

# THE REFLECTIVE PARADIGM TURNING INTO CEREMONY?

*Three phases of public relations  
- strategic, normative and cognitive -  
in the institutionalisation of a new business paradigm,  
leading to three scenarios.*

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## ABSTRACT

IT IS SUGGESTED THAT A NEW BUSINESS PARADIGM IMPLYING CORPORATE SELF-CONTROL AND EXTENSIVE CORPORATE SOCIAL RESPONSIBILITY IS BEING INSTITUTIONALISED. THIS IS TO ENSURE SOCIAL ORDER IN AN INCREASINGLY DIFFERENTIATED SOCIETY IN WHICH THE CENTRAL REGULATION OF LAW AND MARKET FORCES NO LONGER SUFFICES TO ENSURE SOCIAL ORDER.

PUBLIC RELATIONS IS PART OF A PROCESS WHICH STARTS WITH *STRATEGIC* ACTION AND BECOMES *NORMATIVE* HABIT, FINALLY ENDING UP AS *COGNITIVE* INSTITUTION. EACH STAGE INVOLVES A CERTAIN CORPORATE UNDERSTANDING OF THE ROLE OF BUSINESS IN SOCIETY, AND OF THE CORPORATE ENVIRONMENT. THESE PROCESSES MAY LEAD TO THE SUSTAINABILITY OF THE DESIGNATION 'PUBLIC RELATIONS' BEING QUESTIONED FOR REASONS OF LEGITIMACY.

CONSIDERING THE DIFFERENTIATION OF SOCIETY AND THE URGE TO REDUCE COMPLEXITY (INCLUDING THE ISOMORPHIC PROCESSES INVOLVED IN INSTITUTIONALISATION), PUBLIC RELATIONS MAY TEND TO TAKE A MORE SYMBOLIC AND CEREMONIAL CHARACTER THAN A SUBSTANTIVE AND REFLECTIVE ONE.

EXTRAPOLATING THE PROCESSES OF INSTITUTIONALISATION, THREE SCENARIOS ARE SUGGESTED: *THE 1<sup>ST</sup> GENERATION REFLECTIVE SCENARIO*, *THE CEREMONIAL SCENARIO* AND FINALLY *THE 2<sup>ND</sup> GENERATION REFLECTIVE SCENARIO*. THEY IMPLY THAT THE VISIBILITY OF PUBLIC RELATIONS AND ITS IMPACT ON CORPORATE DECISION PROCESSES ARE INVERSELY PROPORTIONAL.

IT IS SUGGESTED THAT WE ARE NOW IN THE CRUCIAL PERIOD, WHERE THE NORMS FOR A NEW BUSINESS PARADIGM, AND FOR PUBLIC RELATIONS PRACTICE ARE TAKING SHAPE. CONSEQUENTLY, THE NEXT DECADE OR LESS WILL BE DECISIVE FOR THE FINAL INSTITUTIONALISATION OF PUBLIC RELATIONS.

THE THEORETICAL FRAMEWORK IS THAT OF NIKLAS LUHMANN'S THEORY OF SOCIAL SYSTEMS, AND NEO-INSTITUTIONALISM.

## I INTRODUCTION

The focus of this paper is the future of public relations. A main point is that we may observe a trend where a new business paradigm and accordingly new standards for corporate social responsibility is institutionalised through three successive stages each having their specific practice for public relations:

In the first stage, the **strategic** phase<sup>1</sup>, business is embedded in the old institutional order, and will comprehend the new and expansive demands on corporate social responsibility as an unwelcomed, mis-placed and ill-timed intervention. Public relations practice will be part of a power struggle, based in the particular interests of business, and the aim is to secure business the largest possible field of action, autonomy and resources.

In the second phase, the **normative** phase, business will see the new business practice involving social, ethical and environmental considerations as being reasonable. The motive behind public relations may have moral undertones, but my designation of this phase as 'normative' has no specific reference to moral norms, rather to professional norms, to current practice. Companies which are being looked up to in the field will be leading the way. These are companies which in the strategic phase have been forced to recognize that this change in behaviour actually benefited their legitimacy. Such companies and the case stories developed from their experience become myths which contribute to creating myths about the best way to do business, and public relations. It spreads as good business practice which others should follow.

In the final phase, the **cognitive** phase, where institutionalisation of the new business paradigm is completed, the redefined behaviour is taken for granted; it is *the* way of conducting business – a way you do not question, but just do. Corporate social responsibility has once again – now in its new version – become institutionalised as a cognitive schema, i.e. the natural way according to a socially constructed perception of reality. Public relations is partly integrated in the way business decisions are made, and partly performed as activities of a more symbolic and ceremonial character.

Accordingly, we may perceive the institutionalisation of the new business paradigm as a historical process which follows the structural transformation of the increasingly differentiated society. The process starts with strategic action which becomes a normative habit and finally ends up being a cognitive institution.

Obviously such a development has implications for public relations – understood as a specific social relation as well as a specific social activity. Each stage involves a certain corporate understanding of the role of business in society, and of the environment.

Institutionalisation of a new business paradigm is a long process, the stages of which are parallelly displaced in various fields of business, various regions etc.

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<sup>1</sup> *Strategic* in this context implies a counter-strategy against the corporate environment. At the later stages of institutionalisation public relations may often be part of corporate strategy, but from another understanding of the relationship between company and society, an understanding which is rather captured by the designations *normative* and *cognitive* respectively.

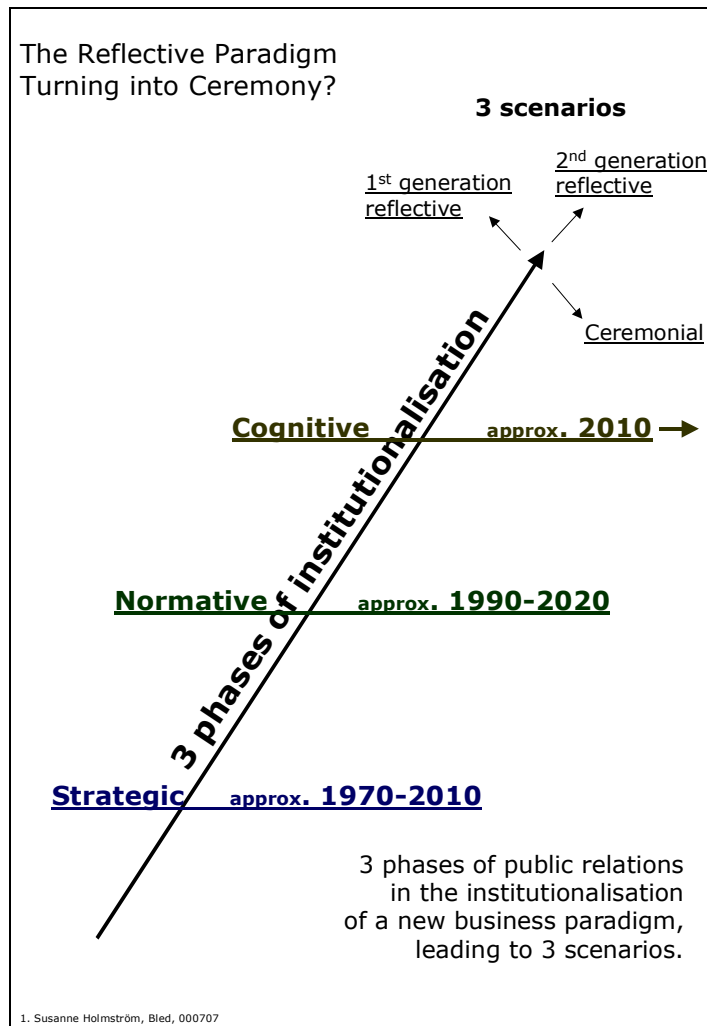


Table 1:

*3 phases of the institutionalisation of public relations, leading to 3 scenarios.*

I suggest that today we have all three stages of the institutionalisation process – *strategic*, *normative* and *cognitive* – taking place, with a concentration on the transition from strategic to normative, and on the early normative. I also suggest that we are now in the crucial period, where the norms for a new business paradigm, and for public relations practice are finding their shape. Consequently, the next decade or less will be decisive to the final institutionalisation of public relations.

I shall suggest three scenarios. Two are extremes – the *1<sup>st</sup> generation reflective scenario* and the *ceremonial scenario* respectively – and a third scenario, the *2<sup>nd</sup> generation reflective scenario* – where the social processes inherent in the new business paradigm will lead to a combination of the two former scenarios. The impact of public relations on corporate decision processes and the visibility of public relations will vary considerably, and may in fact prove inversely proportional: the higher the visibility of public relations, the lower the impact, and vice versa.

In the *1<sup>st</sup> generation reflective scenario* we find public relations at the centre of the legitimating processes we are now observing. The core demand on business may be identified as *reflection*; i.e. a corporate understanding of business and of the individual company as responsible parts of society. As a result, companies

take social, environmental and ethical considerations based on the reflection of themselves in society. For the reflective scenario to be substantive, public relations will be an integral part of top management's functions, and a natural part of boardroom considerations. In this scenario, public relations may not be visible as a specific function or as a specific profession, however the impact will be more far-reaching than in the scenarios outlined below, since it entails a continuous reference to society in corporate decision processes.

In the ceremonial scenario public relations practice will concentrate on symbolic and ceremonial activities which are by themselves legitimating, instead of substantive environmental, social and ethical considerations.

In the 2<sup>nd</sup> generation reflective scenario I see public relations *partly* as a natural and taken-for-granted part of the decision processes within top management – probably not labelled public relations; and *partly* as the more symbolic activities, where reflection has grown into ceremony. This is what may be labelled public relations, provided the designation as such still exists.

## **1. Perspective**

The research reflected in this paper does not take a functional perspective on the strategic management of effective public relations; neither does it aim at normative prescriptions for corporate social responsibility, symmetrical communication etc. Rather, the objective is epistemological insight. It therefore attempts to go even further, understanding functional as well as normative perspectives as expressions of the transformational processes beneath the surface of public relations. The point is that to develop sustainable scenarios for the future of public relations requires exposure of the processes beneath this specific social activity and social relation.

This research approach therefore aims to analyse the processes that mainly remain pre- or subconscious, but nevertheless regulate the system of activities, norms, standards, behaviour etcetera we perceive as 'public relations'. Therefore, what is taken for granted as 'public relations' must be dissolved and reconstructed theoretically.

To this end, sociology's latest advances within systems theory - in Niklas Luhmann's version<sup>2</sup> -, and neo-institutionalism are applied. They both take a de-ontologist, constructivist approach towards social 'reality', and both work with the structural, systemic processes co-ordinating human action. They are, however, very different theoretical paradigms, indicating opposite social dynamics: differentiation and co-ordination respectively.

Luhmann shows us a society split in differing, incompatible and irreconcilable logics, implying a dynamic leading to increasing differentiation and conflict in society. The social dynamic focused in mainstream neo-institutionalism takes the opposite direction. It stresses the relationship between stability and legitimacy and the power of common perceptions of social reality diffusing throughout society, co-ordinating and unifying action. It is in an interplay between the theories, in the

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<sup>2</sup> - in gratitude to Franz Ronneberger and Manfred Rühl for originally having introduced me to Niklas Luhmann in their work on public relations theory from 1992.

interchange between these opposite dynamics we may find a fruitful contribution to public relations research.

