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CO-EVOLUTION OF SOCIETY AND ORGANIZATION

REFLEXIVITY, CONTINGENCY AND REFLECTION

Susanne Holmström, Roskilde University

An analysis of the co-evolution of society and organization since the advent of modern organization may help increase our insight into the premises of social responsibility today, and into the ideals of contemporary legitimizing practice. The co-evolution is presented on three dimensions: modernity, functional differentiation, and political regulation. This leads to an identification of the premises for social responsibility of organizations today, i.e. in a society characterised by *contingent modernity*, *functional re-differentiation* and *cosmopolitan polycontextualism* respectively. As opposed to mainstream observations of social integration as a main problem of social responsibility, the analysis suggests late modernity's growing acknowledgment of *contingency* as activating the increasing demand for social responsibility of decision taking. These premises are used to understand today's ideals as based in the polycontextual, enlightened perspective of *reflection* – as opposed to the monocontextual, blind perspective of *reflexivity*. This approach also illustrates how continuous legitimization and communicative competencies grow fundamental to the social responsibility of organizations in late modernity.

Key words: Contingency, Niklas Luhmann, organisational legitimization, reflective paradigm, reflection, reflexivity, social responsibility

Social responsibility deals with the interrelation between organization and society-at-large. In the attempt to increase insight in the constitution of social responsibility of organizations in contemporary society, the research programme suggested in this essay aims at exploring the potential of a co-evolutionary approach to this interrelation.

I shall show, first, how social responsibility changes with society's evolutionary processes. Secondly, I shall suggest that we can understand social responsibility today as a result of modernization having reached a stage, where the problems created as side-effects to its blind reflexivity reach a critical mass, and that the call for social responsibility can be seen as part of a 're-modernization'. Thirdly, that we can parallel social responsibility with a reaction to the side-effects of *reflexivity* into *reflection*.

In previous works (Holmström 2002; Holmström 2003; Holmström 2005b), I have analysed contemporary ideals of organizational legitimacy and social responsibility as a 'reflective paradigm'. The research programme suggested in this essay aims at increasing insight into the reflective ideals of organizational legitimization by illuminating these ideals 1) in opposition to the former reflexive practice which today is considered illegitimate in order to better understand the specific character of the reflective ideals, and 2) in the long term dynamics of

social processes to better understand how this evolution of changing perceptions of social responsibility and legitimizing practice may proceed, 3) in regard to the evolution of overall ideas and ideals in the coordinating processes of society to better understand the function of reflective ideals.

The empirical point of departure is North-Western Europe. This is not to maintain similar norms for the rest of the world, rather the opposite: to emphasize that ideals of social responsibility relate to specific societal, cultural and political forms.

1. Co-evolution society and organization

To illustrate the co-evolution of society and organization I apply three different perspectives on the character and evolution of society: the general perspective of *modernity*, the more specific dimension of society's *differentiation*, and finally the *political form of regulation*. Each of these perspectives reveals a co-evolution of the interrelations between organization and society-at-large, and of the function and character of social responsibility.

In this context, two stages in particular are relevant. First stage is the transition from pre-modernity to modernity which in Europe is dated to the 1600s. This transition represents a fundamental transformation of social and societal processes. By highlighting the differences between pre-modernity and modernity, two points are being made. First, the historical nature of the ideals and ideas of modernity, even though, during the following centuries, we see an evolution of modernity where norms are naturalised and anthropologised. Second, the specific characteristics of modernity are emphasised when seen in opposition to former societal and social forms.

The second stage in focus of my analysis is the late 1900s, which in sociology is characterised in terms such as *full*, *radical*, *late*, *second*, *liquid* or *reflexive* modernization. This period is not characterised by a revolution or an end to the ideas and ideals of modernity and its characteristic functional differentiation of society. Rather, modernity adjusts in order to cope with its own radicalization.

The three dimensions each present different evolutionary features, and provoke different problems as they evolve, however, they are interrelated. A mutual feature is that all three dimensions relate to a radicalization of modernity following society's evolution towards growing differentiation, increasing complexity, an accelerating multitude of options, and consequently changes in the way social processes are coordinated to prevent everything from falling apart.

First, I shall present in broad outline the transformation of society into modernity, functional differentiation, and constitutional nation state, and the following evolution of modern society. This serves to indicate the evolutionary character of these complex processes. Next, I shall introduce two core concepts which I find crucial to analysing the developments of social responsibility within the past decades: contingency and reflection. Then I shall identify

some of the problems resulting from the radicalization of modernity, and suggest that they activate new interrelations between organization and society-at-large, and consequently new perceptions of social responsibility. Finally, I shall analyse these new criteria of social responsibility, and the way they constitute new ideals of organizational legitimization.

Various sociological theorists are applied – in particular Niklas Luhmann due to his comprehensive analyses of the evolution of social processes since premodernity.

