories and competences. With the potential EU-countries, formerly regulated by Communism, this evolution of polycontext-referential self-legitimisation as represented within the EU-ideals of corporate societal responsibility, triple bottom line reporting, corporate sustainability models etcetera, is condensed within a relatively brief transition period, even taking a starting point in social and societal opposites to the ideal. This adds to the turbulences, tensions, conflicts, and uncertainty, and does not make the transition any easier, however poses great challenges to organisations' legitimising practice. These challenges will probably be met only by practice as well as research and education within the field taking an enlightened, reflective perspective, based on an insight in the social processes and structures embedding the transition.

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[31] Correspondingly, Lawniczak observes: "Indiscrimate copying of Western concepts and methods, tailored to the needs of developed market economies, may have catastrophic effects" (Lawniczak, R. (2001). Transition public relations - an instrument for systemic transformation in Central and Eastern Europa. Public Relations Contribution to Transition in Central and Eastern Europe - Research and Practice. R. Lawniczak. Poznan, Poznan University of Economics:17).

(8) **Reflection to facilitate the transition processes**

Reflective processes seem the best strategy to combat the communist legacies which constrain the transition from centrally regulated societies into highly complex, poly-contextual democracies. An understanding of the larger societal context, of the function of socio-diversity as well as of the necessity of interdependence and mutual consideration in the enlightened self-interest seems the most efficient method to combat the problems of disrespect of boundaries as well as of the differentiated societal responsibilities (including the political system, the economic system, and the news media system), and to generate general social and societal commitment within society as well as within the individual organisation.

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