I have chosen Shell as my main empirical frame of reference, *because of its status as probably the most widespread case in public relations literature, and not in spite of this*. The Brent Spar event and the Shell Corporation's reaction since then is in itself an ideal-type example of a case contributing to institutionalising a new legitimate business paradigm. It includes a declared change in principles of decision-making processes as well as day-to-day business conduct. This takes into consideration not only financial, but also social and environmental processes "because it makes good business sense"<sup>3</sup>, a declared commitment to sustainable development, transparency, human rights performance etcetera based on "a business strategy that generates profits while contributing to the well-being of the planet and its people"<sup>4</sup>.

## **2. Framework**

But before going further into the three stages of public relations, to substantiate my suggestions I shall provide a brief introduction to my theoretical understanding of society's structures and mechanisms, and of the historical context provoking public relations as a specific social relation as well as a specific social activity.

- First, I shall introduce some focal points to identify the theoretical approaches (Ch. II).
- Second, I shall give a brief analysis of the meta and macro processes in society beneath the phenomena identified with the concept of public relations as a frame for understanding the meso and micro processes described in the following (Ch. III).
- Then I shall analyse the character and changes in the meso and micro processes involved in these concepts, during the three stages of institutionalisation (Ch. IV).
- And finally, I shall suggest three future scenarios for public relations (Ch. V).

## **II THEORETICAL FOCAL POINTS**

The overall perspective of this paper, and my perspective when analysing the processes underlying public relations, is sociology's main problem of social order. It originates from the puzzle as to why society functions as an apparently relatively frictionless, collective unity. Obviously, conflicts and frictions appear, and as Luhmann points out they are not only an inevitable, but to some extent even essential and necessary parts of the immanent structure of modern welfare societies. These are based on a highly specialised 'division of labour' in differing specific social systems with each having their functional logic<sup>5</sup>. And yet, society is not constantly on the verge of breaking down. Nor does the increasing differentiation of society seem to result in everyone fighting each other. Luhmann also points out that there is no such thing as society as a unity. Society is split in different distinctive perspectives. And yet, we talk and act from the perception of an overall

<sup>3</sup> The Shell Report 2000:6.

<sup>4</sup> Mark Moody-Stuart, Chairman of the Committee of Managing Directors, Shell Report 2000:2.

<sup>5</sup> Luhmann 1984/1995 and 1997.

tinctive perspectives. And yet, we talk and act from the perception of an overall unity, a 'common fate'. How is this possible?

Luhmann's answer is social system's immanent endeavours to maintain system boundaries, leading to reflection<sup>6</sup>. Institutionalism's answer is institutions<sup>7</sup>, common perceptions of social reality co-ordinating action. I shall develop these theories and suggest some answers with a focus on public relations processes.

Some of the focal theoretical approaches of specific importance to this line of research are

- the structural approach
- the deontologist, constructivist perspective
- legitimacy as basic regulator of social order

## **1. Human action determined by structure**

Both theories focus on the structures which create the framework that enables and limits social action. They are *social systems* and *institutions* respectively. Collective behaviour cannot be interpreted as the aggregate consequence of individual choice<sup>8</sup>. In other words, social 'reality' cannot be reduced to a sum of individuals.

### **.1 Social systems**

In his thesis of autopoiesis<sup>9</sup> Luhmann developed systems theory into a theory of self-referential social systems. All social relations are possible only via social systems. A social system emerges whenever two or more persons' actions are connected. At first this is as an informal interactive system which then may develop into a formalised organisational system, for instance a company or a profession. A social system is an abstraction; in its primary meaning, which isolates itself from other meaning, takes on its own 'life', motivates and justifies itself in selective communication processes<sup>10</sup>. In this way, social systems reduce the overwhelming *world complexity* by establishing a *difference between the system and its environment*. The identity of an organisational system is defined or limited not by offices, factory buildings, products or employees - but by what makes sense and what does not.

Society is the particular social system which comprises all communications<sup>11</sup>. So, society is an infinite number of social systems, based on their individual meaning. In Luhmannian terms, social order is endangered when the flows of communications are at risk, since this would mean the collapse of society.

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<sup>6</sup> See later in this paper, III.2.5. Reflection is the system's observation of itself, Luhmann, 1997:757.

<sup>7</sup> See for instance Powell and DiMaggio (eds.), 1991, Scott:1995.

<sup>8</sup> See for instance Powell & DiMaggio, 1991; Luhmann, 1984.

<sup>9</sup> Autopoiesis (Greek); self-creation.

<sup>10</sup> Communication is the basic element of social systems, a continuous threefold processing of selection based on the meaning of the social system, consisting of information, utterance and understanding. Cf Luhmann, 1984/1995, Ch. 4.

<sup>11</sup> Society is "the totality of all social communications that can be expected." Luhmann, 1984/1995:392.

## **.2 Institutions**

Neo-institutionalism focus on institutions, social practice reproduced by routine and grown into cognitive constructions regulating human action. In every social context of some duration certain ways of doing things are gradually being acknowledged and generalised; i.e. institutionalised. Institutions in this understanding are everything `from handshakes to marriages and strategic planning departments<sup>12</sup> to the legitimate way of doing business and of practising public relations. Behaviours are institutionalisable over a wide territorial range, from understandings within a single family to myths of rationality and progress in the world system<sup>13</sup>. So, in a larger perspective, an institution reflects a common understanding of social reality.

## **.3 Cognition**

When institutionalisation is accomplished, action is regulated by cognitive scripts and schemas; i.e. standard perceptions and taken-for-granted behaviour. The basic logic is that all human action implies habits; they make decisions easier to take and actions easier to perform. While institutions are certainly the result of human activity, they are not necessarily the products of conscious design. Cognition operates largely beneath the level of consciousness, a routine and conventional `practical reason' governed by `rules' inherent in culture and social systems – rules that are recognized only when they are breached<sup>14</sup>.

In Luhmannian terms, to release capacity for new processing of information, a social system continuously stores operative condensates in its memory. In this way, a system's memory keeps a background of `reality' ready for further communications processes. The result is that the continuous processing of information leads to cognitive processes understood as `the natural way of action', bound to the specific logic of the observing system. Cognition implies that system's capacity is relieved by means of oblivion, but at the same time that new situations can rely upon condensates of former operations<sup>15</sup>.

The concept of cognition will prove central later in this paper, as I suggest a cognitive future for public relations.

To conclude, social systems theory and institutionalism each in their way describe how human action grows into non-reflected routines. This does not mean that a social system and an institution are equals. As I see it - adding the Luhmannian frame of understanding to neo-institutionalism - institutions are adapted by social systems *according to the logic of the system* to become part of the cognitive schemas of the social system. This means that institutionalisation of corporate social responsibility will take different directions and reflect different social realities when being adapted by the different functional logics of social systems.

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<sup>12</sup> Powell & DiMaggio, 1991:9.

<sup>13</sup> Meyer & Rowan, 1991.

<sup>14</sup> Powell & Dimaggio; 1991.

<sup>15</sup> Luhmann, 1997:122.



## **2. A deontologist and constructivist perspective**

### **.1 Reconstructing public relations as social 'reality'**

Social phenomena have no objective status inherent in nature. There is no such 'thing' as business life, corporations, ethics, symmetrical communication, corporate social responsibility – or public relations. Social 'reality' is continuously created and recreated in a flow of communications<sup>16</sup>. From a deontologist perspective, we do not inquire as to the *being* of behaviour, but as to how it is perceived, observed, '*realized*' in the true sense of this word.

The deontologist approach dissolves its object, as in this case public relations, and does not take it for granted – whether as a specific activity, relation or profession – and reconstruct it from a 2<sup>nd</sup> order observation. It does not assume public relations as an object. Rather, the constructivist perspective attempts to observe how 'reality' comes into being when individuals, organisations and systems observe their environment from their various perspectives, making 'reality' emerge in various ways.

An example: The statement "Public Relations is a profession dealing with the management of public relations." With this, public relations is given an object-like, ontological status as a being. From a deontologist, constructivist perspective this status is questioned. The statement only reflects the way the concept of public relations is perceived from a certain perspective to give certain social activities a particular meaning. But – as for instance the EBOK survey<sup>17</sup> reveals –, such words have very different meanings for different researchers and practitioners. There is no such "thing" as public relations, but according to the EBOK survey we try to create a social system with a specific meaning that can identify public relations processes as such. Seen from another perspective, the activity is understood by some as public relations and to others might mean something completely different.

In order not to be caught in one of these 'given' perceptions of public relations, from a 2<sup>nd</sup> order perspective I analyse the structural social transformation processes that public relations is part of.

### **.2 The constructed environment**

The constructivist perspective also implies that a social system has no objective environment. Each social system continuously constructs its environment according to its perception of relevance<sup>18</sup>. Social systems observe and evaluate everything in terms of their own logic and create an image of the world in terms of their own perspective. The outer world is constructions within the observing system. Therefore, analysing the development in corporate constructions of the environment reveals changes in corporate rationales. Corporate constructions of the environment and corporate interpretations of environmental demands structure action in the organisation.

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<sup>16</sup> – communications in a Luhmannian sense, cf foot-note 10.

<sup>17</sup> The European Body of Knowledge survey conducted by CERP, 1999.

<sup>18</sup> For a discussion of this aspect and its implication to public relations, cf Holmström, 1996/1998.

In the case of Shell, the expansion of the perceived environment to include not only conventional business' state and market but also stakeholders<sup>19</sup> and society at large seems to reflect a new understanding of the relationship between business and society.

### **3. Legitimacy as the basic regulator of social order**

Neo-institutionalism sees the legitimation processes in society as basic regulators of social order. Accordingly, legitimacy is a precondition for corporate social acceptance and therefore may be identified as the core concern of public relations processes.

#### **.1 A new paradigm of legitimate business behaviour**

According to the institutionalist understanding, legitimation is a process taking place in a micro-macro-societal interplay that establishes collective perceptions of proper behaviour as the natural way of doing things. Similarly, we have delegitimation processes. What we experience during these decades may be identified as delegitimation of the conventional business paradigm, being replaced by a new paradigm of the legitimate way of doing business.

Legitimacy is a precondition for social acceptance, and is ensued by sanctions and rewards respectively. Therefore, legitimacy is a prime concern of business and the centre of public relations efforts – even if the term *legitimacy* is rarely used, even in research literature. Rather, rewards of legitimacy or sanctions of illegitimacy are used, such a (mis)reputation, (lack of) confidence, trust, goodwill, resources etcetera.

When legitimate behaviour (as in this case of business) has been institutionalised, the question of legitimacy (as in this case of business behaviour) again becomes invisible in society<sup>20</sup>. A common understanding of the relationship between business and society and accordingly the proper way of doing business has again been institutionalised as natural and is no longer questioned. However, during periods when old paradigms are being replaced by new paradigms, they clash, resulting in conflicts and crises of legitimacy. This is how we may understand observations during these decades, where a new paradigm of legitimate business behaviour is substituting the previous, conventional one.

Luhmann adds another dimension to the question of legitimacy, designating social systems as *self-legitimizing*: Each social system works with its own standards of legitimacy. This indicates conflicts when perceptions of legitimacy meets with the differentiated logics of the social systems.