1.1. <u>Modernity</u>

The description of society as shifting from a pre-modern to a modern era reflects the experience of a radical structural transformation of society since the late Middle Ages. It focuses on how society's self-description in Europe grows self-referential from a reference in religion (Luhmann 1998d):22; (Luhmann 1997a) chapter 5). Society's processes of meaning formation shift their reference from an external reference in God to internal references in society itself. As opposed to the fundamental base in superstition and religious belief of pre-modernity, modern society now unfolds itself on the secular basis of a scientifically defined concept of rationality. Rational progress is conceived of as a process of demystification. Functional differentiation, the constitutional nation state and the ideal of individual integrity emerge.

The modern organization evolves as a specific way of bounding and systematizing social processes when society has reached a certain level of complexity. What in previous societies just happened over the course of time or by God's will, now demands decision-making. To secure a connection between past and future, an explicit coupling is required in the form of decisions. Organization establishes a social identity – stable expectations over time – which bridges the gap between past and future, and it is by means of organizations "and only there! that a society enables itself to act collectively and to make programmed decisions" (Baecker 2003):20).

From being integrated in feudal estates, monasteries in premodernity and as guilds during the absolutism of early modernity, organization becomes identified with the individual owner. He is responsible to himself only as the integrity and rights of the individual human being come into focus. Gradually, however, during the course of evolution organization is dehumanised and takes on its own life, independently of employees who come and go. The legitimacy rests in taken-for-granted norms, professionalized routines, institutionalised rules and conventional law.

1.2. <u>Differentiation</u>

The 2nd dimension is the evolution of society's way of differentiating its communicative processes of meaning formation[1]. Modernity's secularisation and fragmentation can be analysed

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[1] The analysis of society's differention is unfolded in numerous works by Niklas Luhmann, most comprehensively in

Luhmann, N. (1997a). <u>Die Gesellschaft der Gesellschaft</u>. Frankfurt am Main, Suhrkamp..

not only as society's shift from external reference in religion to internal reference in society, but furthermore in a series of gradually separated societal spheres. From pre-modernity's segmentary and stratificatory differentiation, meaning is gradually processed in functional systems such as politics, law, economy, science, education and health (Luhmann 1997a). Some prominent examples: with the emergence of politics, the state is separated from religion (Luhmann 2000c). Similarly, education, science and medicine are separated from religion and develop each their rationale in specific communicative systems. Family separates in a private sphere and a specific code of intimacy and love (Luhmann 1982/1994); the dynamics of material production has developed based on specific economic relations (Luhmann 1999). These functional systems are general and comprehensive, and they communicate normatively different about the same themes.

During former segmentary and stratificatory differentiation organization was characterised by a multifunctional identity, as for instance in feudal estates and monasteries where religion, politics, production, science, education, family were integrated in various ways. With the emergence of functional differentiation, specialized organizations emerge, mono-functionally oriented specifically towards economically based production in business companies; politics in political parties and in governments; knowledge production at secular universities; hospitals based on medical science etcetera. Even if all organizations today refer to several functional rationales and all of them in democratic countries at least to law and economy, they predominantly identify themselves 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 business company to the economic rationale – etcetera.

Since the 1600s, legitimating processes gradually orient themselves towards a stabilization of the functional boundaries, and we can observe how crossing of boundaries grows increasingly illegitimate[2]. Equally, social responsibility rests with the evolution of these independent communication systems, and gradually is separated in professional norms and specific world-views based on these functional logics. In the course of modernity, these functional systems have gradually stabilized and differentiated society's communicative processes. Society is *polycentred* into several parallel increasingly autonomous and complex communicative systems. The organization grows self-referential and professionalized, and social responsibility becomes equivalent to functional success – as for instance later, as this perception of social responsibility is gradually questioned, defended by economic Nobel laureate Milton Friedman

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[2] Today, in well-established democracies it is regarded as illegitimate for example that a religious 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. These examples refer to the strains of economy on other societal systems; however, all societal spheres strain each other in various ways – strains which activate delegitimation processes. If the family system strains other systems, the crossing is characterized 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 (cf also Holmström, S. (2003b). The Interrelation between Societal Regulation and Organisational Legitimation. Communicating Change, Tallinn, Euprera..)

in the 1960es and encapsulated within his often quoted statement: "The social responsibility of business is to increase its profits" (Friedman 1970).

1.3. <u>Political form, law and legitimization</u>

3[3] dimension is the form of political regulation[3]. Departing from the power of the church, feudalism and monarchs, with the advent of modernity the nation-state and its institutions become new secular structures for the coordination of society. We see how power is gradually centred in the nation state, first as absolutism: power is concentrated in the monarch who at his disposal has a centralized administrative apparatus. With the transition from absolutism to early constitutional state, a distinction is made between state and society, and between individual and society, normatively based on democratic procedures and ideas of freedom and integrity of individuals. The individual is made autonomous with various rights. The formal law of the new constitutional state aims at securing this integrity. Everything not forbidden by law is permitted. Correspondingly, the function of the emerging bourgeois public sphere (Habermas 1962/1989) is seen as a defence of the private sphere against the new state power.

During absolutism, organizations are constituted as institutions as part of a whole in guilds. However, as ideals of individual rights permeate society, organization grows identical with the individual owner. The growing rights of the individual at this time are consequently in focus more than common social responsibility. When social responsibility is explicitly practiced, it is in the form of the individual owner's patronage of the arts, of science, education or social relief.