#### **.2 Not necessarily functional structures**

Both Luhmann and neo-institutionalism focus on the durability of social institutions, however although they both seem to indicate some kind of 'cybernetics' ensuring a certain social stability, they are not presenting us with an idyllic ideal of a well-functioning society, automatically adapting to new challenges. In opposition to their predecessors, Talcott Parsons and classic institutionalists respectively, Luhmann and neo-institutionalists stress that structures do not necessarily – and

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<sup>19</sup> - which in Shells definition include the public; this is problematic, cf for example Jensen, 2000.

<sup>20</sup> Invisible in general; if legitimacy is breached by a social actor, legitimacy becomes situationally visible.

perhaps most often not – emerge with a functional purpose. In both theories, the function rather follows from the structure.

Accordingly, although I suggest the possibility of public relations being part of the stabilisation processes in the increasingly differentiated society, in my analysis and extrapolation of public relations, a glorification of public relations as efficient and functional structures does not automatically follow.

### III WHY PUBLIC RELATIONS?

In order to more fully comprehend the processes beneath public relations my analysis includes the meta-processes in society having provoked the emergence of public relations as a specific social relation as well as a specific social activity. Based on Luhmann's social systems theory, I shall provide a brief diagnosis of the increasing differentiation of society<sup>21</sup>, and suggest the institutionalisation of a new business paradigm including public relations as part of the counterweight processes.

#### **1. Social order endangered**

##### **.1 The differentiated society**

It is a dominant characteristic of modern societies that most social systems cluster around functional systems which have their individual *symbolic communications medium*<sup>22</sup>. Symbolic media ease communication within the functional systems and make high complexity manageable in the attached social systems and maintain the specific systems identity against outside pressure. Each symbolic medium operates with its own standards of relevance and success and observes, interprets and understands the world from its own code and perspective, and is blind to other symbolic media. Any observation depends on its perspective; there is no possibility of an overall common framework of understanding, of society as a unity (whether we talk of the world society or 'the state'). In the functionally differentiated society, there is no central body that can transcend all system/environment differences and connect them through meaning. Therefore, in today's differentiated societies, to reach an overall collective reasoning is impossible. Society is differentiated into distinct perspectives which can no longer be reflected in each other.

##### **.2 Strains of business on society**

Modern welfare societies are based on a very high and increasing degree of complexity in the differentiated social systems. This means that society is increasingly differentiated into incompatible logics in social systems, which in turn increasingly close around each their specific logic. Consequently, Luhmann identifies today's

<sup>21</sup> This diagnosis is an ultra-condensate of the analysis in my dissertation *An Intersubjective and a Social Systemic Public Relations Paradigm*, 1996/1998.

<sup>22</sup> E.g. *money* in the economic system, *power* in the political system, *law* in the legal system, *truth* in the science system, *information* in the mass media system - as well as *belief* in the religious system, *love* in the family system - etc.. Luhmann, 1984/1995:161. Luhmann, 1997: Ch. 2. Holmström, 1996/1998:69-73.

main challenge to society as being that of how to maintain system's boundaries as the increasing strain by the functional logics on each other as well as on human beings and on nature has put society into a hyper-irritated condition <sup>23</sup>.

The problems engendered by strains are phenomena observable for all functional systems<sup>24</sup>, but in modern societies the symbolic medium of money is the strongest, and economic communication in particular the predominant strain within society (i.e. on other functional system) as well as on society's environment (i.e. human beings and nature as such). Most and all major organisations emerge within the functional systems and adopt their functional primateship<sup>25</sup>. Business companies are organisational systems communicating by means of *decisions*, which primarily form the economic media of money.

The problems engendered by strains are reflected in society as crises of legitimacy. We may recognize the pattern in the case of Shell. In accusations of bribery, the symbolic media of money is a strain upon the political system. In the Brent Spar case, the symbolic media of money was accused of straining society's environment, nature. Other examples are accusation of neglecting employee safety; a strain on human beings.

These are symptoms of the basic conflicts of society, conflicts increasingly endangering social order. Concurrently, as society's complexity increases, a dominating central state regulation by political power and law is not only difficult, but also inexpedient: as an external reference in the communication processes of the differentiated social systems it will weaken their inner dynamics and specific complexity<sup>26</sup>. Consequently, the medium of law as the central regulating mechanism no longer suffices. I suggest that supplementary regulating mechanisms are the reaction<sup>27</sup>.

### **.3 Points of departure**

So, the point of departure for the theoretical reconstruction of public relations is a historical context where the structural strains of society seem to provoke reactions and new understandings of social reality to ensure social order.

In this analysis, two points are important within a Luhmannian frame of understanding: *First*, that integration is not the solution to society's problem: integration would dissolve systems boundaries and damage the dynamics and growth of modern societies. On the contrary, the problem is how to ensure self-control in order that 'other-regulation', i.e. regulation from without is reduced and systems boundaries are maintained. *Second*, that although the possibility of society as a unity and a common understanding across systems boundaries has been aban-

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<sup>23</sup> Luhmann, 1997.

<sup>24</sup> Cf for instance the authority of doctors and teachers as well as of politicians being questioned, the oscillation of mass media etcetera.

<sup>25</sup> - however often with concessions to other functional systems. This gives way to ambiguity, handled by *programmes* - expectations applying to more than one decision, Cf Luhmann, 1997:840-842.

<sup>26</sup> I see a distinctive pattern as to the legitimacy of "the giant organisation in the political system called 'state'" (Luhmann, 1997:841, my own translation from German) parallel to the questioning of legitimacy within business, leading to a new political paradigm reducing the strain on other functional systems. It is probably in this context we may see the political system changing central regulation by law with discourses encouraging decentralised self-control in society's differentiated systems.

<sup>27</sup> See also for instance Willke:1993, Rühl:1994.

done, images of society and of common understandings are constructed within the social systems.

## **2. Conflicts and Counter-mechanisms**

It is in the possibility of the construction of images of an overall society and a common fate that we may find a role for the stabilising power of neo-institutionalism's common perceptions of social reality. However, my point from a Luhmannian perspective is that in a differentiated society such common perceptions are not as common as often implicitly assumed by neo-institutionalism.

However, if we take the institutionalist view that societal processes work towards maintaining social order, we may understand the processes in society creating a new understanding of the relationship between business and society as part of the processes of stabilisation in modern welfare societies. This is where I suggest that a new business paradigm is being institutionalised, encouraging reflective self-control within the differentiated systems, motivated by perceptions of society as a unity.

### **.1 De- and reinstitutionalisation of the business paradigm**

Strains on social order may be relieved by the institutionalisation of a new explanation which reflects and creates a new social reality, and constitutes new expectations as to legitimate action: in this case a new understanding of business' role in society. Fundamental change occurs under conditions in which the social arrangements that have supported an institutional order appear problematic<sup>28</sup>.

The increasingly frequent legitimacy crises reflecting conflicts between business and the action-structuring environment are clear indications of the destruction of an old institution and the construction of a new. From corporate legitimacy being secured by the conventional economist growth and profit paradigm, this understanding of corporate social responsibility is increasingly being questioned. A new paradigm for legitimate business conduct is gradually replacing the old.

### **.2 Self-control as a precondition for trust**

This new paradigm implies a larger degree of corporate self-regulation. That is, self-regulation as a more reflective self-control based in the illusory conception of an overall societal perspective and not as in classic liberal economy where 'the invisible hand' of the market is sole regulator. As such we may understand the demand for a more expansive corporate social responsibility than in the former, conventional paradigm.

When regulation by law becomes inadequate, trust as generalised expectations will increasingly serve as a functional-equivalent security strategy<sup>29</sup>. In hyper-complex societies, trust becomes a prerequisite for interaction. Trust depends on the behaviour of the agent in question being perceived as legitimate. Where legality no longer suffices, the new business paradigm may serve to secure the adequate amount of mutual trust. Instead of law as the central regulator of business from outside, we see a new paradigm of decentralised self-control from inside business. Therefore, today, political processes are - as much as oriented towards

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<sup>28</sup> Powell, 1991.

<sup>29</sup> Luhmann: 1968. Luhmann, 1984/1995:112. Bentele, 1994.

legislation - oriented towards creating the illusion of an overall perspective and of a 'common fate'<sup>30, 31</sup>.

### **.3 The illusion of an overall perspective**

Corporate perceptions of the action structuring environment are gradually changing. From relevant corporate environment being market and state only, organisations now increasingly perceive relations to stakeholders in a broader understanding, and to the more abstract public sphere as also being relevant. In this understanding, the public sphere represents the idea of an overall perspective in a differentiated society. For even if an overall perspective has become obsolete in the differentiated society, the conception of society as a unity is still constructable within society's differentiated social systems.

The Shell Report 2000 reflects this conception: "We recognise that Shell is part of society. We share the same agenda. As people we all breathe the same air and have the same basic hopes and concerns for the welfare of our children and their future. - Our success as an organisation is intimately linked to that of society."<sup>32</sup>

### **.4 The diffusion of discourse**

The new 'reality' is reflected in and disseminated through society's discourses. To this end, discourses are cognitive lighthouses<sup>33</sup>: they contribute to creating a collective conception of 'natural' standards of corporate legitimacy. Concepts such as corporate social responsibility, corporate citizenship, business ethics, environmental sustainability, human rights performance, transparency etc herald and constitute a new 'reality' at various levels of discourse in society and business. Gradually, organisations with the main task of constructing, encouraging and handling these new discourses emerge<sup>34</sup>.

### **.5 From 2<sup>nd</sup> order reflection to 1<sup>st</sup> order cognition**

In this way, reflective self-understanding within the broader societal context is being institutionalised, entailing corporate self-control to relieve the strains of society. This new regulatory mechanism increasingly supports or replaces the medium of law and conventional political power as the main coordinating mechanism of social order. This is where we may interpret the processes provoking the emergence and development of public relations as a new paradigm of organisational action is gradually being institutionalised in the increasingly differentiated society.

The new paradigm is based on the capacity of *reflection*. This Luhmannian concept basically refers to the ability for a social system to see itself in relation to other social systems and to act on the basis of this recognition to survive in the long term. In the act of reflection, observation rises to a 2<sup>nd</sup> order position and takes a broader perspective. Reflection is the "form of controlling communication, which belongs to a higher level, is more explicit (and therefore riskier), and must be

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<sup>30</sup> Pedersen, 1990:107.

<sup>31</sup> Example: New Partnerships for Social Cohesion, a governmental initialised campaign motivating business to take on social responsibility from the perception of a common fate, cf [www.copenhagencentre.org](http://www.copenhagencentre.org).

<sup>32</sup> The Shell Report 2000:6.

<sup>33</sup> Pedersen, 1990.

<sup>34</sup> Such as for instance The Copenhagen Centre, SustainAbility Forum. Several NGOs may also be perceived as discourse institutions.

reserved for special cases"<sup>35</sup>. Reflection implies that a social system on the one hand finds its own identity, and as such acts *independently*; and on the other hand, in recognition of the *interdependence* between social systems, that it learns to understand itself as environment for other social systems and develops restrictions and coordinating mechanisms in its decision-making processes with regard to other social systems.

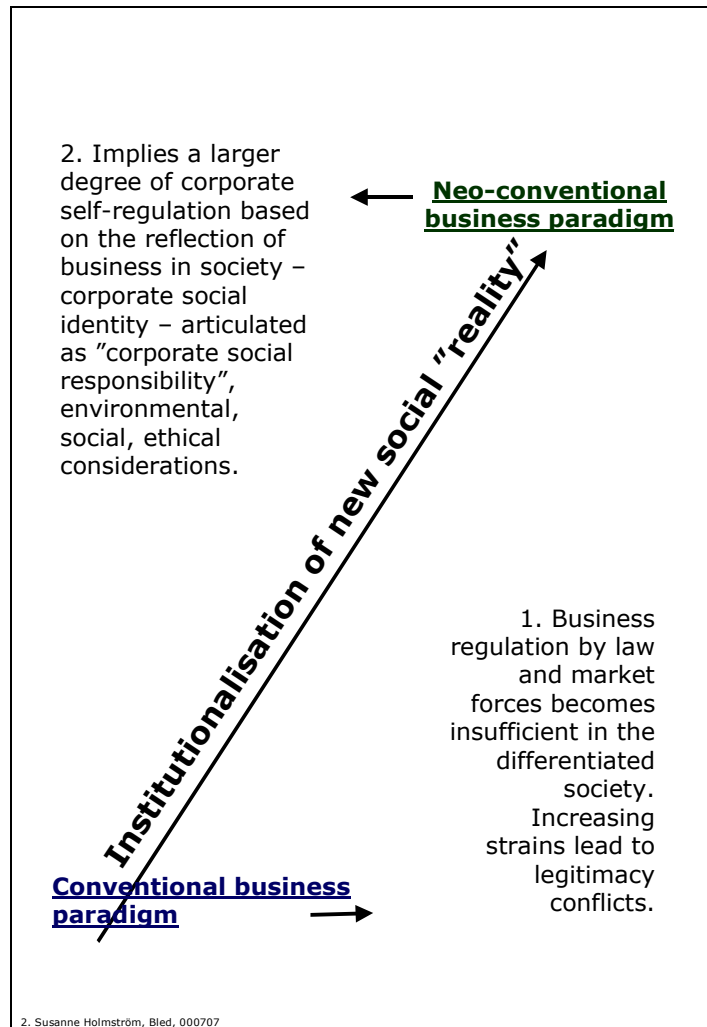


Table 2: The institutionalisation of a new business paradigm.

However, these processes endanger system boundaries and strain the processing capacity of the system. This Luhmannian perspective is very much in line with the processes described by neo-institutionalism, and will be important in my below analysis of the institutionalisation of public relations, my point being that since reflection is not easy for a social system, it will strive to transform the reflective 2<sup>nd</sup> order processes into 1<sup>st</sup> order cognition.

## .6 Summary

So, within the theoretical interchange between Luhmann and neo-institutionalism I suggest

<sup>35</sup> Luhmann, 1984/1995:144. Cf also Holmström, 1996/1998:66-68.

- that public relations – as a specific social relation as well as a specific social activity – is part of the institutionalisation of a new understanding of the relationship between business and society;
- that this new business paradigm will impose self-control based on reflection (i.e. an expansive corporate social responsibility) as a stabilising counterweight in an increasingly differentiated society, motivated by the illusion of an overall common perspective, a public sphere, society as a unity;
- that the immanent striving towards relief of corporate information processing capacity will imply a process going from having a reflective towards having a cognitive character
- and that this characteristic together with the fundamentally conflicting logics in the increasingly differentiated society may lead to public relations activities in this paradigm becoming of a symbolic more than of a substantive character, a ceremonial more than a reflective.

## IV INSTITUTIONALISATION OF SOCIAL RESPONSIBILITY

It is in this process of de- and re-institutionalisation of legitimate business behaviour we see public relations emerge and grow, as a specific social relation, and as a specific social activity in itself gradually being institutionalised into a profession. The character and role changes together with the changing process of institutionalisation of the new business paradigm.

I identify three successive phases of this transformation process, the strategic, the normative and the cognitive stage, with each their practice. Each stage involves a certain corporate understanding of the relationship between business and society, and of corporate environment, as I shall illustrate below.

### **1. The strategic phase**

The term 'strategic' at this stage implies a counter-strategy towards the corporate environment; at the later stages the management of public relations may be part of corporate strategy, but from a different corporate understanding of the relationship between business and the environment, identified by the terms normative and cognitive respectively. To designate this phase strategic refers to a corporate perspective: environmental demands and public discourse may at this stage be identified by a moral-normative orientation.

#### **Period:**

Europe approx. 1970 -> 2010.

#### **Situation:**

The start of a new process of institutionalisation is typically indicated by conflicts of legitimacy becoming visible. A new social 'reality' collides with old institutions. From various positions, state as well as civil society in particular, the conventional business paradigm and its understanding of the relationship between business and environment is being questioned.



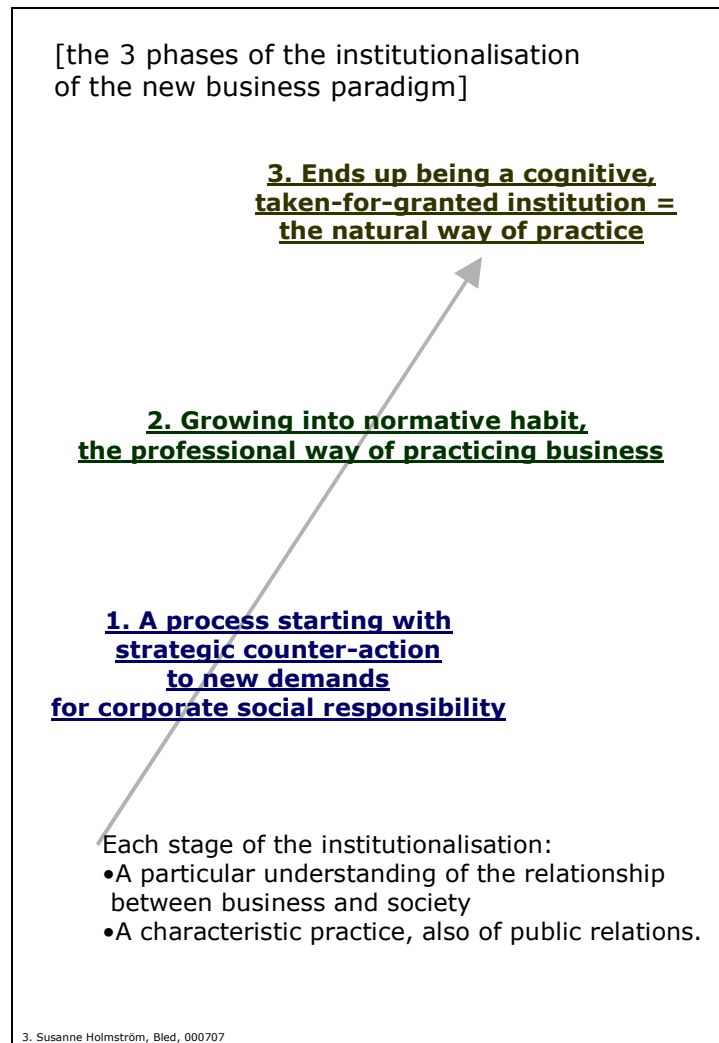


Table 3:

*The three phases of the institutionalisation of a new business paradigm.*

### **Corporate approach:**

The corporate approach to the emergence of new norms for business is reluctant, and the argument behind public relations activities is that "we have to". Public relations is necessary to secure the legitimacy required by the company to ensure corporate resources, a certain autonomy and field of action. - Legitimacy with the market as a precondition for interaction, which means for consumers to buy, for suppliers to supply, for employees to take employment, for investors to invest etcetera. - Legitimacy with the state as a precondition to ensure a productive business climate and to refrain from the squeeze of a tight central regulation.

### **Reference of legitimacy:**

Environmental considerations are forced upon business from outside; i.e. when such considerations are integrated in corporate decision processes, it is as a 'Fremd-referenz' (other-reference) in a Luhmannian understanding. Gradually, various 'ethical declarations' etcetera will claim a self-reference, but in spite of this they will not at this stage refer to the rationale of business (self-reference), but to demands imposed from outside. We are still at the beginning of the institutionalisation of a new business paradigm.

### Rationality:

At the strategic stage, business seems to make conscious and rational choices as to new legitimating norms. The new norms are still 'at a distance' and therefore seem capable of being treated rationally. My reservation 'seem capable of' indicates that you can hardly talk of rational choice, when rationality is bound by an institution, in this case the conventional business paradigm.

### Environment:

The environment is perceived mainly as hostile, making unreasonable demands on business. It is strategically constructed with a focus on groups which business perceives as being dependant upon in a conventional self-understanding: Stakeholders. Gradually, the risk of consumer boycotts, suffering staff morale, upsetting political contacts and various other sanctions change the constructed environment from being the local community and the strategically manageable stakeholder segmentation into a more globally oriented cultural environment. *Ghost*



Table 4: The strategic phase of the institutionalisation of public relations.

is the designation chosen by Shell's chairman of the board of directors<sup>36</sup> to describe Shell's environment in the case of Brent Spar. Research literature increasingly refers to the concept of *the public* in the frequent analyses of the renowned case, deducing that "corporations will have to acquire their legitimacy directly from the public by means of some form of public-corporate dialogue"<sup>37</sup>.

### **Public relations:**

At this stage, Public Relations as a specific function emerges with the task of defending the organisation against the environment. Public relations practice will be part of a power struggle, clearly based in the particular interest. Focus on the designation 'Public Relations' will probably be in this 1<sup>st</sup>, strategic phase as the struggle rages in society's discourse as to defining legitimate business conduct, and where public relations activities are being applied in the legitimacy crises typical of this stage.

### **Method:**

Various symbolic and substantive legitimating strategies will be used, and predominantly concepts such as issues management and crisis communications. Approaches will include the so-called 'asymmetrical two-way communication model' and buffering strategies – though the so-called 'symmetrical communications model' and bridging strategies will be increasingly articulated in business discourse with a strategic purpose.

### **Example:**

The classic example is the case of Shell and Brent Spar. Shell's first reaction was one of absolute reluctance, being embedded in the old institutional order of business. Buffering strategies and asymmetrical communication were key concepts, until the reaction not only from strategic stakeholders, but from what was perceived as global opinion (the 'ghost') forced Shell to change its attitude.

### **Summary:**

Obviously, at this stage it is necessity that makes business change its perception of social and environmental considerations. It does so where it pays to do so, taking decisions in a seemingly conscious and rational way, from the conventional business perspective.

Gradually, as it - time after time - proves to be the strategically most profitable practice, a change takes place. Companies place increasing emphasis on the management of their social performance, as they come to recognise the long-term linkage between financial success and social and environmental impacts. Some cases - as Shell and Brent Spar - hit the front pages of newspapers all over the world as well as prime time of global TV networks.

Via a gradual transition next stage is reached – the normative, where the new standard for business conduct becomes good practice.

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<sup>36</sup> Cor Herkströter, *Dealing with contradictory expectations – the dilemmas facing multinationals*, Shell International, conference in Amsterdam 1996, cited in Grolin, 1998.

<sup>37</sup> Grolin, 1998:220.