Gradually, the organization is made independent as a legal unit, and as society grows increasingly complex and differentiated, the welfare state emerges and takes on almost any regulatory challenge. By means of intervening law the conflicts of the differentiated society is attempted regulated. At this stage, law abidance becomes an important dimension of social responsibility.

2. Contingency and reflection

Before I continue the presentation of the evolution which has provoked the call for social responsibility, I shall introduce two core distinctions which I see as crucial to understanding the developments within the past decades: the interrelated distinctions between contingency and necessity, and between reflection and reflexivity.

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[3] The outline of the evolution of state form is based mainly in

Andersen, N. Å. (2004). Supervisionsstaten og den politiske virksomhed. <u>Politisk Virksomhed</u>. C. Frankel. København, Samfundslitteratur. and

Sand, I.-J. (2004). Polycontexturality as an Alternative to Constitutionalism. <u>Transnational Governance and Constitutionalism</u>. C. Joerges, I.-J. Sand and G. Teubner. Oxford, Hart.

2.1. <u>Contingency</u>

In defining contingency, I follow Niklas Luhmann's definition: "Something is contingent insofar as it is neither necessary nor impossible; it is what it is (or was or will be), though it could also be otherwise" (Luhmann 1984/1995):106). This definition makes it clear that the best way to understand the meaning of contingency is to see it as a counter-notion to another concept, namely 'necessity'. According to Luhmann, within the history of western culture, modernity is reaching its fulfilment to the extent that contingency becomes its basic feature (*Eigenwert*) (Luhmann 1998); cf also (Joas 2004). The concept of contingency describes the specific effect of a 2nd order observer's worldview on the perception of the world observed (Luhmann 1998):47; Gumbrecht 2001).

When something – a norm, a decision, an observation – is seen as contingent, it is seen as a product of choice, and could be different, as consequently could the perception of the world, of what is right and wrong, legitimate and illegitimate. Everything is seen as dependent on the social context.

This growing acknowledgment of contingency has far-reaching consequences. In science, it has generated various degrees of social constructivism. In regard to social responsibility, the point is that when decisions are not seen as based in natural norms but as products of contingent choice they are made socially responsible for their consequences. When legitimization and justification of decisions cannot depend on an appeal to naturalness or necessity, a main challenge of socially responsible communication today seems to be to acknowledge and handle contingency. This is where the ability of reflection comes into focus.

2.2. <u>Reflection</u>

The 2nd cue concept is reflection, more specifically as opposed to reflexivity. These counter-concepts represent different ways of how an organization (or another social system) observes itself and the world; and they seem a key to understanding social responsibility basically as a specific worldview.

Reflexivity implies a perspective from within, from where the organization perceives its own worldview as necessary, natural. Consequently, reflexive practice is a blind, autonomous reproduction based on taken-for-granted premises. Furthermore, the narrow perspective is negligent to the broader context and consequently to its own unintended, however often far reaching side-effects, and to the risks involved in its decisions. Moreover, the reflexive perspective conflicts blindly with other worldviews.

In reflection, the perspective rises to a higher level which facilitates a polycontextual worldview: 1) the organization sees itself as if from outside, in the larger societal context; 2) sees how it sees itself through a contingent social filter which could be different; 3) equally sees how it sees other perspectives through a contingent filter, which could be different; 4) sees that it sees differently than other perspectives; 5) and finally sees that it is seen by others through other social filters: "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). Consequently, reflection is the *production of self-understanding in relation to the environment.* You can observe that your worldview and rationale is one among many; i.e. that other social systems perceive the world from quite different perspectives.

Reflection is a classic ideal of modernity related to the individual, to consciousness. In contingent modernity, however, the definitely new aspect is that we can relate the ability of reflection to social systems, to organizations which can develop the perspective of reflection in learning processes. This capability of reflection can be identified as the ideal of social responsibility.

There is a world of difference between a society, a culture, an organization characterised by reflexivity or by reflection. The analytical difference between reflexivity and reflection is essential to analysing practice ideals such as symmetrical communication, dialogue, multiple bottom lines etc. It also reveals some of the limits and problems of these ideals. I shall return to the multiple and essential implications to socially responsible practice of this apparently small difference.

3. Adjustments of modernity

First, I will return to the evolution on the three dimensions, and to the problems arising for societal and social coordination during the latter half of the 20th century which have activated new interrelations between organizations and society-at-large, and new calls for social responsibility.

3.1. Reflective modernity – provoked by reflexive modernity

On the dimension of modernity, we see how basic norms over the centuries have gradually grown naturalized, anthropologised, taken-for-granted, although originally acknowledged as contingent. The autonomized dynamics of modernization is blind to its own effects. Reflexively, cumulatively and latently, it produces threats which call into question the foundations of modern society. Beck analyses risk society and reflexive modernization as products of "the certitudes of industrial society (the consensus for progress or the abstraction of ecological effects and hazards) [which] dominate the thought and action of people and institutions in industrial society" (Beck 1992):5).