## 2. The normative stage

As opposed to moral-philosophy's more universal approach my perspective on the concept of normativity is sociological in its understanding of the changing norms of society. So, while the idealistic-normative approach deals with e.g. how such norms are ideally created in a democratic discourse in *the public sphere*, and how an organisation may actually live up to such norms to further *the common good*<sup>38</sup>, I take a more pragmatic-normative approach, based in particular in neo-institutionalism's theories of isomorphy. Isomorphic processes are at the center of institutionalisation. They imply uniformation: organisations within a field tend to imitate each other's way of performing their functions<sup>39</sup>. Norms in this understanding are not substantive, but rather they are cognitive guidance systems, rules of procedure that actors employ to ensure themselves and those around them that their behaviour is reasonable.

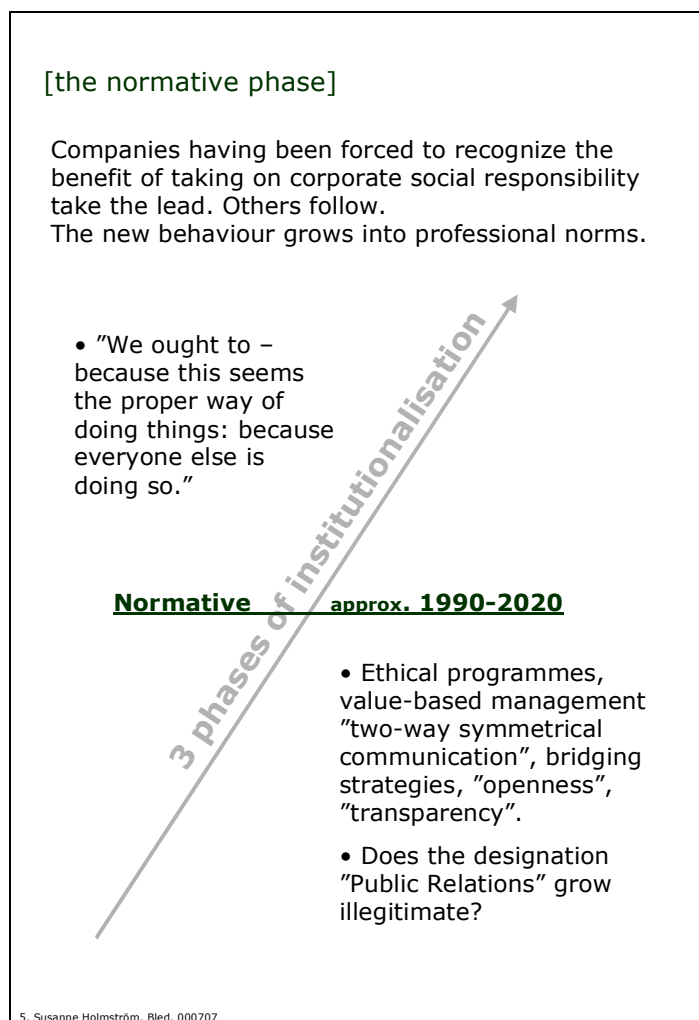


Table 5: The normative phase of the institutionalisation of public relations.

### **Period:**

Europe approx. 1990 -> 2020.

<sup>38</sup> Habermas, 1962/1989. For a discussion related to public relations, Holmström 1996/98, 1997.

<sup>39</sup> Powell & Dimaggio, 1991:63-73.

**Situation:**

In the normative stage institutionalisation is gradually being implemented. Over and over again, the business world has experienced that to ensure legitimacy a change in behaviour is required which takes on an expanded social responsibility. This will be and have been indicated in a long series of case stories projected in the mass media, in practice literature, at conferences in management and public relations, and companies which are being looked up to in the field will be leading the way. These are companies which have been forced to recognize that this change in behaviour actually benefited their legitimacy. Such companies and the case stories developed from their experience become myths which contribute to creating myths about the best way to do business.

For instance, Dow Jones Sustainability Group Index (DJSGI) shows that companies taking the lead, "sustainable companies" – i.e. companies integrating economic aspects with environmental, ethical and social – yield a larger return than more conventionally managed companies.<sup>40</sup>

This spreads as good business practice for other companies to do likewise, but according to neo-institutionalism they are driven more by isomorphic forces than by proofs of efficiency. According to neo-institutionalists Powell and DiMaggio, "Organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful. The ubiquity of certain kinds of structural arrangements can more likely be credited to the universality of mimetic processes than to any concrete evidence that the adopted models enhance efficiency"<sup>41</sup>.

**Corporate approach:**

"*We ought to*" – because that seems the proper way of doing it; because everyone else is doing so.

**Rationality:**

Most companies are not directly forced to change their behaviour – but it will often be necessary in order for them to be understood and accepted. As the normative isomorphism points out, companies will often do so voluntarily (within the limits of institutionalism) because they have come to know that this is the way you act. Therefore, we see action and structures that are not necessarily rationally motivated, but have symbolic or signal values and/or are a result of isomorphism.

As to the basic rationale, from the conventional business paradigm being based unambiguously in a financial rationale, the neo-conventional business paradigm includes social, environmental and ethical considerations. From corporate decision processes being basically founded in the symbolic medium of money, ambiguity seems to be part of the new paradigm, at least in its discursive field. Looking, however, at the arguments for this corporate self-control, after a relatively brief period of more moral-normative nature questioning the rationale of business in the late strategic and early normative stage, the argument behind the sacrifices in the short term increasingly becomes economic gain in the long term.

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<sup>40</sup> [www.sustainability-index.com](http://www.sustainability-index.com), February 2000.

<sup>41</sup> Powell & DiMaggio, 1991:ch. 3.

The increase in financial arguments seems to indicate a neo-conventional business paradigm that will fundamentally be rooted in the same logic as the conventional paradigm. This is in accordance with Luhmann's theories of social systems striving to maintain their boundaries, choosing and adapting information according to their own logic as part of the inherent dynamics of modern welfare societies. The solution to the problems caused by the functional logics closing around their own logic is not to break down these boundaries, since that would lead to dissolution of the functional differentiation and of the dynamics of modern welfare societies. Based on Luhmann's theories, I suggest instead that the economic primateship is not threatened, but rather that social systems in general as a counterweight to the increasing differentiation are learning to include 2<sup>nd</sup> order reflection in their processes.<sup>42</sup> On the surface of business this is reflected in a phenomenon as Public Relations (and ethical programmes, value-based management, corporate social responsibility etcetera), implying that corporate decision processes continue to be fundamentally based in the economic code, but at a 2<sup>nd</sup> order reflective level. As follows from my analysis of the institutionalisation of the new business paradigm, this 2<sup>nd</sup> order reflection will probably be conducted only by some companies taking the lead, whereas the rest will adopt it isomorphically as 1<sup>st</sup> order norms.

### **Reference of legitimacy:**

At this stage, the corporate reference to the new definition of legitimate behaviour grows increasingly internal, and will end up being self-referential, i.e. perceived by business as part of business' own norms – not as something forced upon business from without.

### **The environment:**

In my deontologist, constructivist approach the environment is not an objective entity, but is constructed over and over again by business from what is being perceived as relevant to its prosperity. Three categories are articulated: The public sphere, stakeholders, and mass media.

The public sphere: In the process of institutionalisation we see the corporate environment of market and state being supplemented with an environment based on the idea of 'something' which influences norms and opinions relevant to the company, and which finally represents the overall common perspective necessary as a reference for the self-control characteristic of the new business paradigm. This environment may theoretically be identified as the concept of *the public sphere*<sup>43</sup>, but this sphere is rarely identified; more often corporate discourse articulates relations to mass media, to stakeholders. This may be a reduction of complexity, and it may have structural causes. I will claim, however, that as part of the new business paradigm, to counter-weigh the structural transformations of the differentiated society 'the public sphere' has the essential function of representing the perception of the overall, common perspective serving as the mirror for the reflective public relations practice of the new business paradigm. This idea of an overall

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<sup>42</sup> As pointed out by Luhmann, 2<sup>nd</sup> order reflections are *re-entries* into the system of the system/environment difference (GLU:154). This also applies to 2<sup>nd</sup> order reflection with the economic code having primateship. Via re-entry a social system paradoxically questions whether the economic code is the correct one for its decision processes – but does so from the perspective of the economic code!

<sup>43</sup> See in particular the works of Jürgen Habermas, and the public relations research programme developed on the basis of his theories in particular by Inger Jensen, Roskilde University, incl. Jensen, 2000.

perspective is captured neither by the concept of stakeholder nor by the mass media.

Taking a historical perspective on this process: as the need for a construction of a 'common fate' increases within the differentiated social systems to motivate self-control, so does the differentiation of society, and the construction becomes increasingly illusory. This does not make constructions of the 'public sphere' as an important action-structuring part of corporate environment superfluous. On the contrary, they seem part of the institutionalisation of the new social reality. And, although statements such as "corporations will have to acquire their legitimacy directly from the public by means of some form of public-corporate dialogue"<sup>44</sup> are conspicuous by their absence of a definition of 'the public', they are probably part of the legitimating perception. As such, we may also understand the concept of 'symmetrical two-way communication', one of the mantras of modern public relations practice. Since symmetry between a company and its environment is in fact impossible<sup>45</sup>, it reflects a relationship between business and society which is part of the new business paradigm, and entails actions and structures that – although predominantly of a ceremonial character – serve to impose the level of self-control as well as to produce the level of trust necessary to maintain social order.

Stakeholders: As more manageable constructions of the environment, some form of stakeholder concept will probably grow into a norm. This designation, covering various explicated groups in the corporate environment, indicates corporate acknowledgement of the legitimacy of various interests/stakes in the company to be considered and balanced. For this purpose, however, a reference to 'the public' or to 'society' will often prove necessary.

Mass media: Following globalisation and the increasing complexity of society, the understanding of social reality is increasingly based not on actual knowledge and experience, but on information mediated by the mass media<sup>46</sup>. Social reality increasingly becomes mass mediated, and public opinion is increasingly formed on the basis of this mass mediated social reality. This tends to make media relations a major function of public relations practice<sup>47</sup>. In this way, the emergence of public relations structures is part of corporate reaction to the increasing importance of the mass mediated construction of social reality in the legitimating processes of business. Such structures will predominantly become of a character corresponding to the selection criteria of the mass media. This means that the corporate reaction will not contribute to a substantive 'corporate-public dialogue'.

### **Public Relations:**

Public relations experts are hired in management positions. Public relations is part of the top managerial responsibility. Companies develop principles and strategies for dealing with their public relations. We see a significant growth in the number of public relations consultancies. However, the designation 'Public Relations' is still less frequently used. The reason might be that it has been contaminated with

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<sup>44</sup> Grolin, 1998:220.

<sup>45</sup> Cf Holmström, 1996/1998:147-148. Seitzberg, 1997.

<sup>46</sup> A decisive categorical criteria for mass media is that no interaction takes place between sender and receiver through presence. Luhmann, 1996.

<sup>47</sup> Merten defines the function of public relations as constructing a collective reality. Merten, 1993.

manipulative associations during the 1<sup>st</sup>, strategic stage, associations that make the designation unfit for use at the 2<sup>nd</sup>, normative stage where the environment is decreasingly perceived as the enemy, and where a new and ideally more 'symmetrical' paradigm for managing relations to the environment has become legitimate practice.