As modernity rigidifies in reflexivity and self-referential social processes, the side effects of this reflexivity create problems of strain – in particular on nature, on human rights, and towards the end of the 1900s increasingly activates sharp conflicts. Systems rationality versus intersubjective rationality (Habermas 1981) is thematised as social criticism. Activated by the critical mass of unintended side-effects of modernization, protests emerge against rigidified authorities (Luhmann 1991/1993; Beck 1992; Beck, Bonss et al. 2003).

Gradually, repeated conflicts caused by the blind reflexivity provoke reflection (Holmström 2003; Holmström 2005a). As described above based on Luhmann's theories (2.2 Reflection), analytical insight escapes us if the concepts of reflexivity and reflection are not clearly separated. Beck equally clarifies: "Let us call the autonomous, undesired and unseen transition from industrial to risk society *reflexivity* (to differentiate it from and contrast it with *reflection*). The 'reflexive modernization' means self-confrontation with the effects of risk society that cannot be dealt with and assimilated in the system of industrial society – as measured by the latter's institutionalized standards. The fact that this very constellation may later, in a second stage, in turn become the object of (public, political and scientific) reflection must not obscure the unreflected, quasi-autonomous mechanism of the transition" (Beck 1994a):6). As Beck seems to indicate in this observation from 1992, reflexive modernization might be followed by a second stage characterised by reflection. This may be paralleled with the stage analysed in the theory on 'the reflective paradigm of organisational legitimization' – presented in several works by the author of this essay – into which the long-term evolutionary approach of the research suggested in this essay aims at exploring in more depth.

Gradually, the observation of social filters as results of contingent choice permeates society. The premises and institutions gradually integrated as tacit assumptions through an evolutionary process of naturalization and anthropologization in the self-description of classic modernity lose their taken-for-granted character as a priori constructs. Instead, they are increasingly experienced as variable and mouldable, and as products of contingent choice. This is why I apply the term of *contingent modernity*, much in line with Niklas Luhmann (Luhmann 1998a), while for instant Bauman uses the term of liquid modernity (Bauman 2002), Latour: re-modernization (Latour 2003); Alexander: neo-modernism (Alexander 1995):85 in (Lee 2005). The common point of their perspectives is that we see an adaptation of modernity, not a complete break with former ideas and ideals into post-modernity.

This evolution into contingent modernity has several implications to organizations:

- When decisions are acknowledged as contingent – then the premises of decision processes are no longer given; they have to be generated along with the decision processes. The identity of an organization is continuously regenerated, and the formerly tacit values of an organization are explicated.

- When decisions are seen as contingent choices, which are not based in taken-for-granted norms but could have been taken differently – then they are made responsible. The question of responsibility is raised and attributed to society's predominant decision-makers, organizations. Everything from global climate changes to AIDS and obesity is attributed to decisions. Correspondingly, sustainability – which involves taking responsibility of future consequences – has become a prominent topic in society's communication processes.

- When danger is no longer attributed to nature, but to contingent social processes – then, from the position of potential victims the legitimacy of decisions are continuously ques-

tioned (Holmström 2005a). As these decisions could have been taken differently, they can be made the subject of criticism.

- When the blind confidence in authorities as natural and necessary are weakened; when the contingency of decisions made by organizations as well as choices made by those affected by the decisions, such as citizens, consumers, patients etcetera are acknowledged – then the future is seen as indeterminate, uncertain and risky; and then the environment no longer relates to organizations with passive confidence, but with active trust. Where blind confidence does not imply the considerations of alternatives, then trust implies the acknowledgment of contingent choice, and the responsibility involved in choice (Luhmann 1968/1982) (Vallentin 2001):117; (Javala 2003). To an organization, this motivates continuous endeavours in order to regenerate trust.

- When universality is replaced by diversity and univocality by ambiguity – then 'objective' information and transparency produce more dissent rather than consensus. What different observers consider to be the same thing generates quite different information for each of these positions.

- When the environment is no longer given, but is acknowledged as contingent – then it has to be continuously reconstructed by the organizations. A new environmental sensitivity is brought into focus for instance in the form of stakeholder models which grow increasingly dynamic and fluid.

3.2. <u>Redifferentiation – provoked by full differentiation</u>

As to differentiation, when the functionally differentiated society during the latter half of the 20th century reaches its full development with firmly stabilized functional rationales, functional systems stabilize to a degree of blind closedness. Society threatens itself with "rigidifying into repeated, but no longer . . . adequate patterns of behaviour" (Luhmann 1984/1995):372). The mono-functional specialization has evolved to an extent where the self-centred functional systems strain each other as well as society's environment, known for instance as pollution, destruction of the rain forests, stress and oppression of human rights.

At the same time, this specialization activates an increasing mutual interdependence between the functional systems. On the one hand, tight shutters are needed between, for instance, the rationale of economics and of science for the dynamics of the individual rationales to function adequately. On the other hand, for instance, the development of new medicine involves science, which is dependent on the educational system for qualified scientists and the health system for clinical tests, which are again dependent on economy, which is dependent on law for intellectual property rights, which is again dependent on the political system for legislation, and so forth.