### **Method:**

At this stage, concepts such as corporate ethics, value-based management, 'two-way symmetrical communication', bridging strategies etcetera are increasingly on the agenda of professional discourse. Legitimizing efforts become part of companies' identification of their strategic field of action – not as a strategy, but as a norm. We see the growth of ethical programmes - even if some may have a mainly symbolic or signal function; of various social accounting practices - as standardized, legitimating structures; of expert consultancy – but more to signal legitimacy than for advice; of comments to the media, where the cuekey words become "We take full responsibility and shall make sure that immediate action is taken" - often because signalling this attitude and the promise of some kind of action creates trust; of leading companies launching fora for communication with their environment, increasingly on the Internet – and using it as proof of their transparency and responsiveness. The methods vary between symbolic and substantial.

### **Example:**

The 1<sup>st</sup> stage (strategic) has produced innumerable case stories reported in mass media and textbooks, discussed at conferences and analysed by research. They are followed by even more cases in the 2<sup>nd</sup> stage (normative) of the institutionalisation of the new business paradigm. Shell is one of the prominent examples taking the lead and being imitated. In The Shell Report 2000, the following argument is ascribed to the Chairman of the Committee of Managing Directors, Mark Moody-Stuart: "My colleagues and I are totally committed to a business strategy that generates profits while contributing to the well-being for the planet and its people. We see no alternative."<sup>48</sup>

From the corporate environment being perceived as hostile and intervention as improper and unreasonable, the approach apparently changes, as for instance reflected in Shell's request to 'stakeholders and society' year 2000: "We really do want to hear your views [...] Help us learn what we do well and what we can do better."<sup>49</sup> "We would love to hear your comments and opinions on this website, our values, performance and topics raised on these pages."<sup>50</sup> "Our aim is to give you the necessary information to form a view."<sup>51</sup>

### **Summary:**

The normative stage sees the new business paradigm setting new norms for legitimate business behaviour, norms gradually being institutionalised in particular by means of companies' structural imitation of other companies which by experience in the strategic phase have felt forced to change their behaviour and take the lead. However, legitimation by means of structures is only *perceived* to guarantee corporate orientation towards the common good. Structural legitima-

<sup>48</sup> The Shell Report 2000:2.

<sup>49</sup> The Shell Report 2000:51, and [www.shell.com/tellshell](http://www.shell.com/tellshell).

<sup>50</sup> [www.shell.com/tellshell](http://www.shell.com/tellshell) June 2000.

<sup>51</sup> The Shell Report 2000:3.



tion is not legitimation by means of values where the organisation endeavours to do its best to further a collectively defined common good. Values vanish from the legitimation in the process of institutionalisation. They are replaced by symbolic and ceremonial legitimation. In this way, we may see two layers of public relations practice. A 2<sup>nd</sup> order reflective practice, in particular with companies who have been through processes of legitimacy conflicts and have taken the lead in taking on the new understanding of business in society, and a 1<sup>st</sup> order ceremonial practice in particular within companies, who are imitating the legitimating structures of the former.

Public relations as such will probably be most wide spread during the 2<sup>nd</sup>, normative phase, where reflection of the company in the overall common perspective of society becomes an important reference of legitimacy in business' self-regulatory decision processes. The designation, however, may have left legitimate business vocabulary and be practised under other designations.

### **3. The cognitive phase**

Institutionalisation implies that legitimate action grows into routines and taken-for-granted behaviour, based on the pre- and subconscious processes and the scripts and schemas of cognition. In this way, institutionalisation may be understood as reduction of complexity. According to Luhmann, cognition becomes system's reality. It therefore becomes decisive what is forgotten in the system's memory as cognitive schemata and used as the premises upon which future action and decision processes are based.

#### **Time:**

Europe approx. 2010 -> . Today already, we may spot indications of the cognitive phase gradually and slowly changing the processes involved beneath the surface of public relations today, but they are few and far between.

#### **Situation:**

Institutionalisation will be accomplished, and by itself impose the necessary self-control. Neither sanctions, nor morals or 'role models' are at this stage required any longer, for the new business behaviour is simply taken for granted as the natural way of doing business.<sup>52</sup>

A new social 'reality' has been constructed, as has the new order of legitimate business behaviour. Corporate legitimacy is no longer questioned, as the norms for legitimate corporate behaviour have again grown into rigid, cognitive taken-for-granted routines.

From having been experienced as a rational, strategic necessity to ensure resources and a certain field of action the redefined corporate social responsibility grows into unreflected norms for good business behaviour and gradually to cognitive routines which are neither questioned nor reflected.

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<sup>52</sup> "When the social facts are not well established, their transmission is problematic and may well depend on an obligatory, moral response to a specific situation. However, when social facts are well established, the moral character becomes less significant than the cognitive." Zucker, 1991: 106.

At this stage, the motif for the actual and specific management of public relations has vanished: corporate self-control and corporate social responsibility in the new understanding is automatically integrated into corporate routines.

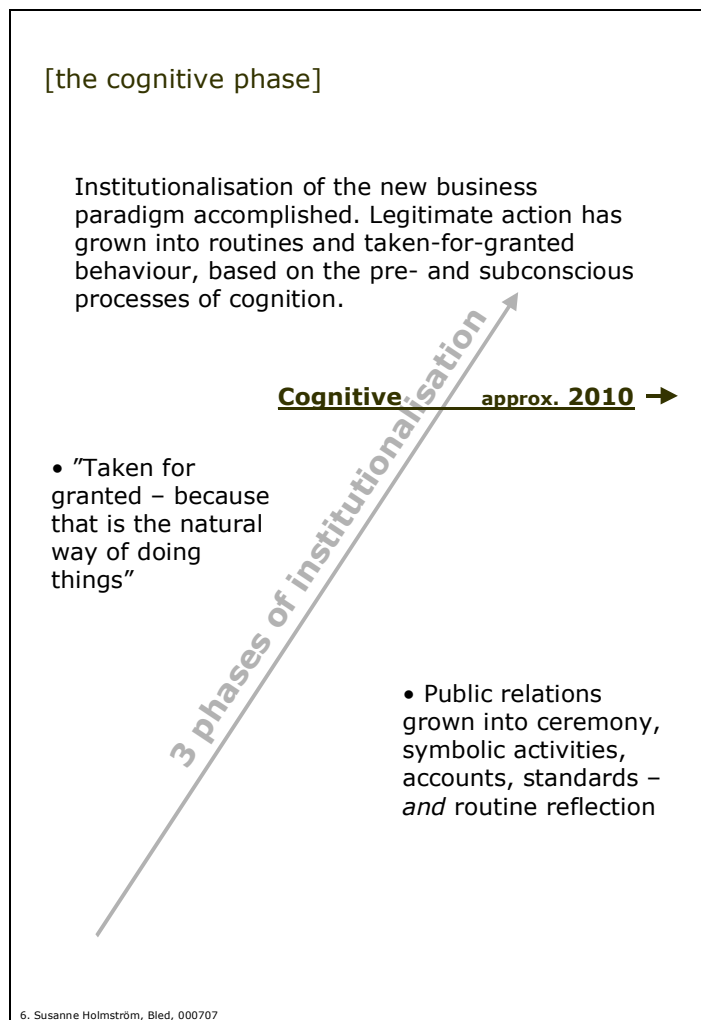


Table 6: The cognitive phase of the institutionalisation of public relations.

However, we may only to a minor degree expect a substantial enactment of the new corporate social responsibility; a major part of the new behaviour will be institutionalised into formal activities and structures of a ceremonial and symbolic character and into standardised accounts.

### Corporate approach:

"This is the way to do it"; it is taken for granted – natural action, and neither the strategic argument of *have to* nor the normative of *ought to* is necessary any longer.

### Rationality:

At this stage, rationality will be completely bounded in the new institutional order. And what has changed is not the basic economic rationale, but rather the condi-

tions for following it<sup>53</sup>. 'Voluntary' self-control has been imposed upon business, mainly by a change in societal discourse – voluntary in so far that it has become a precondition of economic prosperity, and has gradually grown into institutionalised norms of doing business.

### **Reference of legitimacy:**

Self-reference; the norms of legitimacy are institutionalised as part of the natural way of doing business.

### **Environment:**

If we understand public relations as the specific relation between a company and 'the public sphere', according to the structural transformation of society this relation will probably grow from having a more discursive character into a routine reference as the new norms for legitimate business conduct have been settled. We may find a reference to the public sphere at this stage having grown into a permanent part of corporate legitimacy in a ceremonial and symbolic manner.

As the 'need' for an overall perspective seems to increase, the structural development of society goes in the opposite direction, as the differentiation of society is increasing. Globalisation and the Internet do not foster *the* global village – but rather a multitude of global villages and a complexity so immense that it forces a fragmentation to an extent which may make the idea of the overall common perspective represented by 'the public sphere' illusion even more than ever.<sup>54</sup> What causes the problem – the increasing differentiation of society – seems to prevent the solution: unless institutionalisation of a new social reality involving the idea of an overall common perspective will do the 'trick'.<sup>55</sup>

### **Public Relations:**

If we look at the designation 'Public Relations', it will depend on phase 2 as to whether it has proven its sustainability. If so, the designation will automatically live on as part of legitimate corporate vocabulary. My thesis is, however, that Public Relations as an explicit concept and function will be so heavily charged from phase 1 that the designation will be replaced by other designations. This trend seems already to prevail.

Reference to the overall common perspective – whether named 'the public sphere' or 'society' – will probably have grown an integral part of corporate decision processes and of the natural way of doing business, but more often as routines rather than as normative action-structuring activities. However, we may also find highly visible public relations activities of a more ceremonial and symbolic character necessary to signal corporate legitimacy in the new business paradigm.

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<sup>53</sup> In this respect, I agree with Bob Jessop, who is "sensitive to the possibility of greater continuities in economic and social politics, institutions, and welfare regimes than might be suggested if one paid attention only to the discursive field". Jessop, 1997:4.

<sup>54</sup> Jepsen predicts the increasing fragmentation resulting from the Internet: "In a near future we may all choose exactly the information we want. If you believe that Earth is visited by aliens from other planets, you just join the right ideological 'village' at the internet where everyone shares your understanding of this subject. In this globally extended village you will find an abundant supply of articles, books and films. In this way you can completely avoid media offers which do not correspond to your attitude". Jepsen, 2000.

<sup>55</sup> In his later works Habermas presents us with analyses opening up for corporate reflection in the public sphere – indicating interesting perspectives for public relations research. These analyses are not included in this paper. Instead I refer to Jensen, 2000.

The social processes involved in the institutionalisation of a new business paradigm give us some indication of the future development of public relations, but – their complexity considered – they do not show us *one* unambiguous direction. I shall suggest three scenarios below.