Gradually, we see how the mutual negligence of functional systems is questioned. During the late 1900s, numerous legitimacy conflicts provoke reflection: on the one hand, functional

systems recognise the justification of their independent dynamics; on the other hand they acknowledge that to develop their independence, their specialization, their competency and growth – then they are interdependent on their mutual resources (Holmström 2002; Holmström 2003; Holmström 2005b).

When the social responsibility of the blind reflexivity of functional logics is questioned, the pressure of justification is directed towards organizations. The late 1900s see a change in the perception of social responsibility and legitimizing practice of organizations. Key feature is ideals of an increased sensitivity:

- When the protests provoked by functional reflexivity (profit for profit's sake, science for science's sake) entail legitimacy crises again and again – then reflective ideals are activated. The social responsibility of organizations changes from responsibility resting in monocontextual reflexivity ('profit') to polycontextual reflection ('people, planet, profit').

- When the growing interdependence motivates organizations to increased sensitivity to other functional rationales – then we see a multiplication of meaning boundaries. E.g., the social filter of economy is additionally filtered through other rationales – as we see it in the concept of *multiple bottom lines*, although the basic dynamics of organizations remains monofunctional: a business organization's fundamental rationale continue to be economic, a research institution's science.

- When the increased sensitivity is developed in evolutionary learning processes – then the organization undergoes a transition from seeing as relevant a monocontextual environment to seeing as relevant a polycontextual environment. The legitimating reference of organizations evolves from state and an inner, native environment – which to business is market – to include the public sphere and an increasing range of stakeholders. This feature is furthered by the polycontextual coordination of a fully differentiated society without any centre or top.

3.3. Political form of regulation

The third interrelated frame is the political form of regulation. Analyses show how the intervening law of the welfare state gradually grows overburdened and inadequate for flexibly containing the accelerated speed and complexity of social processes (Andersen 2004; Sand 2004)), for simultaneously securing the interdependence and the independency of functional dynamics (Holmström 2005b), seen also in relation to national legislation's impotence in the wake of globalization (Sand 2004). Where constitutions have so far enabled strong and stable institutions, then now they seem to have stabilized the nation states also beyond their functionality. Constitutionalism implies boundedness, in space and normativity. Consequently, the increasing global interrelations, telecommunications, technologies, trade and production have made the regulation of risk as well as of responsibility within these nation boundaries inadequate. Furthermore, risk problems can hardly be solved by the political machinery of the state within the framework of traditional legal forms: in part because, in the case of risk, we cannot

in the present determine how others are to behave in future situations; and in part, because the political system is society's number one decision-maker, and, consequently, also society's number one risk-producer.[4]

With contingent modernity, new political forms emerge. They have not yet found a general label, but are conceptualized as for instance governance structures, supervision state (Willke 1997; Andersen 2004), context regulation (Willke 1994), polycontexturality (Sand 2004). They share the analysis that formerly known types of legal regulation are supplemented by flexible and decentralized political forms. Since these political forms are characterised by polycontextually legitimating and legitimizing processes, I suggest the concept of *polycontextualism* as most precise. I also suggest, following a suggestion by Sand (Sand 2004), to add *cosmopolitan* to polycontextualism to imply the supra-national character of these new policy forms: cosmopolitan polycontextualism.

A key feature of cosmopolitan polycontextualism is that political regulation gradually changes its character from *substantial* law to *reflective* law (also nicknamed 'soft law'). Substantial law regulates individual, collective or organizational behaviour by means of intervention. Reflective law is oriented towards regulating individuals' or organizations' way of reflecting their own role and responsibility in society, i.e. towards legitimization rather than intervention as is the case with conventional legislation. Consequently, conventions and authorities are substituted by increased communicative complexity in society, in public communication processes and within networks and partnerships across the societal fields. Presumptions of universalism and procedures aiming at consensus are replaced by learning processes, acceptance of disagreements, ambiguity and conflicts and a willingness to continuously re-examine previous assumptions or decisions taken. Procedural qualities such as transparency, publicly available information are key elements of decentralized political processes. Mass media are given the essential function of thematizing issues to be dealt with polycontextually, and as taking continuous random sample tests of legitimacy (Holmström 2003):232). Correspondingly, sanctions take new and more subtle, polycontextual forms: e.g. consumer boycotts, mass-mediated crises, recruiting and motivation problems and failing investments.

Correspondingly, a co-evolutionary perspective on state form and the demands on the social responsibility of organizations shows interrelations:

- When politics is decentralized – then still more organizations voluntarily involve in labile private policy networks and partnerships with other private organizations, public institutions and a multitude of NGOs to solve issues in particular in regard to social responsibility and sustainable development. Some examples are UN Global Compact; Global Reporting Guidelines; Amnesty Business Forum.

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[4] As Luhmann observes: "The impossibility for the political system effectively to control other systems with an adequate grasp of consequences and limited risk, is inversely proportional to the facility with which such decisions can be put into force."
Luhmann, N. (1991/1993). Risk: A Sociological Theory. Berlin, New York, de Gruyter.: 145.

- When the political system relieves the pressure on own risky decisions – then organizations in other functional areas, in particular the economic system, are made increasingly responsible. For instance, the EU commission promotes corporate social responsibility as "the circumstance that organizations voluntarily integrate social and environmental considerations in their everyday decision processes through interaction with stakeholders" (European-Commission 2001; EU-Council 2002; European-Parliament 2003).

- When regulation takes place in polycontextual interplay – then the organization must be sensitive to several rationales. Taking the business sector as an example, again we see that from the regulating reference of business organizations being state and market, in the late 1900s it evolves to include a broad and increasing range of stakeholders. Equally, the sensitive organization has in its decision processes the ability of shifting between several functional rationales. To a certain extent, this is no new ability, since all organizations communicate in at least economy and law – and since for instance design companies always has communicated in aesthetics too, healthcare companies in health and science and so forth. However, what is new is that the fundamental functional rationale of the organization is not always undisputed taken-for-granted trump in the decision processes.

- When politics are decentralized in society – then the traditional legitimating reference of the political system, public opinion, increasingly grow a legitimating reference to organizations also outside the political system, and organizations develop public relations structures.

- When mass media are given a central function in the polycontextual regulation of society – then organizations have to be constantly prepared for random sample tests by the mass media; they have to master communication in the mass medial rationale and must reflect upon how decisions made from its own basic perspective, whether it be for instance economy, science or health, are observed from the mass medial perspective.

3.4. <u>Summary</u>

The frames of explanation presented above: contingent modernity, functional re-differentiation, and de-centralization of political regulation in cosmopolitan polycontextualism share the analysis that justification and rationality is no longer based on 'natural' norms or on institutionalized roles and conventions, but in contingent choice. Consequently, organizations' decisions are no longer automatically – reflexively – held as legitimately valid. They must be continuously legitimized. Organizations' legitimization endeavours grow a basic feature of the turbulence of contingent modernity, and specific demands are put on organizational legitimization. On each of the three dimensions, we see how interrelated calls for social responsibility are activated.

First, as to social responsibility being provoked by the features of contingent modernity: in the course of modernity, social responsibility of organizations changes from individual responsibility to being paralleled with functional success and later to further include law abid-

ance. In the late 1900s, the meta-changes activated by contingent modernity entail a change in the social responsibility of organizations. Social responsibility now implies the acknowledgment of the contingent choice of decision-taking, and consequently the responsibility involved. When society's fundamental rationality and legitimacy are questioned – then reflexive justifications based on reasons of necessity, nature, authority or convention no longer suffice. From organizational legitimization being based in conventions and apparent naturalness, and decisions taken on grounds of necessity, based on matters of fact – then legitimization is increasingly based on contingencies. Organizations are brought under continuous pressure to justify their contingent decisions and the underlying rationales without the possibility of relating to fundamental, firm premises.

Secondly, in the course of the construction of functional differentiation, legitimacy rests with growing independencies. However, with the advent of full monofunctional specialization, and the problematic side effects of the blind and indifferent reflexivity of the differentiated functional systems, the legitimacy of monofunctional organizations is questioned. The functional rationales of economy, politics, science, education, health etcetera no longer automatically imply legitimacy. When the social responsibility of functional logics is questioned, the pressure of justification is directed towards organizations. They now have to continuously legitimize themselves, and polycontextual sensitivity is made the precondition of social responsibility. This does not imply a functional de-differentiation. On the contrary, the functional differentiation of society seems to solidify in a functional re-differentiation.

Thirdly, on the dimension of political regulation: in a broad outline, we can observe an evolutionary interrelation between state form and organization: from the absolutist state with the organization as *institution integrated as part of a whole*; to the constitutional nation state with the *classic liberal* organization; to the *dehumanized, professionalized* organization of the welfare state; and today polycontextualism with the *reflective* organization. We see how political responsibility spreads in (world) society, how reflective – instead of intervening – law activates reflections of own responsibility, relying on the regulating force of a complex interplay between the public perspective, mass media's random sample tests, various NGOs and an increasing number of stakeholders. Hand in hand with these new coordination processes go new types of polycontextual sanctions, such as mass mediated legitimacy crises and failing support from stakeholders. Various public/private networks produce tools for organizations' reflective self-restriction of own contingency. Consequently, I suggest we identify social responsibility as *polycontext-referential self-control of contingency*:

4. Social responsibility as reflection

4.1. The reflective paradigm

I have suggested that we can understand social responsibility today as a result of modernization having reached a stage, where the problems created as side-effects to its blind reflexivity has reached a critical mass; that the call for social responsibility can be seen as part of a 're-

modernization'; and that we can parallel social responsibility with reflection as a reaction to these side-effects of reflexivi*ty*. Considering these premises, how can we more specifically identify contemporary ideals of socially responsible practice?