<b>Phase</b>	<b>0</b>	<b>I</b>	<b>II</b>	<b>III</b>
<b>Process</b>	<b>Cognitive-&gt;</b>	<b>Strategic-&gt;</b>	<b>Normative-&gt;</b>	<b>Cognitive-&gt;</b>
<b>Business Paradigm</b>	<b>Conventional business paradigm</b>	<b>Business paradigm being questioned</b>	<b>Neo-conventional b.p. being institutionalised</b>	<b>Neo-conventional business paradigm</b>
<b>Approximate period in Europe</b>	-> 1990	1970-2010	1990-2020	2010->
<b>Corporate approach</b>	Taken for granted – the natural way	Must do – to ensure resources	Should do – to live up to norms	Taken for granted – the natural way
<b>Character of legitimacy conflicts</b>	Rare and situational	Frequent and principal	Less frequently principal, increasingly ceremonial	Rare and situational
<b>Reference of legitimacy</b>	Internal	External	Ex->internal	Internal
<b>Environment</b>	Market/state	+ stakeholders	+ public sphere	Holistic environment
<b>Public Relations</b>	None	Expressive	Reflection and isomorphic ceremony	3 scenarios, based on ceremony and/or reflection
<b>Methods</b>	Publicity (market relations), lobbyism (political relations)	Asymmetrical comm., buffer strategy – issues management, crisis communication	'Symmetrical comm.', 'bridging strategy'	Ceremony, symbolic activities, accounts, standards – <i>and</i> routine reflection

Table 7: Main criteria relevant to understanding public relations in the stages of institutionalisation.<sup>56</sup>

<sup>56</sup> You may draw parallels to the two latter stages of legitimation essential to public relations identified by Antonsen & Jensen, 1992. *Conventional* refers to my stages 0 and I, and *postconventional* to my phase II.

**Method:**

Quantitative, symbolic communication signals 'symmetrical two-way communication' but is in effect predominantly ceremonial. The multitude of corporate Internet fora signals 'transparency' and 'openness'. Departments (such as for instance Sustainable Development Departments), titles (such as Impact on Society Manager), social, environmental etc. accounts are as formal structures part of the new institutional order of corporate conduct.

**Summary:**

Business behaviour is now institutionalised into common cognitive schemas which appear to be objective and exterior structures defining social reality. The capacity of corporate (as well as individual) agents is relieved by routine reactions to avoid continuously having to reflect upon what is right and what is wrong<sup>57</sup>.

## V THREE SCENARIOS FOR PUBLIC RELATIONS?

The process of institutionalisation analysed above indicates the transition from a conventional business paradigm to another – a neo-conventional business paradigm –, a transition following the structural changes of society. In an increasingly differentiated and complex society, the conventional regulatory mechanisms of business in society seem to grow obsolete and insufficient. I have suggested that, as a supplement, corporate self-regulation based on the company's reflection of itself in society is institutionalised as the foundation of this new business paradigm. After a period first of conflict where the changing understanding of business in society clashes with the conventional understanding in business, the new business paradigm diffuses and becomes the prevailing norm, and finally is not questioned, but taken for granted as the conventional way of doing business: The neo-conventional business paradigm has become constructed as social reality. This business paradigm rests on different societal structures than did the previous; structures being captured with concepts such as complexity, globalisation, risk society<sup>58</sup>, mass media or virtual reality, fragmentation etc.

The social processes involved give us some indication of the future development of public relations, but – their complexity considered – they do not show us *one* unambiguous direction. Rather, we may identify two very different scenarios; on the one hand a *reflective* public relations paradigm, and on the other a *ceremonial* public relations paradigm. I suggest, however, a *third scenario* where the social processes inherent in the new business paradigm may lead to a combination of the reflective and the ceremonial paradigms. Also, I suggest that we may find all three paradigms in the future practice of public relations, depending on the type of company, on its specific history, character and scope, and that we may find an interrelation between the paradigms.

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<sup>57</sup> In Habermasian theory, we may see a parallel to the lifeworld's demanding communicative action relieving itself in the system's more efficient goal-oriented action; however, in a Luhmannian and in a neo-institutionalist approach, all human action is being based in system's reality or institutions respectively.

<sup>58</sup> - where I recommend Luhmann's analysis in *Risk: A Sociological Theory*, 1991/1993.

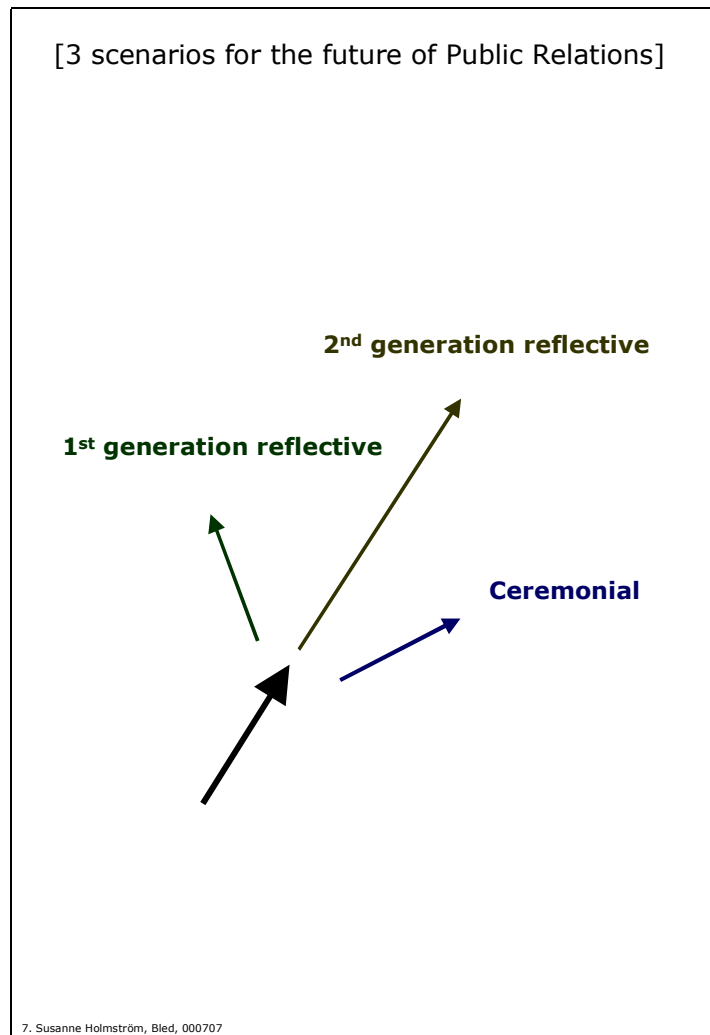


Table 8: Three scenarios for public relations.

### **1. The 1<sup>st</sup> generation reflective scenario**

In the legitimating processes we are now observing, the core demand on business may be identified as *reflection* (cf page 15); i.e. a corporate understanding of business and of the individual company respectively as a responsible part of society, therefore taking social, environmental and ethical considerations based on the reflection of itself in society. This is precisely where we may find a task for public relations, in a practice involving communicative intentionality, competence and resources in order to continuously include reflection of the corporate social identity in corporate decision processes.

For the reflective scenario to be substantive, public relations will be an integral part of top managerial functions, and a natural part of boardroom considerations. In this scenario, public relations may not be visible as a specific function or as a specific profession, however the impact will be more far-reaching than in the scenarios outlined below, since it entails a continuous reference to society in corporate decision processes.

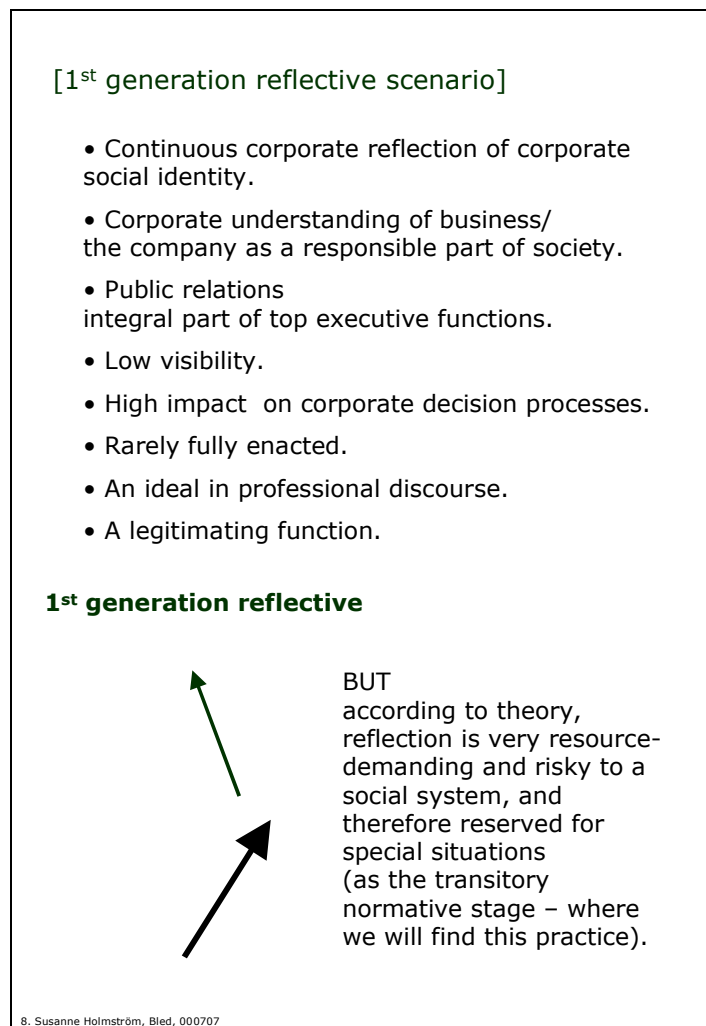


Table 9: The 1<sup>st</sup> generation reflective scenario.

Reflection is, however, a very demanding process, and the social processes analysed by Luhmann as well as by neo-institutionalism indicate inherent dynamics impeding institutionalisation of the pure version of this scenario. Luhmann stresses that reflection is not easy for a social system: it endangers system boundaries and strains its processing capacity. Also, system's processing will strive to transform the resource-demanding reflective considerations into cognitive non-reflective schemas. Correspondingly, neo-institutionalism indicates that a reflective practice provoked in some companies and sectors will grow into non-reflective norms, and will be adopted by other companies and sectors isomorphically even without their passing through the reflective stage. Eventually they will end up as more easily manageable routines. These routines will often have a ceremonial character rather than a reflective one, and a symbolic one more than a substantive one.

However, we may see this reflective scenario as the ideal in professional discourse, and although it may rarely be fully enacted, as an ideal it will have a legitimating function, not only as an expressive image towards the environment of the public relations profession, but also as an image in which public relations prac-

tice may constantly reflect itself. In this way the reflective scenario will continuously have an impact even on a practice which may not be able to live up to the analytic characteristics of the ideal-type reflective scenario.

## **2. The ceremonial scenario**

As indicated above, inherent social processes will impede the reflective scenario from becoming fully institutionalised as the public relations practice of the future. As an alternative, opposite scenario I suggest the *ceremonial* public relations scenario. This is partly because the fragmentation of society seems to further symbolic and ceremonial activities within public relations at the expense of a substantive 'corporate-public dialogue', and partly because of the urge to reduce complexity and relieve corporate decision processes characteristic of the process of institutionalisation. In this process, values vanish from legitimation, and ceremonial legitimation becomes predominant. Legitimacy is derived from post hoc accounts or symbolic signals, and practice rests in often highly elaborate formal structures<sup>59</sup> without necessarily any evidence of either efficiency or reflection.

Accordingly, in this scenario, public relations practice will concentrate on symbolic and ceremonial activities which are by themselves legitimating, instead of substantive considerations securing legitimacy. Public relations activities – such as interactive Internet sites, ethical accounts, extensive public relations departments, the hiring of prominent public relations experts, press conferences and frequent press comments by well-coached executives or spokespersons, a professional discourse including concepts such as 'symmetrical two-way communication', 'dialogue with society' etcetera - may not add to the efficiency of business or of a particular company, but rather they are necessary as part of a ceremony that signals legitimacy.

Typical of this scenario will be social, environmental and ethical accounts *instead of* substantive considerations on the social, environmental and ethical impact of corporate conduct. Also, elaborate, functionally oriented models will be 'proofs' of efficiency without actually proving efficiency. A wide range of activities labelled 'symmetrical two-way communication' are in effect one-way information. The structural coupling mechanisms to the mass media will be subtly refined in order to respond to the specific selection criteria of mass media – such as conflict, scandal, actuality, personification, quantity etc<sup>60</sup> - involving for instance staged events, coaching of spokespersons, etcetera. The complexity of business' (as well as of other functional systems') strains on society accordingly will tend to be transformed into rhetorical instead of substantive legitimacy, production of self-images without substantive contents. To conclude, if public relations is living up to the selection criteria of mass media the profession will breed more expressive and symbolic than reflective and substantive features.

Although we, within this scenario, may see large public relations departments, and although we may see public relations executives in top management, such structures will have a more symbolic than substantive character. Public relations activities will have an expressive, not a reflective function.

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<sup>59</sup> Cf Scott & Meyer:5.

<sup>60</sup> Cf Luhmann, 1996: 58-75.



Therefore, the extensive visibility of public relations practice in this scenario will be inversely proportional to its substantive impact on corporate considerations.

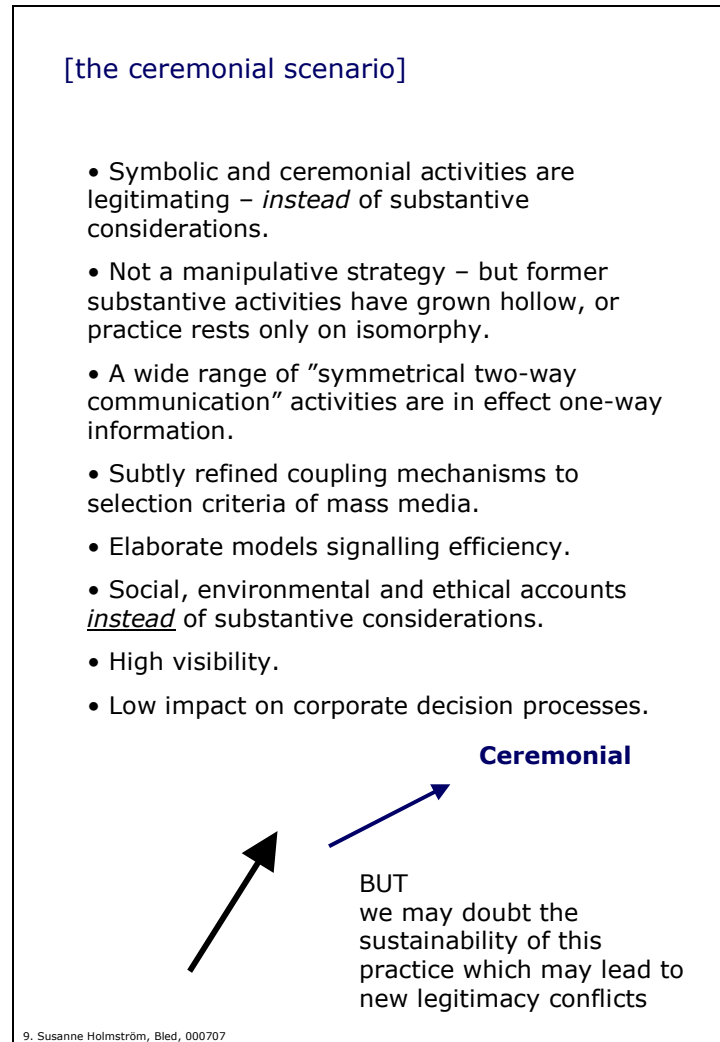


Table 10: The ceremonial scenario.

Within this scenario, I do *not* suggest a manipulative strategy since practice will be rooted in the corporate self-understanding of the new business paradigm where corporate social responsibility is natural. I rather suggest that *either* former substantive activities have grown hollow, *or* that we shall find the ceremonial scenario in practices which rest solely upon isomorphy without initially having been provoked into reflective strategies.

We may doubt the sustainability of this scenario, which may lead to new legitimacy conflicts. Although ceremony and symbols may have a legitimating and trust-generating effect for a time, if they are revealed as ceremony and symbols only with no substance in corporate considerations, they will, instead, generate mistrust. Also, the theories on the social processes I have applied to uncover public relations open up for a more subtle interpretation of cognitive processes, and lead me to suggest a third way.

### **3. The 2<sup>nd</sup> generation reflective scenario**

The 1<sup>st</sup> generation reflective practice will, in its pure form, be very resource demanding, and may in particular be required in the phases of institutionalisation where new norms for the relationship between business and society are being negotiated and established. The ceremonial practice in its pure form will hollow the legitimating power of the new business paradigm. Therefore, I reject either scenarios for the mainstream public relations practice of the future.

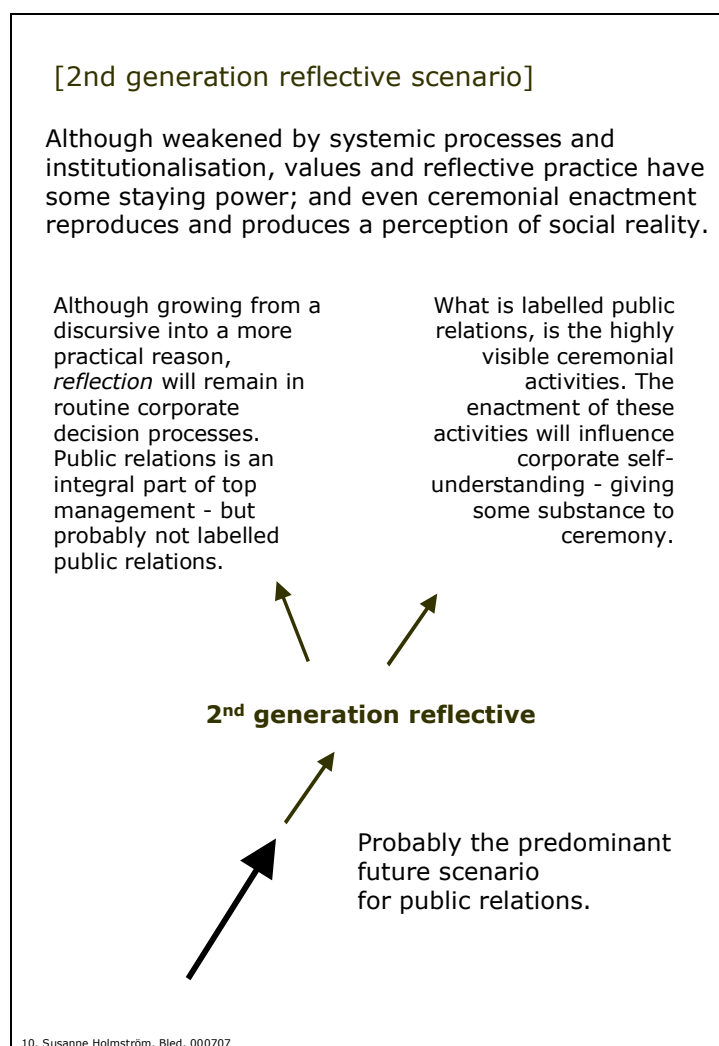


Table 11: The 2<sup>nd</sup> generation reflective scenario.

Instead, I suggest a middle course as the predominant scenario. This is not to take the easy way out, but because my inclination is supported by my theoretical framework as well as by my empirical observations<sup>61</sup>. Although being weakened by Luhmann's systemic processes as well as by the forces of institutionalisation,

<sup>61</sup> These observations so far only have a common sense character, and as yet have not been made subject to scientific observation methods.

values and reflective practice have some staying power, and even ceremonial enactment reproduces and produces a perception of social reality<sup>62</sup>.

This means *on the one hand* that reflection, although growing from a discursive into a more practical reason, will remain as part of the routine processes of corporate decisions. And *on the other hand* this means that the enactment of ceremonial activities signalling reflective corporate considerations will influence corporate self-understanding, giving some substance to ceremony.

This may generate the self-control and the signals of legitimacy necessary to create the trust required by the neo-conventional business paradigm to secure interaction in the increasingly differentiated society.

In this scenario, I see public relations *partly* as a natural and taken-for-granted element of the decision processes with top management – probably not labelled public relations; and *partly* as the more symbolic activities, where reflection has grown into ceremony – and this is what may be labelled public relations, provided the designation as such will at all still exist.

## VI REFLECTIONS: THE DECISIVE STAGE

Institutionalisation of a new business paradigm based on increasing self-control supplementing the exterior control by state and market is a long process, the stages of which are parallelly displaced in various fields of business, various regions etc. So, today, we have all three stages of the institutionalisation process – strategic, normative and cognitive – in action<sup>63</sup>, with a concentration on the transition from strategic to normative, and on the early normative. I suggest that we are now in the crucial period, where the norms for a new business paradigm and for public relations practice are assuming their final form.

I have three main points as to the benefit of insight into these processes of institutionalisation beneath public relations:

- That it will improve scientific analysis to recognise these processes. Far too often public relations theory seems to remain at the surface of the social phenomena involved, which means taking them for granted instead of uncovering the complex social processes involved.
- That analysing the processes involved in institutionalisation shows that we are now in the crucial period, where the norms for a new business paradigm, and for public relations conduct are finding their shape. Consequently, the next decade - or less - will be decisive to the institutionalisation of public relations.

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<sup>62</sup> Cf Luhmann, 1997:798-801.

<sup>63</sup> See for instance McIntosh et al, 1998, recommending *Corporate Citizenship*. When analyzing the text in this book, the approaches of all three stages are involved without being explicitly acknowledged: the 'you have to' argument, the 'you ought to' argument and the 'because that is the way things are' argument.

- My final point is a synthesis of the two former points: That scientific insight may benefit the institutionalisation of public relations and add more conscious reflection to this decisive stage we are in.

I am not insensitive to the issues *neglected* in this paper: The issues of power, interest and intentionality. However, to analyse these issues has not been the objective, and neither of these themes are the focus of systems theory or neo-institutionalism. Rather, these theories help us understand how the institutionalisation of norms in society, i.e. of social reality, seems to take place 'behind our backs', and to understand our 'blind spots' – taken-for-granted, pre- or subconscious understandings of how this world functions.

Clearly, the managing of public relations plays an important role in the processes of institutionalisation of a new business paradigm, by representing the particular interest, and by having the power which by far outgrows any other power in today's society; the power of influencing the definition of social reality.

Therefore, whether from sociology's descriptive, moral-philosophy's normative or organisational theory's often functional perspective, it would be a natural continuation of research to look into the positions of power and interest influencing the processes of institutionalisation beneath the surface of public relations outlined in this paper.

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