The basic characteristic of reflection is the rise of perspective from a *mono-contextual 1ˢᵗ order observation* to a *poly-contextual 2ⁿᵈ order observation..* This enables the organization to understand itself in a larger societal context. On the one hand, it continuously reconstructs its specific *independent* identity accordingly, and, on the other hand, it develops restrictions and coordinating mechanisms in its decision-making processes in recognition of the *interdependence.*

4.2. <u>Three organizational functions: Reflexivity or reflection?</u>

The basic precondition of social responsibility as implying first of all the specific worldview of reflection can be identified in three closely interrelated functions in organizations (Holmström 2004).

1ˢᵗ function is *sensitivity,* i.e. a sensitive observation of the environment. The organization sees itself in the socio-diversity. 2ⁿᵈ function is *identity* – which means the organization's observation and description of itself. 3ʳᵈ function is the *self-presentation*, which facilitates the observation of the organization by the environment.

We can analyze whether an organization lives up to the ideals of social responsibility on these three functions by distinguishing between reflexivity and reflection.

4.2.1 Sensitivity: the polycontextual perspective on a contingent world

1ˢᵗ function – sensitivity – deals with how an organization sees its environment. In reflexivity, the perspective is self-centred from within. Whereas in reflection, the organization sees itself as if from outside. Reflexivity sees only its 'native' environment; whereas reflection sees a larger and more complex environment as relevant. Reflexivity sees an environment to be *managed.* Reflection sees an environment to be respected.

As opposed to the narrow perspective of reflexivity, then reflection involves an attempt to see the world through the eyes of others. Correspondingly, the perspective on the view of the environment changes from prejudice to attempts at understanding: From reflexive 1ˢᵗ order observations where society's differentiated perspectives see each other from the prejudiced position of the enclosed worldviews, the reflective 2ⁿᵈ order observation opens up the possibility for more nuanced perspectives which inquire about the worldview of the opponent in order to understand how other perspectives and rationales produce other perceptions of reality. In the 1ˢᵗ order perspective, social systems see each other as objects and draw conclusions based on prejudices and preconceived opinions. In the 2ⁿᵈ order perspective, the focal question becomes the perspectives which are applied. A major Scandinavian frontrunner on reflective practice, Novo Nordisk, accordingly observes: "Today we are being asked not 'what' we do, but rather 'why' we conduct our business as we do." (Novo-Nordisk 2002a):16).

In reflexivity, society is divided into black and white positions: for instance 'ruthless capitalist exploiters' as opposed to 'environmental activists as saviours of the world' or 'we decision takers which make the world go around' as opposed to 'irresponsible anarchists'. In reflection, the conflicting positions are seen as a consequence of society's construction. The reflective 2nd order observation dissolves the simple black-and-white 1st order distinction between attributions to the particular versus the common interest; between strategic values and substantial values. Instead of describing the problems in terms of an opposition of interests or a conflict of values, the conflicts are seen as a consequence of social conditions (Luhmann 1991/1993; Holmström 2005a).

4.2.2 Identity: contingent decision taker

The 2nd function – identity – deals with the organization's view on itself and the premises of its decision processes. When they are no longer given, then they must be continuously regenerated along with the decision processes.

In reflexivity, the organization takes its worldview for given and does not see the importance of taking on responsibility as decision taker. By being responsible to itself it sees itself as responsible to society. In reflection, the organization questions its own identity, role and responsibility. It sees that risky decisions are inevitable; that a precondition of trust is to relate reflectively to own responsibility.

In reflexivity, a monophone function is unrivalled trump in decision processes. In reflection, we see how the polycontextual sensitivity is integrated in the decision processes. To exemplify: profit still identifies business as part of the economic system – but in regard of people, planet, and of other functional logics. The reflective perspective exposes the interdependence. This leads to themes which were formerly outside the boundaries – such as environment, human rights, and animal welfare – now being inside them. Within the business community, themes which were reflexively understood as 'extra-economic', in the reflective perspective are core issues on the corporate agenda. Reflection implies a change in the understanding of business of its corporate social responsibility as fulfilled by the narrow economic focus to a social responsibility based on "enlightened self-interest" (Kofi Annan in his introduction to UN Global Compact, 1999).

In reflexivity, the organization's contact with society is disconnected from overall corporate decision processes in for instance 'information departments'. Reflection, on the contrary, influences the overall politics and identity and activates top management.

Organizations with a high degree of reflection are capable of being open in another way than organizations with a mono-contextual worldview. They have sufficient self-complexity to co-reflect other rationales, and at the same time to maintain or even strengthen their own identity – not in spite of, but because of the acknowledgment of contingency.

4.2.3 Self-presentation: contingent consistency

The 3rd function is the self-presentation in order to facilitate the environment's observation of the organization. When legitimacy cannot be justified in 'naturalness' or necessity, then consistent but sensitive and consequently constantly changing self-presentation is required. Poly-contextual legitimization is anchored in complex and dynamic patterns of expectation involving a long and growing series of stakeholders. Therefore, the function of self-presentation grows essential, and this is where we find the external focus on values, ethical reporting and value branding, to signal what is to be expected from the organization. This grows an increasingly important function as organizational legitimacy rests in perceptions which continuously change in poly-contextual dynamics.

Reflexivity is characterised by blind self-presentation from within. Consequently, 'objective' information and transparency produce dissent rather than consent. Reflection, on the contrary, is sensitive to the diversity, and we meet attempts of precise and relevant signals. Reflexivity does not see conflicts, or tries to silence them. Reflection sees the potential of conflicts; exposes their background and facilitates exchange of views.

The reflexive organization believes that conflicts can be dissolved by information. The reflective organization sees that what different observers consider to be the same thing generates quite different information for each of these positions. So, instead of producing more information, the reflective organization openly acknowledges own responsibility as decision taker, and commits itself in relation to society.

4.2.4 Synthesis

Even though characterised by reflection, none of the three functions of sensitivity, identity and self-presentation on their own lives up to ideals of social responsibility. They have to be closely interrelated in the organization – irrespective of whether they are placed in one or in more organizational departments, in one or several persons.

For instance, deliberations on identity would not be seen as socially responsible if not rooted in the polycontextual sensitivity. Self-presentation would be seen as window-dressing or whitewashing if not in accordance with identity as well as sensitivity.

5. Problems and perspectives

The research programme suggested in this essay aims at increasing insight into the reflective ideals of organizational legitimization by illuminating these ideals in particular in opposition to the former reflexive practice; in the long term dynamics of social processes; and in regard to the evolution of overall ideas and ideals of modernity.

The analysis shows a dynamics of social processes where reflection parallels the calls for social responsibility which has been activated by the reflexivity of modernization. Without the possibility of appealing to naturalness or necessity, the challenge of organizational communi-

cation and the main task of socially responsible practice are to acknowledge contingency and take on the responsibility involved in decision taking. To navigate in a contingent context and doing so responsibly seems to imply the 2nd order perspective of reflection. Consequently, I suggest we identify social responsibility as *polycontext-referential self-control of contingency*.

As to the dimension of contingent modernity, we may see reflection as a reaction to the blind side-effects of reflexivity. Reflection characterizes a period of – exactly – reflections, and uncovers the contingent nature of social processes which activates acknowledgment of responsibility of decision-taking and choice throughout society. A more in-depth analysis of the evolution of modernity will probably show former periods of adjustments facilitated by variations of reflection.

As to functional differentiation, reflection opens up the possibility of a broader perspective and implies a poly-contextual perception of the environment. This entails a self-restriction of an organization out of consideration for other relevant systems in order to secure its own existence and development in the long term. In this way, reflection facilitates flexible, polycontextual coordination processes which respect independence as well as interdependence. However, reflection does not change the fundamental integrative rationale of the organization. Even in the reflective paradigm, we can identify a basic functional trump in decision processes.

As to political forms, the reflective perspective seems a precondition for an organization to navigate in a polycontextually coordinated (world) society where politics are decentralized throughout society. Reflection implies that usual conceptions of autonomy and regulation as opposites are turned upside down. The higher the degree of autonomy, the higher the possibilities for the polycontext-referential self-regulation characterizing cosmopolitan polycontextualism.

Reflection, however, is not a natural social ability. Reflection is, as Luhmann observes, the "form of controlling communication, which belongs to a higher level, is more explicit (and therefore riskier), and must be reserved for special cases" (Luhmann 1984/1995):144. Cf also (Holmström 1998):66-68). Reflection is socially resource demanding and risky. Resource demanding, because it doubles the social communication processes and makes decisions and decision processes far less unambiguous than in the mono-contextual perspective of reflexivity. Risky, because it may raise within an organization doubt about its own rationality, raison d'être and social boundaries, and because it means exposure and sacrifice in the short term in return for existence in the longer term[5].

Reflection copes with contingency, however also increases the perception of contingency and flux, and may lead to hyper-irritation, feelings of powerlessness and indifference, paralyzation of decision processes or distorted resonance, or extensive resources spent on for instance social reporting. So, after this adjustment of modernity we may expect a gradual return to

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[5] Readers familiar with Luhmann's social systems theory will recognize the closure/openness paradox of the thesis of autopoiesis: to secure its closure a system has to open up to the environment.

reflexivity, however with new perceptions of social responsibility and organizational legitimacy stabilized. Already, many indications of a reduction of the complexity produced by reflection can be spotted in a new reflexivity in routines, standards, models, and blind perceptions of social responsibility as identified in the good practice and neo-conventional phases of the evolution of the reflective paradigm (Holmström 2002; Holmström 2003; Holmström 2005b), and I suggest research should be attentive to this development.

The analysis presented above takes its empirical foundation in North-Western Europe, and since the principal conclusion is that ideals of social responsibility are closely interrelated to a given society's specific social and societal coordination processes, then it follows that – although we also see traits of global policy and global opinion – the ideals of social responsibility differ in various regions of the world; this is immediately evident for regions such as Asia which have other cultural histories than the modernity periods of Europe. However, even European countries differ in political and societal traditions and history and show different premises for the practice of social responsibility, so even in Europe we should be attentive to conflicting paradigms. This area seems to constitute a huge potential for research.

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